

**MONADELPHOUS GROUP LIMITED**

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

**INTERIM FINANCIAL REPORT**

**HALF-YEAR ENDED 31 DECEMBER 2006**

**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**

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Applecross  
Western Australia 6153  
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Facsimile: 08 9316 1950  
Website: [www.monadel.com.au](http://www.monadel.com.au)

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**Share Registry**

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

**Auditors**

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

**Solicitors**

**Mallesons Stephen Jaques**  
Level 10, Central Park  
152 St George's Terrace  
Perth  
Western Australia 6000

**Freehills**

Level 22, AMP Building  
140 St George's Terrace  
Perth  
Western Australia 6000

**Minter Ellison**

Level 49, 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

**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  
Monadelphous PNG Ltd  
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 2006.

## **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 40 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 Institute of Engineers Australia Appointed as Managing Director on 30 May 2003 27 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 15 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 Institute of Engineers Australia 33 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 12 years experience in the resources, construction and engineering services industries
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## **NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES**

### **Engineering Construction**

Provides large-scale multi-disciplinary project management and construction services, including:

- Fabrication and installation of structural steel, tankage, mechanical and process equipment and piping
- Multi-disciplined construction packages including civil and electrical disciplines
- Plant commissioning
- Demolition and remediation works
- Turnkey design and construct services

### **Maintenance and Industrial Services**

Offering mechanical and electrical engineering services in the following areas:

- Fixed and mobile plant maintenance
- Minor capital works
- Shutdown planning, management and execution
- Specialist concrete and structural maintenance
- Mill reline services
- Labour and equipment hire

### **Electrical and Instrumentation Services**

Provides specialist instrumentation and electrical services.

### **Skystar Airport Services**

Provides 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 resources, energy and infrastructure industry sector.

## **OPERATING RESULTS**

The consolidated entity's profit after providing for income tax for the half-year was \$31.422 million (2005: \$12.455 million).

## **DIVIDENDS PAID OR PROPOSED**

A 22.0 cent fully franked interim dividend has been approved by the directors payable on 16 March 2007 (2005: 9.0 cent interim dividend). A final fully franked dividend of \$19.576 million was paid during the period in respect of the financial year ended 30 June 2006.

## **REVIEW OF OPERATIONS**

	<b>Consolidated 2006 \$'000</b>	<b>Consolidated 2005 \$'000</b>
Revenue from services	499,436	243,456
Profit after income tax	<u>31,422</u>	<u>12,455</u>

Monadelphous Group Limited has recorded a bumper financial result for the six-month period ended 31 December 2006 with after tax profit surging to a record \$31.4 million, an increase of 152% on the previous corresponding period. Sales revenue for the reporting period was more than double last year's first half, up 105% to \$499.4 million. Earnings before interest, tax, depreciation and amortisation were \$48.7 million, up 134% with earnings per share increasing 147% to 38.5 cents per share.

The Board has declared an interim dividend of 22 cents per share fully franked - an increase of 144% on the previous corresponding period. The Board has also reaffirmed the company's intention to pay a special dividend with the September final dividend for the 2006/07 financial year.

This will be the third consecutive year of special dividend payments which, in addition to interim and final dividends, have to date resulted in a total annual payout ratio of around 90% of net profit. Looking forward to the 2007/08 financial year and beyond, the board has resolved to simplify the dividend payment policy by increasing the interim and final dividend payout ratio from a range of 60% to 70% to a range of 80% to 100% and ceasing the payment of special dividends. This policy will continue to be subject to ongoing strong trading conditions and the need for any significant cash requirement for investment opportunities.

The company has continued to enjoy the benefits of a strong competitive position in a booming resource sector, experiencing record workload levels. As foreshadowed at the Annual General Meeting in November 2006, the period has seen a greater than anticipated surge in construction activity with a large number of concurrent projects and accelerated work rates.

