

MONADELPHOUS GROUP LIMITED

ABN 28 008 988 547

CONDENSED CONSOLIDATED FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2015

MONADELPHOUS GROUP LIMITED
ABN 28 008 988 547
CORPORATE DIRECTORY

Directors

Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Peter John Dempsey
Lead Independent Non-Executive Director

Christopher Percival Michelmore
Independent Non-Executive Director

Dietmar Robert Voss
Independent Non-Executive Director

Company Secretaries

Philip Trueman
Kristy Glasgow

Principal Registered Office in Australia

59 Albany Highway
Victoria Park
Western Australia 6100
Telephone: +61 8 9316 1255
Facsimile: +61 8 9316 1950
Website: www.monadelphous.com.au

Postal Address

PO Box 600
Victoria Park
Western Australia 6979

Share Registry

Computershare Investor Services Pty Ltd

Level 2, 45 St George's Terrace
Perth
Western Australia 6000
Telephone: 1300 364 961
Facsimile: +61 8 9323 2033

ASX Code

MND – Fully Paid Ordinary Shares

Bankers

National Australia Bank Limited

50 St George's Terrace
Perth
Western Australia 6000

Westpac Banking Corporation

109 St George's Terrace
Perth
Western Australia 6000

HSBC

188-190 St George's Terrace
Perth
Western Australia 6000

Auditors

Ernst & Young

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

Solicitors

Clifford Chance

190 St George's Terrace
Perth
Western Australia 6000

Controlled Entities

Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Monadelphous Properties Pty Ltd
Monadelphous Workforce Pty Ltd
Genco Pty Ltd
Monadelphous Electrical & Instrumentation Pty Ltd
Monadelphous PNG Ltd
Monadelphous Holdings Pty Ltd
Moway International Limited
SinoStruct Pty Ltd
Moway AustAsia Steel Structures Trading (Beijing)
Company Limited
Monadelphous Group Limited Employee Share Trust
Monadelphous KT Pty Ltd
Monadelphous Energy Services Pty Ltd
Monadelphous Singapore Pte Ltd
Monadelphous Mongolia LLC
M Workforce Pty Ltd
M&ISS Pty Ltd
Monadelphous Engineering NZ Pty Ltd
M Maintenance Services Pty Ltd
MGJV Pty Ltd
Monadelphous Engineering US Inc.
Monadelphous Marcellus LLC
MKT Pipelines Limited

Your directors submit their report for the half-year ended 31 December 2015.

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 18 January 1991 Resigned as Managing Director on 30 May 2003 and continued as Chairman 49 years experience in the construction and engineering services industry Also served as a director of one other publicly listed entity, Tech Mpire Limited (formerly Fortunis Resources Limited) (ASX:TMP) – appointed 20 March 2012, resigned 29 June 2015.
Robert Velletri	<i>Managing Director</i> Appointed 26 August 1992 Mechanical Engineer, Corporate Member of Engineers Australia Appointed as Managing Director on 30 May 2003 36 years experience in the construction and engineering services industry
Peter John Dempsey	<i>Lead Independent Non-Executive Director</i> Appointed 30 May 2003 Civil Engineer, Fellow of Engineers Australia 43 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entities: Becton Property Group Limited (ASX:BEC) – appointed 25 July 2008, resigned 26 February 2013; and Service Stream Limited (ASX:SSM) – appointed 1 November 2010
Christopher Percival Michelmore	<i>Independent Non-Executive Director</i> Appointed 1 October 2007 Civil Engineer, Fellow of Engineers Australia 43 years experience in the construction and engineering services industry
Dietmar Robert Voss	<i>Independent Non-Executive Director</i> Appointed 10 March 2014 Chemical Engineer, Masters of Business Administration, majoring in Finance 42 years experience in the oil and gas, and mining and minerals industries throughout Australia, the US, Europe, the Middle-East and Africa

COMPANY SECRETARIES

Philip Trueman	<i>Company Secretary and Chief Financial Officer</i> Appointed 21 December 2007 Chartered Accountant, Member of Chartered Accountants Australia and New Zealand and the South African Institute of Chartered Accountants 15 years experience in the construction and engineering services industry
Kristy Glasgow	<i>Company Secretary</i> Appointed 8 December 2014 Chartered Accountant, Member of Chartered Accountants Australia and New Zealand 10 years experience in the construction and engineering services industry

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Engineering Services

Monadelphous is a diversified services company operating in the resources, energy and infrastructure industry sector.

Services provided include:

- Fabrication, modularisation, offsite pre-assembly, procurement and installation of structural steel, tankage, mechanical and process equipment, piping, demolition and remediation works
- Multi-disciplined construction services
- Plant commissioning
- Specialist electrical and instrumentation services
- Fixed plant maintenance services
- Shutdown planning, management and execution
- Water and waste water asset construction and maintenance
- Construction of transmission pipelines and facilities
- Operation and maintenance of assets in the power sector

General

The Monadelphous Group operates from major offices in Perth and Brisbane, with regional offices in Sydney, Adelaide, Pittsburgh (USA), Beijing (China) and Auckland (New Zealand), and a network of workshop facilities in Kalgoorlie, Karratha, Darwin, Roxby Downs, Gladstone, Hunter Valley, Mackay and Bunbury.

