

**MONADELPHOUS GROUP LIMITED**

**A.B.N. 28 008 988 547**

**INTERIM FINANCIAL REPORT**

**HALF-YEAR ENDED 31 DECEMBER 2005**

**MONADELPHOUS GROUP LIMITED**  
**A.B.N. 28 008 988 547**  
**CORPORATE DIRECTORY**

**Directors**

Calogero Giovanni Battista Rubino  
Chairman

Robert Velletri  
Managing Director

Irwin Tollman  
Non-Executive Director

Peter John Dempsey  
Non-Executive Director

**Company Secretary**

Charles Roland Giles Everist

**Principal Registered Office in Australia**

1- 4 Sleat Road  
Applecross  
Western Australia 6153  
Telephone: 08 9316 1255  
Facsimile: 08 9316 1950  
Website: [www.monadel.com.au](http://www.monadel.com.au)

**Postal Address**

PO Box 365  
Applecross  
Western Australia 6953

**Share Registry**

Computershare Registry Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St George's Terrace  
Perth  
Western Australia 6000  
Telephone: 08 9323 2000  
Facsimile: 08 9323 2033

**Solicitors**

Freehills  
QV1 Building  
250 St George's Terrace  
Perth  
Western Australia 6000

Mallesons Stephen Jaques  
Central Park  
152 St George's Terrace  
Perth  
Western Australia 6000

**Bankers**

National Australia Bank Limited  
50 St George's Terrace  
Perth  
Western Australia 6000

**ASX Code**

MND – Fully Paid Ordinary Shares

**Auditors**

Ernst & Young  
The Ernst & Young Building  
11 Mounts Bay Road  
Perth  
Western Australia 6000

**Controlled Entities**

Monadelphous Engineering Associates Pty Ltd  
Monadelphous Engineering Pty Ltd  
Skystar Airport Services Pty Ltd  
Monadelphous Properties Pty Ltd  
Monadelphous Workforce Pty Ltd  
Genco Pty Ltd  
MBF Workforce Pty Ltd  
MI & E Holdings Pty Ltd  
MIE – PNG  
Skystar Airport Services Holdings Pty Ltd  
Skystar Airport Services NZ Pty Ltd

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Your directors submit their report for the half-year ended 31 December 2005.

## **DIRECTORS**

The names and details of the directors of the company in office during the half-year and until the date of this report are:-

Calogero Giovanni Battista Rubino	<i>Chairman</i> Appointed as Director 18 January 1991 Resigned as Managing Director on 30 May 2003 and continued as Chairman 39 years experience in the construction and engineering services industry
Robert Velletri	<i>Managing Director</i> Appointed 26 August 1992 Mechanical Engineer, Corporate Member of the Institution of Engineers Australia Appointed as Managing Director on 30 May 2003 26 years experience in the construction and engineering services industry
Irwin Tollman	<i>Non-Executive Director</i> Appointed 26 August 1992 Chartered Accountant, Member Institute of Chartered Accountants in Australia 14 years experience in the construction and engineering services industry Retired as Executive Director on 25 July 2003 and continued as a Non-Executive Director
Peter John Dempsey	<i>Non-Executive Director</i> Appointed 30 May 2003 Civil Engineer, Fellow of the Institution of Engineers Australia 32 years experience in the construction industry

No director has held a directorship of any other public company for the past three years.

## **COMPANY SECRETARY**

Charles Roland Giles Everist	<i>Company Secretary and Chief Financial Officer</i> Chartered Accountant, Member Institute of Chartered Accountants in England and Wales 11 years experience in the resources, construction and engineering services industries
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## **NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES**

### **Engineering Construction**

Providing larger-scale multi-disciplinary project management and construction services, including:

- Structural, mechanical, tankage and piping construction
- Design and construct

### **Maintenance and Industrial Services**

Providing comprehensive, single-source support services to operating facilities, including:

- Maintenance of above and below ground mining and mineral processing facilities and mobile plant
- Maintenance of oil and gas production and processing facilities
- Shutdown planning, management and execution
- Specialist instrumentation and electrical services
- Specialist concrete and structural repairs
- Mill reline services
- Labour and equipment hire
- Airport ground handling services

The Monadelphous Group operates from major offices in Perth and Brisbane with a network of regional offices and workshop facilities in Kalgoorlie, Darwin, Gove, Roxby Downs, Gladstone, Mt Isa and Muswellbrook.