The spike in construction activity has resulted in a substantial revenue peak for the period. This, together with strong operational performance and increased fixed cost economies of scale, has also delivered substantial improvements in profit margins.

With a number of projects winding down, second half revenue is expected to return to a more normalised level. Full year revenue is now expected to exceed \$800 million which is an increase of over 50% on the 2005/06 financial year.

To meet the sharp rise in workload the company has increased its capacity by raising workforce numbers to around 3,500 at the end of the period.

### **Engineering Construction**

The engineering construction division recorded sales revenue of \$354.3 million, a massive increase of 171% on the previous corresponding period. A record number of major construction contracts were completed or substantially progressed during the period.

Major contracts substantially completed during the period included:

- Construction of the sulphuric acid plant associated with BHP Billiton's Ravensthorpe Nickel Project in Western Australia,
- Extension of stockpile capacity at 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 (RGP2) at Nelson Point and Finucane Island in WA,
- Structural and mechanical works associated with the expansion of iron ore facilities at Rio Tinto Iron Ore's Yandicoogina mine in WA,
- Structural, mechanical and electrical works for the Yabulu Nickel Extension Project at BHP Billiton's Yabulu Nickel Refinery at Townsville in Queensland and

- Construction of the #3 Rail Receiving Station associated with expansion of the Gladstone Port for Central Queensland Port Authority (CQPA) in Queensland.

Major contracts, which saw substantial progress during the period, included:

- Structural and mechanical construction works for Rio Tinto Iron Ore's Dampier Port Upgrade Phase B project in WA,
- Structural and mechanical construction works associated with the Yandi Junction South East project at Rio Tinto Iron Ore's Yandicoogina mine in WA and
- Structural and mechanical construction works associated with BHP Billiton Iron Ore's Rapid Growth Project 3 (RGP3) at Port Hedland in WA.

The company also started work on the expansion of BHP Billiton Iron Ore's Mining Area C facilities in the Pilbara region of WA. The contract which is valued at \$120 million was secured in August 2006 and is scheduled for completion in September 2007.

Subsequent to the reporting period, in January 2007 the company also announced it had secured three new major construction contracts valued at a total of \$70 million.

Following on from the \$300 million worth of contracts currently underway associated with Rapid Growth Project 3 for BHP Billiton the company was awarded a further structural and mechanical works contract for the refurbishment of a rail car dumper associated with the BHP Billiton Iron Ore Rapid Growth Projects at Port Hedland in WA.

The company has also secured a significant package of structural, mechanical and piping work at BHP Billiton's Ravensthorpe Nickel Project in WA. The work follows on from the successful completion of the construction of the Ravensthorpe Nickel Project sulphuric acid plant for Aker Kvaerner Australia.

As previously announced, the engineering construction division was restructured last financial year to include a separate business unit to expand engineering construction services into the broader infrastructure sector. The business unit recorded its first major win in the water industry with the award of a \$7 million contract by the Water Corporation in WA for the design and construction of the Wyndham Water Treatment Plant. The plant will improve the supply of potable water to the town of Wyndham which is located in the Kimberley region of WA.

### **Maintenance and Industrial Services**

The Maintenance and Industrial Services division continued to perform strongly with sales revenue increasing 37% to \$132.2 million on a like for like basis. Sales revenue reported for this division now excludes sales revenue from the electrical and instrumentation services business MIE and the aviation services business Skystar Airport Services. These now operate as separate divisions.

The results for the period reflect ongoing retention of all major services contracts, increasing service volumes from existing contracts and customers from a buoyant resources market, together with full period revenues from newly established contracts.

A number of key milestones in the company's push to expand further into the oil and gas sector were achieved during the period.

The company has successfully established and commenced a two-year maintenance support services contract with Conoco Phillips at the Darwin LNG facility in the Northern Territory, after being awarded the contract in June 2006. The multidisciplinary maintenance contract involves the management of all aspects of mechanical, piping, electrical, instrumentation and civil works including the planning, management and execution of all plant shutdowns.