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 \$37.647 million (2014: \$60.656 million).

DIVIDENDS PAID OR PROPOSED

A 28 cent fully franked interim dividend has been approved by the directors payable on 1 April 2016 (2015: 46 cent interim dividend). A final fully franked dividend of \$42,869,313 was paid during the period in respect of the financial year ended 30 June 2015.

REVIEW OF OPERATIONS

	2015	2014
	\$'000	\$'000
Revenue from services	<u>737,043</u>	<u>1,052,013</u>
Profit after income tax	<u>37,647</u>	<u>60,656</u>

The Directors of Monadelphous Group Limited are pleased to report the Company's financial results for the six months ending 31 December 2015.

Revenue

Sales revenue for the period was \$737.0 million, down 29.9 per cent on the previous corresponding period. Activity levels were approximately 10 per cent lower than the second half of the 2015 financial year and reflected the impact of lower demand in the engineering construction industry as customers focused on limiting capital expenditure.

Earnings

Net profit after tax (NPAT) was \$37.6 million, down 37.9 per cent when compared to the result in the previous corresponding period.

Earnings before interest, tax, depreciation and amortisation (EBITDA)[^] was \$62.7 million, a decrease of 34.0 per cent. The Company's focus on improving efficiency and productivity largely offset the downward pressure on margins arising from customer cost reduction programmes and an increasingly competitive environment.

Earnings per share (EPS) was 40.4 cents.

Dividend

The Board of Directors has declared an interim dividend of 28 cents per share fully franked. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the interim dividend.

Strong balance sheet

The Company maintained a strong balance sheet with a similar net asset position to that of the previous period. Net cash was \$182.7 million at 31 December 2015, a 0.9 per cent decrease on 12 months earlier. Cash flow from operations was a solid \$42.5 million and the cash conversion rate was 87 per cent.

Secured \$1 billion in new work

New contracts and contract extensions valued at approximately \$1 billion were secured during the period across a broad number of industries, building upon our long-term relationships with key customers in our core markets.

New contracts won during the period included a long-term maintenance and modifications services contract associated with Shell Australia's Prelude Floating Liquefied Natural Gas (FLNG) project. This contract is of significant strategic importance to Monadelphous, and positions the Company as a major service provider in the provision of FLNG services.

Productivity in focus

Against the backdrop of reducing activity levels and an increasingly competitive environment, the Company continued to reduce costs and drive productivity improvements to protect margins.

The cost reduction program identified additional cost savings of approximately \$24.3 million on an annualised basis, including \$6 million in overhead reductions. Monadelphous remains committed to working closely with customers to deliver productivity improvements for cost and process efficiencies within their operations.

Key initiatives implemented during the six months included further reductions in staffing levels, structural changes, sub leasing premises, negotiation of improved supply arrangements, improvements to project management and innovative project delivery.

[^] Refer to page 8 for reconciliation of EBITDA

Strategic Progress

During the period, the Company successfully broadened its services in core markets and progressed its strategy to expand into infrastructure and extend core services to overseas locations. Business development activities were enhanced across the business to leverage the broad service offering.

Three new long-term oil and gas contracts were secured which reflect Monadelphous' strong delivery track record and the successful drive to implement cost-effective solutions by collaborating closely with customers. The contracts cover a diverse range of services and demonstrate the Company's capability to successfully deliver operations and maintenance services in the oil and gas industry.

Monadelphous enhanced its position in the upstream coal seam gas market securing panel service contracts for sustaining capital works.

In newer markets, the award of additional irrigation contracts through our Water Infrastructure business reinforces our infrastructure service expansion, and has opened new opportunities particularly in New Zealand. Other maintenance opportunities incorporating access solutions and corrosion management are significantly progressed, and we are actively pursuing opportunities in civil infrastructure, power and utility network services.

The Company has made good progress in its overseas expansion strategy by establishing a presence in North America to pursue opportunities in the energy market. During the period it entered into an agreement with US-based contractor Mascaro Construction for the establishment of a jointly owned US company. The US market entry is a key element of the Group's strategy to deliver core services in overseas markets and a major step in developing a position in the US energy market.

Further strategic partnerships for global EPC projects to the resources sector are also under development.

Monadelphous is committed to developing prospects to extend its core services in overseas locations where it already operates, such as Papua New Guinea and the water infrastructure market in New Zealand. Our China-based fabrication business focussed on developing opportunities to provide services to customers and partners both internationally and domestically, and now expects to convert a number of overseas pre-qualifications and tenders into supply contracts.

Wiggins Island Coal Export Terminal

The MMM joint venture is continuing to pursue its claims and variations from WICET through both the Supreme Court and the Building and Construction Industry Payment Agency (BCIPA), and will vigorously defend the proceedings filed by WICET.

MMM has to date received adjudication for payments relating to the project totalling approximately \$90 million, with a further BCIPA determination expected in the second half of the financial year.