The consolidated entity's revenue is earned predominantly from the mining and resources sector.

## **OPERATING RESULTS**

The consolidated entity's profit after providing for income tax for the half-year was \$12.455 million (2004: \$7.994 million).

## **DIVIDENDS PAID OR PROPOSED**

A 9.0 cent fully franked interim dividend has been approved by the directors payable on 17 March 2006 (2004: 5.2 cent interim dividend and 5.0 cent special dividend). A final fully franked dividend of \$7.190 million was paid during the period in respect of the financial year ended 30 June 2005.

## **REVIEW OF OPERATIONS**

	<b>Consolidated 2005 \$'000</b>	<b>Consolidated 2004 \$'000</b>
Revenue from services	243,456	199,512
Profit after taxation	<u>12,455</u>	<u>7,994</u>

Monadelphous Group Limited's financial performance continued its strong growth trend for the six-month period ended 31 December, 2005 with another record after tax profit of \$12.5 million, an increase of 56% on the previous corresponding period. Sales revenue for the interim reporting period was \$243.5 million, up 22%. Earnings before interest, tax, depreciation and amortisation was \$20.8 million, up 53%. Earnings per share increased 53% to 15.6 cents per share.

The Board has declared an interim dividend of 9 cents per share fully franked, an increase of 71% over the previous corresponding period. The Board has also reaffirmed the company's intention of paying a special dividend together with the September final dividends for both the 2005/06 and 2006/07 financial years.

The company has continued to capitalise on its leading competitive position in an ongoing buoyant resources sector with all projects and operations delivering solid operational performance. Improving revenues and margins have delivered a strong operating profit result, with cash flow from operating activities a record \$37.1 million (compared to \$15.6 million for the previous corresponding period).

Current high workload levels, with over \$200 million worth of new major contracts won since December 2005, together with positive prospects for further major contract wins in the immediate to short term, provide a confident outlook for continued growth. Revenues are expected to reach \$500 million for the full year. Margins should continue to improve from the favourable market conditions and increasing economies of scale.

Skilled labour shortages continue to restrain capacity growth and strategies to attract, recruit and retain the right people continued to receive a high level of attention from management. Recruitment campaigns for professional engineering personnel were conducted during the period in the UK, Canada and South Africa, with further overseas recruitment activities to be undertaken on an ongoing basis.

### **Engineering Construction**

The Engineering Construction division recorded interim revenues of \$130.6 million almost matching the exceptional six-month revenues recorded in the first half of the previous financial year (\$131.6 million).

Highlights for the period included substantial successful progress of major contracts including:

- The expansion of iron ore stockyards associated with Rio Tinto Iron Ore's Dampier Port Upgrade project in Western Australia;
- Construction of the Sulphuric Acid Plant associated with BHP Billiton's Ravensthorpe Nickel Project in Western Australia;
- Extension of stockpile capacity at the BHP Billiton Mitsubishi Alliance (BMA) Hay Point Coal Terminal at Mackay in Queensland;
- Major expansion of iron ore facilities associated with BHP Billiton's Rapid Growth Project 2 (RGP2) at the Nelson Point and Finucane Island port facilities at Port Hedland in Western Australia.

New major contracts secured during and subsequent to the reporting period continued to provide momentum for further revenue growth in the second half. Around \$200 million of new engineering construction contracts have been secured by the division since December 2005, including:

- Structural and mechanical construction works associated with the expansion of iron ore facilities at Rio Tinto Iron Ore's Yandicoogina mine in Western Australia;
- Structural, mechanical and electrical works for the Yabulu Nickel Extension Project at BHP Billiton's Yabulu Nickel Refinery at Townsville in Queensland; and
- Structural and mechanical construction works for Rio Tinto Iron Ore's Dampier Port Upgrade Phase B project in Western Australia.

Iron ore expansions in Western Australia continued to provide major opportunities for the division during the period with activity in the sector forecast to continue strongly for the next few years.

During the period, the division's management structure was bolstered and a separate business unit established to expand engineering construction services further into industrial sectors not tied to minerals commodity prices. The new unit will target the oil and gas sector and the infrastructure market areas of power and water. The restructure will increase the capacity of the division for further growth, as well as developing a broader revenue base for continued long-term growth.