During the period the company was awarded a significant services contract with Oil Search at their oil and gas operations in Papua New Guinea. The contract is for the provision of field facilities construction services and is for an initial term of three years.

Also during the period the company was successful in securing a three-year extension of the existing maintenance services contract with Chevron at their oil and gas operations at Barrow and Thevenard islands in the north-west of WA. The contract, which has been extended to January 2010 with two further one-year options, continues the successful long-term relationship with Chevron. The company commenced the contract in 2001.

Further moves to develop the company's presence in the Queensland market have been undertaken during the period, with the establishment of operations in Mackay to service the significant and rapidly growing coal market in the Bowen Basin.

#### **Electrical and Instrumentation Services**

Following its acquisition in 2005, the Queensland-based electrical and instrumentation services company MIE was integrated into the Maintenance and Industrial Services division to broaden and extend the division's service capability. Since this time MIE has rapidly grown and provided the Group with significant multidisciplinary capability through the broader Monadelphous network of customers and projects.

In order to facilitate further growth and expand the delivery of electrical and instrumentation services on a national basis MIE was established as a separate division.

MIE sales revenue for the period totalled \$40.4 million which included revenue associated with major works carried out through other divisions, such as the BHP Billiton Yabulu Extension Project and the Central Queensland Port Authority Rail Receiving 3 Project. This represents a 274% increase on the previous corresponding period.

#### **Skystar Airport Services**

The company's subsidiary Skystar Airport Services ground handling business recorded sales revenue for the period of \$9.5 million, an increase of 64% on the previous period. The revenue increase reflects full period revenues from new contracts secured late in the previous corresponding period with Singapore Airlines at Perth and Brisbane International Airports and Jetstar at Christchurch Airport in New Zealand.

All major contracts were retained with the exception of Malaysia Airlines at Perth International Airport. New contracts were secured with Jetstar Asia at Darwin Airport and Alliance Airlines at Perth Domestic Airport.

#### **Health and Safety**

In the challenging environment of a rapidly growing workforce, the company continues to drive for improvements in the vital area of Health and Safety performance with the total case injury frequency rate showing a reduction of 7% for the period. The company continued to roll out its safety improvement programs focussing on ongoing skills and management systems development.

## **Outlook**

The first half performance has been driven by a massive increase in engineering construction revenue and should be viewed as an extraordinary peak in workload brought about by concurrent and accelerated project timing together with the company's expanded capacity.

Second half sales revenue is expected to return to a more normalised level as a number of large engineering construction projects wind down. Full year revenue is now forecast to exceed \$800 million.

High levels of resource development activity continues to drive demand and the pipeline of projects continues to be strong. In particular, iron ore expansions in WA, are forecast to continue and provide major opportunities for the company for the next few years.

The flow of revenue from engineering construction projects will continue to be heavily impacted by project timing and capacity utilisation. Any expectations of continuous year-on-year growth for this part of the business should be treated with caution.

The company's long-term sustainable growth strategy continues to focus on the ongoing development of its recurring revenue base, geographical expansion of its electrical services business and further development into the oil and gas, power and water markets. The half year has seen considerable progress in these initiatives and the company is confident of continued success.

## **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	4,004,000	Nil
R Velletri	1,550,000	450,000
I Tollman	667,586	Nil
P J Dempsey	68,000	Nil

## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

Subsequent to the reporting period, in January 2007 the company also announced it had secured three new major construction contracts valued at a total of \$70 million.

Following on from the \$300 million worth of contracts currently underway associated with Rapid Growth Project 3 for BHP Billiton the company was awarded a further structural and mechanical works contract for the refurbishment of a rail car dumper associated with the BHP Billiton Iron Ore Rapid Growth Projects at Port Hedland in WA.

The company has also secured a significant package of structural, mechanical and piping work at BHP Billiton's Ravensthorpe Nickel Project in WA. The work follows on from the successful completion of the construction of the Ravensthorpe Nickel Project sulphuric acid plant for Aker Kvaerner Australia.