### **Maintenance and Industrial Services**

Sales revenue from the Maintenance and Industrial Services division increased a healthy 66% to \$112.8 million, reflecting full period revenues from maintenance contracts secured in the previous financial year in the rapidly growing Queensland market, together with increased level of recurring business across all other operations.

Following its acquisition in May 2005, Queensland specialist instrumentation and electrical services company MIE (Murray Instrumentation and Electrical) has been successfully bedded down and delivered a solid six-month performance. Its sales revenue contribution for the period totalled \$10.8 million.

The division also continued to win long-term maintenance contracts with the award of a two-year major contract for ongoing structural refurbishment works at Rio Tinto Iron Ore's Tom Price mine in Western Australia.

The company's subsidiary Skystar Airport Services ground handling business is continuing to grow and is on track to achieve a more than doubling of revenue to \$15 million for the full year. With new contracts won with Singapore Airlines in Perth and Brisbane, Qantas Airlines in Kalgoorlie, WA and the establishment of operations in New Zealand servicing Jetstar at Christchurch airport, Skystar's annualised revenues have now grown to around \$20 million per annum. There is considerable opportunity for sustained growth in the Australian and New Zealand markets.

### **Health and Safety**

The company continued to drive improvements in the all important area of health and safety performance, with over 30% reduction in the total case injury frequency rate over the previous corresponding period.

In January 2006, the Engineering Construction division also extended its lost time injury free record to two million manhours, a terrific achievement.

In a tight labour market, much of the focus has been on customised supervisory and workforce competency training, as well as the ongoing development of improved management systems and behavioural programs.

### **Outlook**

Second half performance is expected to at least match the first half, with full year revenues forecast to reach \$500 million.

High levels of capital expenditure on plant and equipment are also expected to continue in line with the increasing workload.

Resource constraints will continue to limit capacity and provide the greatest challenge in the current business environment.

Record levels of resource development activities continue to drive demand with a strong pipeline of projects in Western Australia and Queensland providing numerous opportunities for both the Engineering Construction and Maintenance and Industrial Services divisions.

The outlook is forecast to remain positive for two to three years.

Looking forward, the company's number one challenge is to take full advantage of the current market conditions whilst at the same time protecting against a future downturn in the commodity markets. Maximising our core business in parallel with establishing a broader and diversified revenue base for sustained growth are therefore key strategies for long-term success. The company is accelerating its efforts in this regard, driving organic growth into less established markets, as well as pursuing value-adding acquisitions aimed at achieving these strategic objectives.

**INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE**

As at the date of this report the interests of the directors in the shares and options of the company and related bodies corporate were:-

	<b>Monadelphous Group Limited</b>	
	<b>Ordinary Shares</b>	<b>Options</b>
C G B Rubino	8,004,000	Nil
R Velletri	1,800,000	600,000
I Tollman	756,152	Nil
P J Dempsey	58,000	Nil

**SIGNIFICANT CHANGES**

There have been no significant changes in the state of affairs of the parent entity or the consolidated entity during the half-year.

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

The auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half-year ended 31 December 2005.

**ROUNDING**

The amounts contained in this report and the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



C G B Rubino  
Chairman  
Perth, 20 February 2006

■ The Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000  
Australia

■ Tel 61 8 9429 2222  
Fax 61 8 9429 2436

GPO Box M939  
Perth WA 6843

### **Auditor's Independence Declaration to the Directors of Monadelphous Group Limited**

In relation to our review of the financial report of Monadelphous Group Limited for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



G H Meyerowitz  
Partner  
Perth

20 February 2006

## **Independent review report to members of Monadelphous Group Limited**

### **Scope**

#### *The financial report and directors' responsibility*

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Monadelphous Group Ltd and the entities it controlled during the half-year, and the directors' declaration for the company, for the period ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review approach*

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

## Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Monadelphous Group Ltd and the entities it controlled during the half-year is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



G H Meyerowitz  
Partner  
Perth

20 February 2006

**DIRECTORS DECLARATION**

In accordance with a resolution of the Directors of Monadelphous Group Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
  - (i) give a true and fair view of the financial position as at 31 December 2005 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



C. G. B. Rubino  
Chairman  
Perth, 20 February 2006

**CONDENSED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	Notes	Consolidated Half-year ended 31 December 2005 \$'000	Consolidated Half-year ended 31 December 2004 \$'000
<b>REVENUE</b>	2	244,428	200,094
Cost of services rendered		(220,712)	(184,046)
<b>GROSS PROFIT</b>		23,716	16,048
Other income	2	1,278	993
Business development and tender costs		(2,080)	(1,354)
Occupancy costs		(356)	(342)
Administrative costs		(5,217)	(4,035)
Share of net profits of joint ventures accounted for using the equity method		1,081	469
<b>PROFIT BEFORE INCOME TAX AND FINANCE COSTS</b>		18,422	11,779
Finance costs		(613)	(387)
<b>PROFIT BEFORE INCOME TAX</b>		17,809	11,392
Income tax expense		(5,354)	(3,398)
<b>PROFIT AFTER TAX</b>		<b>12,455</b>	<b>7,994</b>
<b>NET PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED</b>		<b>12,455</b>	<b>7,994</b>
Basic earnings per share for the half-year (cents per share)		15.6	10.2
Diluted earnings per share for the half-year (cents per share)		15.1	10.0
Franked interim dividend per share (cents per share)		9.0	5.2
Franked special dividend per share (cents per share)		-	5.0

CONDENSED BALANCE SHEET  
AS AT 31 DECEMBER 2005

	Note	Consolidated as at 31/12/2005 \$'000	Consolidated as at 30/6/2005 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		47,515	22,237
Trade and other receivables		60,858	51,283
Inventories		9,414	4,771
Other		153	118
<b>Total current assets</b>		<u>117,940</u>	<u>78,409</u>
<b>Non-current assets</b>			
Property, plant and equipment		39,081	31,940
Deferred tax assets		5,747	4,563
Investments accounted for using the equity method		385	341
Goodwill		2,311	2,311
<b>Total non-current assets</b>		<u>47,524</u>	<u>39,155</u>
<b>TOTAL ASSETS</b>		<u>165,464</u>	<u>117,564</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		68,982	35,372
Interest bearing loans and borrowings		6,849	5,717
Income tax payable		4,948	3,517
Provisions		15,100	13,158
<b>Total current liabilities</b>		<u>95,879</u>	<u>57,764</u>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings		15,983	11,805
Provisions		1,463	1,202
Deferred tax liabilities		514	622
<b>Total non-current liabilities</b>		<u>17,960</u>	<u>13,629</u>
<b>TOTAL LIABILITIES</b>		<u>113,839</u>	<u>71,393</u>
<b>NET ASSETS</b>		<u>51,625</u>	<u>46,171</u>
<b>EQUITY</b>			
Issued capital		20,303	20,303
Reserves		1,579	1,390
Retained earnings		29,743	24,478
<b>TOTAL EQUITY</b>		<u>51,625</u>	<u>46,171</u>

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

*Attributable to equity holders*

Consolidated	<b>Issued Capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Total \$'000</b>
At 1 July 2004	18,304	1,188	19,656	39,148
Currency translation differences	-	-	-	-
Total income and expense for the period recognised directly in equity	-	-	-	-
Profit for the period	-	-	7,994	7,994
Cost of share-based payment	-	8	-	8
Issue of share capital	127	-	-	127
Equity dividends	-	-	(3,721)	(3,721)
At 31 December 2004	18,431	1,196	23,929	43,556

*Attributable to equity holders*

Consolidated	<b>Issued Capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Total \$'000</b>
At 1 July 2005	20,303	1,390	24,478	46,171
Currency translation differences	-	(27)	-	(27)
Total income and expense for the period recognised directly in equity	-	(27)	-	(27)
Profit for the period	-	-	12,455	12,455
Cost of share-based payment	-	216	-	216
Equity dividends	-	-	(7,190)	(7,190)
At 31 December 2005	20,303	1,579	29,743	51,625