As previously announced, the engineering construction division was restructured last financial year to include a separate business unit to expand engineering construction services into the broader infrastructure sector. The business unit recorded its first major win in the water industry with the award of a \$7 million contract by the Water Corporation in WA for the design and construction of the Wyndham Water Treatment Plant. The plant will improve the supply of potable water to the town of Wyndham which is located in the Kimberley region of WA.

On 1 February 2007, as a result of employee options being exercised, 1,215,000 shares were issued with a total consideration of \$2,204,000. In addition, 190,000 new employee share options were issued on 31 January 2007 with an exercise price of \$9.06.

Other than the items noted above, there are no matters or circumstances that have arisen since the end of the half year ending 31 December 2006 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.

#### **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 8 and forms part of the Directors' Report for the half-year ended 31 December 2006.

#### **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, 19 February 2007

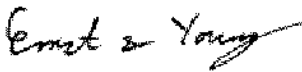
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Perth WA 6843

### **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 2006, 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



C B Pavlovich  
Partner  
Perth  
19 February 2007

To the members of Monadelphous Group Limited

## **Report on the Half-Year Condensed Financial Report**

We have reviewed the accompanying half-year financial report of Monadelphous Group Limited and the entities it controlled during the half-year which comprises the condensed balance sheet as at 31 December 2006 and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

### *Directors' Responsibility for the half-year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia. As the auditor of Monadelphous Group Limited and the entities it controlled during the half-year ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

In conducting our review, we have complied with the independence requirements of 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 services. The provision of these services has not impaired our independence.

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*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Monadelphous Group Limited 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 consolidated entity's financial position as at 31 December 2006 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



C B Pavlovich  
Partner  
Perth  
19 February 2007

**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 are in accordance with the *Corporations Act 2001*, including:
  - (i) give a true and fair view of the financial position as at 31 December 2006 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, 19 February 2007

CONDENSED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Notes	Consolidated Half-year ended 31 December 2006 \$'000	Consolidated Half-year ended 31 December 2005 \$'000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	2	501,126	244,428
Cost of services rendered		(447,880)	(220,712)
<b>GROSS PROFIT</b>		53,246	23,716
Other income	2	787	1,278
Business development and tender costs		(1,971)	(2,080)
Occupancy costs		(493)	(356)
Administrative costs		(6,940)	(5,217)
Share of net profits of joint ventures accounted for using the equity method		892	1,081
<b>PROFIT BEFORE INCOME TAX AND FINANCE COSTS</b>		45,521	18,422
Finance costs		(601)	(613)
<b>PROFIT BEFORE INCOME TAX</b>		44,920	17,809
Income tax expense		(13,498)	(5,354)
<b>PROFIT AFTER INCOME TAX</b>		<b>31,422</b>	<b>12,455</b>
<b>NET PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED</b>		<b>31,422</b>	<b>12,455</b>
Basic earnings per share for the half-year (cents per share)		38.5	15.6
Diluted earnings per share for the half-year (cents per share)		37.0	15.1
Franked interim dividend per share (cents per share)		22.0	9.0