**CONDENSED CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	<b>Consolidated Half-year ended 31 December 2005 \$'000s</b>	<b>Consolidated Half-year ended 31 December 2004 \$'000s</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	248,469	198,852
Payments to suppliers and employees	(191,616)	(171,598)
Income tax paid	(5,215)	(2,925)
Other income	239	101
Interest received	972	582
Borrowing costs	(613)	(387)
Goods and Services Tax paid	(15,157)	(8,979)
	<hr/>	<hr/>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>37,079</b>	<b>15,646</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of non-current assets	1,298	1,723
Purchase of property, plant and equipment	(2,058)	(1,870)
Payment for controlled entities	(455)	-
	<hr/>	<hr/>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(1,215)</b>	<b>(147)</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(7,190)	(3,721)
Proceeds on issue of shares/options	-	127
Repayment of borrowings	(44)	(41)
Payment of finance leases	(3,343)	(2,129)
	<hr/>	<hr/>
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(10,577)</b>	<b>(5,764)</b>
	<hr/>	<hr/>
<b>NET INCREASE IN CASH HELD</b>		
Opening cash and cash equivalents brought forward	22,237	15,864
Net foreign exchange difference	(9)	-
	<hr/>	<hr/>
<b>CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>47,515</b>	<b>25,599</b>
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**1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Monadelphous Group Limited as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

It is also recommended that the half-year financial report be considered together with any public announcements made by Monadelphous Group Limited and its controlled entities during the half-year ended 31 December 2005, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**a) Basis of accounting**

The half-year financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134: 'Interim Financial Reporting' and other mandatory professional reporting requirements.

The half-year financial report has been prepared in accordance with the historical cost basis except for financial instruments which are stated at their fair value. The half-year financial report is presented in Australian Dollars.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

**b) Statement of Compliance**

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with the International Financial Reporting Standard AASB 134 ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with IAS 34 "Interim Financial Reporting".

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly.

Reconciliations of:

- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half-year 31 December 2004 and full year 30 June 2005, to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1(z) below.

From 1 July 2005, Monadelphous Group Limited and its subsidiaries elected to take the exemption under AASB 1 "First Time Adoptions of AIFRS" to apply AASB 139 "Financial Instruments: Recognition and Measurement" and AASB 132 "Financial Instruments: Disclosure and Presentation" from 1 July 2005. Accordingly, comparatives have not been restated. For information on previous accounting policies refer to the 2005 Full Financial Report prepared under previous AGAAP.

**c) Basis of consolidation**

**(i) Subsidiaries**

The consolidated financial statements comprise the financial statements of Monadelphous Group Limited and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, income and expenses and profit and losses arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Monadelphous Group Limited has control.

**d) Joint ventures**

Interests in joint venture entities are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

**e) Foreign currency translation**

Both the functional and presentation currencies of Monadelphous Group Limited, its Australian subsidiaries and its Papua New Guinea subsidiary (MIE-PNG) are Australian dollars (A\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the New Zealand subsidiary (Skystar Airport Services NZ Pty Ltd) is New Zealand dollars (NZ\$).

**MONADELPHOUS GROUP LIMITED**  
**AND CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL STATEMENTS**  
**31 DECEMBER 2005**

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As at the reporting date the assets and liabilities of this overseas subsidiary are translated into the presentation currency of Monadelphous Group Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

**f) Cash and cash equivalents**

Cash on hand and in banks is stated at nominal value. Cash is available at call.

For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts.

**g) Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written-off when identified.

Receivables from related parties are recognised and carried at the nominal amount due.

**h) Inventories**

Construction work-in-progress is stated at cost plus profit recognised to date less progress billings. Costs include all costs directly related to specific contracts.

**i) Investments and other financial assets**

All investments are initially recorded at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the profit or loss.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

All non-current investments are classified as financial instruments and are stated at fair value and any impairment losses are recognised directly in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

**j) Property, plant and equipment**

All classes of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a reducing balance method on all plant and equipment acquired before 1 July 1996 and straight line basis for all acquisitions on or after 1 July 1996, and a straight line basis on all property other than freehold land.

**Major depreciation periods are:**

	<b>2005</b>	2004
• Buildings	<b>40 years</b>	40 years
• Plant and equipment	<b>3 to 15 years</b>	3 to 15 years

*Impairment*

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values of an asset or cash-generating units exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised.

**k) Recoverable amount of assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists or when annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**l) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

*Finance leases*

Leases which effectively transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item are classified as finance leases. The financed asset is stated at the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. An interest bearing liability of equal value is also recognised. Minimum lease payments are apportioned between the finance charge and the reduction of the lease liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

*Operating leases*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income. The minimum lease payments of operating leases are recognised as an expense on a straight line basis over the lease term.

**m) Goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination, is, from the date of acquisition, allocated to each of the Group's cash-generating units or groups of cash generating units that are expected to benefit from the combination's synergies, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the income statement.

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Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**n) Trade and other payables**

Trade payables and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Payables to related parties are carried at the principal amount.

**o) Interest bearing loans and borrowings**

Interest bearing liabilities are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains or losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

**p) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for dividends is not recognised as a liability unless the dividends are declared on or before the reporting date.

**q) Share-based payment transactions**

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Monadelphous Group Limited provides benefits to employees through the Equity Based Compensation Scheme.

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The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date which they are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Monadelphous Group Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

When the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of an original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**r) Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

**s) Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**t) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Rendering of Services*

Where the contract outcome can be reliably measured:

- control of a right to be compensated for the services has been attained and the stage of completion can be reliably measured. Refer to the accounting policy for construction contracts for method of revenue recognition.

Where the contract outcome cannot be reliably measured:

- revenue is recognised only to the extent that costs have been incurred.

*Interest*

Revenue is recognised as the interest accrues.

*Dividends*

Control of a right to receive the dividend payment.

**u) Construction contracts**

When accounting for construction contracts, the contracts are either combined or disaggregated if this is deemed necessary to reflect the substance of the agreement.

Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. Stage of completion is agreed with the customer on a work certified to date basis, as a percentage of the overall contract.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred plus a percentage of fees earned during the financial year. The percentage of fee earned during the financial year is based on the stage of completion of the contract.

Where a loss is expected to occur, it is recognised immediately.

**v) Taxation**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

*Income tax*

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

*Goods and services tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**w) Employee benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and compensated absences, including annual leave, long service leave, vesting sick leave and rostered days off.

**NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL STATEMENTS  
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Liabilities arising in respect of wages and salaries, certain compensated absences and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on the remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to

be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

*Defined contribution plans*

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

**x) Earnings per share**

Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**y) AASB 1 Transitional exemptions**

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

*Business combinations*

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (ie. business combinations that occurred before the date of transition to AIFRS).

*Share-based payment transactions*

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

*Financial instruments*

AASB 139 "Financial Instruments: Recognition and Measurement" and AASB 132 "Financial Instruments: Disclosure and Presentation" applied from 1 July 2005. Accordingly, comparatives have not been restated.

**z) Impact of adoption of AIFRS**

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below:

**NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL STATEMENTS  
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**(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS**

	Note	CONSOLIDATED		
		30-Jun-2005 \$'000	31-Dec-04 \$'000	01-Jul-04 \$'000
Total equity under AGAAP		46,092	43,675	39,271
Write-back of goodwill amortisation	(A)	189	-	-
Tax effect of fair valuing MIE's assets on acquisition	(B)	7	-	-
Tax effect of asset revaluation reserve	(C)	(123)	(123)	(123)
Tax effect of amortisation of asset revaluation reserve	(D)	6	4	-
Total equity under AIFRS		<u>46,171</u>	<u>43,556</u>	<u>39,148</u>

(A) Goodwill is not amortised under AASB 3 'Business Combinations' but was amortised under AGAAP.

(B) Tax effect of fair valuing MIE's fixed assets at the date of acquisition.

(C) The asset revaluation reserve recognised under AGAAP has been tax-effected at the tax rate of 30%.

(D) Tax effect of the above adjustment.

**(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS**

	Note	CONSOLIDATED	
		Year ended 30-Jun-05 \$'000	Half-year ended 31-Dec-04 \$'000
Profit after tax as previously reported		16,658	7,998
Write-back of goodwill amortisation	(A)	189	-
Recognition of share-based payments expense	(B)	(202)	(8)
Tax effect adjustment	(C)	13	4
Profit after tax under AIFRS		<u>16,658</u>	<u>7,994</u>

(A) Goodwill is not amortised under AASB 3 'Business Combinations' but was amortised under AGAAP.

(B) Share-based payment costs are charged to the income statement under AASB 2 'Share-based Payment', but not under AGAAP.

(C) Tax effect of the above adjustments.

**(iii) Explanation of material adjustments to the cash flow statements**

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

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**(iv) Impact of AASB 132 and 139**

Monadelphous Group Limited and its subsidiaries elected to take the exemption under AASB 1 “First Time Adoptions of AIFRS” to apply AASB 139 “Financial Instruments: Recognition and Measurement” and AASB 132 “Financial Instruments: Disclosure and Presentation” from 1 July 2005. There are no material adjustments.