CONDENSED BALANCE SHEET  
AS AT 31 DECEMBER 2006

	Note	Consolidated as at 31/12/2006 \$'000	Consolidated as at 30/06/2006 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		73,348	61,650
Trade and other receivables		94,374	81,639
Inventories		9,868	16,402
Other		14	-
<b>Total current assets</b>		<b>177,604</b>	<b>159,691</b>
<b>Non-current assets</b>			
Property, plant and equipment		52,363	47,541
Deferred tax assets		9,933	7,783
Investments accounted for using the equity method		83	-
Goodwill		2,311	2,311
<b>Total non-current assets</b>		<b>64,690</b>	<b>57,635</b>
<b>TOTAL ASSETS</b>		<b>242,294</b>	<b>217,326</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		96,813	95,401
Interest bearing loans and borrowings		9,751	8,092
Income tax payable		11,066	8,697
Provisions		28,818	21,707
<b>Total current liabilities</b>		<b>146,448</b>	<b>133,897</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings		18,315	18,279
Provisions		1,934	1,873
Deferred tax liabilities		1,176	1,143
<b>Total non-current liabilities</b>		<b>21,425</b>	<b>21,295</b>
<b>TOTAL LIABILITIES</b>		<b>167,873</b>	<b>155,192</b>
<b>NET ASSETS</b>		<b>74,421</b>	<b>62,134</b>
<b>EQUITY</b>			
Issued capital		21,063	21,063
Reserves		2,169	1,728
Retained earnings		51,189	39,343
<b>TOTAL EQUITY</b>		<b>74,421</b>	<b>62,134</b>

CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

*Attributable to equity holders*

Consolidated	Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2005	20,303	1,390	24,478	46,171
Currency translation differences	-	(27)	-	(27)
<b>Total income and expense for the period recognised directly in equity</b>	-	(27)	-	(27)
Profit for the period	-	-	12,455	12,455
<b>Total income and expense for the period</b>	-	(27)	12,455	12,428
Cost of share-based payment	-	216	-	216
Dividends Paid	-	-	(7,190)	(7,190)
At 31 December 2005	20,303	1,579	29,743	51,625

*Attributable to equity holders*

Consolidated	Issued Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2006	21,063	1,728	39,343	62,134
Currency translation differences	-	146	-	146
<b>Total income and expense for the period recognised directly in equity</b>	-	146	-	146
Profit for the period	-	-	31,422	31,422
<b>Total income and expense for the period</b>	-	146	31,422	31,568
Cost of share-based payment	-	295	-	295
Dividends Paid	-	-	(19,576)	(19,576)
At 31 December 2006	21,063	2,169	51,189	74,421

**CONDENSED CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	<b>Consolidated Half-year ended 31 December 2006 \$'000s</b>	<b>Consolidated Half-year ended 31 December 2005 \$'000s</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	509,274	248,469
Payments to suppliers and employees	(458,494)	(206,773)
Income tax paid	(13,252)	(5,215)
Other income	586	239
Interest received	1,690	972
Borrowing costs	(601)	(613)
	<hr/>	<hr/>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>39,203</b>	<b>37,079</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of non-current assets	251	1,298
Purchase of property, plant and equipment	(3,531)	(2,058)
Payment for controlled entities	-	(455)
	<hr/>	<hr/>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(3,280)</b>	<b>(1,215)</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(19,576)	(7,190)
(Repayment)/drawdown of borrowings	393	(44)
Payment of finance leases	(4,969)	(3,343)
	<hr/>	<hr/>
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(24,152)</b>	<b>(10,577)</b>
	<hr/>	<hr/>
<b>NET INCREASE IN CASH HELD</b>	<b>11,771</b>	<b>25,287</b>
Opening cash and cash equivalents brought forward	61,650	22,237
Net foreign exchange difference	(73)	(9)
	<hr/>	<hr/>
<b>CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>73,348</b>	<b>47,515</b>
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**NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL STATEMENTS  
31 DECEMBER 2006**

**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 2006.

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 2006, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**a) Basis of Preparation**

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. 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) Significant Accounting Policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2006, as described in Note 1 (c).

**c) Changes in Accounting Policies**

Australian Accounting Standards and Urgent Issues Group Interpretations that have recently been issued or amended and are effective 1 July 2006 have resulted in no material changes in accounting policies and therefore no material impact on Monadelphous Group Limited's financial performance or position for the half year ended 31 December 2006.

**d) Basis of Consolidation**

**Subsidiaries**

The consolidated financial statements comprise the financial statements of Monadelphous Group Limited and its subsidiaries ('the Group') as at 31 December 2006.

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.

## AND CONTROLLED ENTITIES

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

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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.