**aa) Comparatives**

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly.

A one-to-four share split was approved by shareholders in the General Meeting on 31 May 2005. The share split took effect from 1 June 2005. The necessary restatements have been calculated by proportionately adjusting the number of shares and options on issue at the relevant reporting date, and the exercise price of the options, in line with the terms of the share split.

	<b>Consolidated 31 December 2005 \$'000s</b>	<b>Consolidated 31 December 2004 \$'000s</b>
<b>2. REVENUE AND EXPENSES</b>		
<b>(a) Specific Items</b>		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
<b>(i) Revenue</b>		
Rendering of services	243,456	199,512
Finance income	972	582
	244,428	200,094
<b>(ii) Other income</b>		
Gain on disposal of property, plant and equipment	1,039	892
Other income	239	101
	1,278	993
<b>(b) Expenses</b>		
Depreciation of non-current assets	3,355	2,387
Expense of share-based payments	216	8

## AND CONTROLLED ENTITIES

## NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL STATEMENTS

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	Consolidated 31 December 2005 \$'000s	Consolidated 31 December 2004 \$'000s
<b>3. DIVIDENDS PAID AND PROPOSED</b>		
(a) Dividends paid during the half-year		
Fully franked dividends	7,190	3,721
Dividends proposed and not recognised as a liability	7,341	8,115
	<u>14,531</u>	<u>11,836</u>

**4. GOODWILL**

As part of the acquisition of MI & E Holdings Pty Ltd, at 30 June 2005, Monadelphous Group Limited had a deferred cash liability of \$500,000 payable subject to MI & E Holdings Pty Ltd achieving certain financial targets. During the half-year, a final payment of \$455,155 was made. Consequently, goodwill has been reduced by \$44,845.

	Consolidated 31 December 2005 \$'000s	Consolidated 31 December 2004 \$'000s
<b>5. NON-CASH FINANCING AND INVESTING ACTIVITIES</b>		

During the half-year the consolidated entity acquired plant and equipment with an aggregate fair market value of \$8,697,586 (2004: \$13,592,112) by means of finance leases and hire purchase agreements.

**6. RETAINED PROFITS**

Balance at the beginning of the half-year	24,478	19,656
Net profit attributable to members of Monadelphous Group Limited	<u>12,455</u>	<u>7,994</u>
Total available for appropriation	36,933	27,650
Dividends paid during the half-year	<u>(7,190)</u>	<u>(3,721)</u>
Retained profits at end of the half-year	<u>29,743</u>	<u>23,929</u>

**7. ISSUED CAPITAL**

(a) Issued and paid up capital 79,888,408 ordinary shares fully paid (30 June 2005: 79,888,408)	<u>20,303</u>	<u>20,303</u>
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(b) Movements in shares on issue

	<b>Consolidated 31 December 2005 \$'000s</b>	
	<b>Number</b>	<b>\$'000s</b>
Number of shares:		
Beginning of financial period	79,888,408	20,303
Issued on exercise of employee share options	-	-
Acquisition consideration	-	-
End of financial period	79,888,408	20,303

**8. CHANGE IN COMPOSITION OF ENTITY**

On 11 October 2005, Monadelphous Group Limited incorporated Skystar Airport Services Holdings Pty Ltd with a share capital of \$1. On the same day, Skystar Airport Services Holdings Pty Ltd incorporated Skystar Airport Services NZ Pty Ltd, an entity incorporated in New Zealand with a share capital of NZ\$100.

**9. EVENTS AFTER BALANCE SHEET DATE**

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

**10. SEGMENT INFORMATION**

Revenue is derived by the consolidated entity from construction, engineering and maintenance services to the resources and petrochemical industries. The consolidated entity operates predominantly within the one business segment in one geographical segment, namely Australia.

**11. CONTINGENT ASSETS AND LIABILITIES**

**(a) Contingent assets**

There have been no changes in contingent assets since the date of the last annual report.

**(b) Contingent liabilities**

There have been no changes in contingent liabilities since the date of the last annual report, except for the following:

	<b>Consolidated 31 December 2005 \$'000s</b>	<b>Consolidated 30 June 2005 \$'000s</b>
Guarantees given to various clients for satisfactory contract performance	26,919	18,183