	Consolidated 31 December 2006 \$'000s	Consolidated 31 December 2005 \$'000s
<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	499,436	243,456
Finance income	1,690	972
	501,126	244,428
<b>(ii) Other income</b>		
Gain on disposal of property, plant and equipment	201	1,039
Other income	586	239
	787	1,278
<b>(b) Expenses</b>		
Depreciation of non-current assets	4,928	3,355
Employee benefits	5,645	2,081
<b>3. DIVIDENDS PAID AND PROPOSED</b>		
<b>(a) Fully franked dividends declared and paid during the half year</b>	19,576	7,190
Dividends proposed and not yet recognised as a liability	18,212	7,341
	37,788	14,531

#### **4. NON-CASH FINANCING AND INVESTING ACTIVITIES**

During the half-year the consolidated entity acquired plant and equipment with an aggregate fair market value of \$6,270,171 (2005: \$8,697,586) by means of finance leases and hire purchase agreements.

#### **5. INTEREST-BEARING LOANS AND BORROWINGS**

During the half year period to 31 December 2006 the Group increased its interest bearing debt by \$393,304. The group repaid Hire Purchase Liabilities of \$4,969,262 during the half year ending 31 December 2006.

#### **6. EVENTS AFTER BALANCE SHEET DATE**

Subsequent to the reporting period, in January 2007 the company also announced it had secured three new major construction contracts valued at a total of \$70 million.

Following on from the \$300 million worth of contracts currently underway associated with Rapid Growth Project 3 for BHP Billiton the company was awarded a further structural and mechanical works contract for the refurbishment of a rail car dumper associated with the BHP Billiton Iron Ore Rapid Growth Projects at Port Hedland in WA.

The company has also secured a significant package of structural, mechanical and piping work at BHP Billiton's Ravensthorpe Nickel Project in WA. The work follows on from the successful completion of the construction of the Ravensthorpe Nickel Project sulphuric acid plant for Aker Kvaerner Australia.

As previously announced, the engineering construction division was restructured last financial year to include a separate business unit to expand engineering construction services into the broader infrastructure sector. The business unit recorded its first major win in the water industry with the award of a \$7 million contract by the Water Corporation in WA for the design and construction of the Wyndham Water Treatment Plant. The plant will improve the supply of potable water to the town of Wyndham which is located in the Kimberley region of WA.

On 1 February 2007, as a result of employee options being exercised, 1,215,000 shares were issued with a total consideration of \$2,204,000. In addition, 190,000 new employee share options were issued on 31 January 2007 with an exercise price of \$9.06.

Other than the items noted above, there are no matters or circumstances that have arisen since the end of the half year ending 31 December 2006 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.

## AND CONTROLLED ENTITIES

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**7. SEGMENT INFORMATION**

Revenue is derived by the consolidated entity from the provision of engineering services to the resources, energy and infrastructure industry sector. For the half year ended 31 December 2006, the Engineering Construction division contributed revenue of \$354.3 million, Maintenance and Industrial Services division contributed revenue of \$132.2 million, Electrical and Instrumentation Services contributed revenue of \$40.4 million and Skystar Airport Services contributed revenue of \$9.5 million. The Electrical and Instrumentation Services division and Skystar Airport Services are not considered material for segment reporting.

The directors do not believe that it is practicable to provide further analysis of the results by reporting division for the following reasons:

- The significant divisions perform similar services for the same industry sector,
- The divisions utilise a centralised pool of engineering assets and shared services, and
- The migrant nature of employees between divisions.

The aforementioned points do not support the creation of reportable segments within the business. The two significant divisions are exposed to similar risks and rewards from operations and are only segmented to facilitate appropriate management structures.

The consolidated entity operates predominately within the one business segment in one geographical segment, namely Australia.

**8. 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 2006 \$'000s</b>	<b>Consolidated 30 June 2006 \$'000s</b>
Guarantees given to various clients for satisfactory contract performance	86,675	58,683