While it is difficult to determine the length of time required to resolve the issues, Monadelphous will inform the market of any material developments as and when they arise.

OPERATIONAL OVERVIEW

Markets

Australian market conditions remained challenging throughout the period on the back of historically low resource and energy commodity prices. Customers continued to focus on reducing costs and improving the operating efficiency of existing assets.

Sales revenue, particularly in the Engineering Construction division, was adversely impacted by a persistent slow-down in investment in new major construction projects.

Despite tough operating conditions, the Company strengthened its position in core markets by securing new work across a broad range of industries including water infrastructure, coal, alumina, base metals, oil, coal seam gas and LNG.

Health and Safety

The Company finished the period with another record safety performance. The total case injury frequency rate (TCIFR) was 2.81 incidents per million man-hours worked, an improvement of 10 per cent on the previous corresponding period.

The lost time injury frequency rate (LTIFR) was 0.09 incidents per million man-hours worked, with only one incident recorded in the six months.

An emphasis on safety leadership and the ongoing development of processes and systems underlies the Company's improving trend in this area and demonstrates Monadelphous' reputation as an industry leader in health and safety management.

People

The Company's total workforce at 31 December 2015 was 4,464, marginally down on 12 months earlier. Numbers reflect the increasing activity levels within maintenance services, which offset reductions to our construction workforce and group support.

Labour productivity continues to strengthen as a result of improved labour availability. The Company continues to experience strong levels of key talent retention and a lower trend in permanent staff turnover.

OPERATIONAL ACTIVITY

Monadelphous provides construction, maintenance and industrial services to the resources, energy and infrastructure markets.

Engineering Construction

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported sales revenue of \$414.6 million, down 43 per cent when compared to the previous corresponding period, impacted by reduced demand for new construction work and schedule delays on existing projects.

The division remains focused on new markets and overseas opportunities particularly in New Zealand and the US. In August, Monadelphous announced the establishment of a partnership with US contractor Mascaro and the incorporation of a jointly-owned company, Monaro LLC. A small number of Monadelphous' senior long-term project employees have relocated to Pittsburgh and have commenced the process to bid and secure contracts for execution in the near future.

During the year, major contract activity included:

- Structural, mechanical and piping works within concentrator lines 3 to 6 at the Sino Iron Project at Cape Preston, near Karratha, WA;
- Structural, mechanical and piping works, with JKC, for the utility and offsite area of the Ichthys Project Onshore LNG Facility in Darwin, Northern Territory (NT);
- Engineering, procurement and construction, with JKC, of the gas export pipeline works for the Ichthys Project Onshore LNG Facility in Darwin, NT; and
- Design and construction of a 240 km irrigation scheme for Ashburton Lyndhurst Irrigation Ltd in Methven, New Zealand.

New contracts worth \$100 million were secured and undertaken during the period and include:

- A three-year contract with APLNG for the fabrication and supply of wellhead separator skids in the Surat Basin, Queensland,
- A contract with Barrhill Chertsey Irrigation Ltd for the design, construction and commissioning of a 40 km long, gravity and pressurised piped irrigation scheme in Methven, New Zealand; and
- A contract with Nyrstar for structural, mechanical and piping works at its Port Pirie Smelter in South Australia.

Maintenance and Industrial Services

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustaining capital projects and shutdowns, recorded sales revenue of \$323.3 million. The result, which was approximately eight percent higher than the second half of the 2015 financial year, was impacted by high levels of shutdown activity.

The result in the period reflects increased levels of activity as customer demand for efficient brownfields production strengthened and new production plants under construction transition to operations.

During the period the division secured over \$900 million in new contracts and contract extensions underlying the Company's leading position in the services market. New and extended contracts included:

- A three-year contract to provide project, maintenance and shutdown works for Queensland Alumina Limited in Gladstone, Queensland;
- A three-year contract for maintenance and shutdown services for South32 Ltd at Worsley Alumina in Collie, WA;
- A three-year facilities maintenance services contract to support the Barrow Island assets, operated by Chevron Australia, in WA;
- A contract with BM Alliance Coal Operations to provide maintenance works for a major dragline shutdown at Blackwater Mine in Blackwater, Queensland;
- A three-year contract for BP at its Kwinana Refinery, for capital works and maintenance events, in WA;
- A seven-year maintenance and modification services contract associated with Shell Australia's Prelude Floating Liquefied Natural Gas (FLNG) project, in Browse Basin;
- A new contract in joint venture with Giovenco Industries Pty Ltd for services on the Woodside-operated Karratha Gas Plant Life Extension Program; and
- A two-year contract with BM Alliance Coal Operations to provide dragline maintenance at various locations in the Bowen Basin, Queensland.

Major contract activity undertaken included:

- Facilities management and support services at the Chevron-operated Barrow Island assets, WA;
- Maintenance and major shutdown services at the Woodside-operated Karratha Gas Plant at Karratha, WA;
- Shutdown and maintenance services for Rio Tinto's coastal and inland operations in the Pilbara, WA;
- Maintenance and shutdown services for BHP Billiton's Nickel West operations in the Goldfields, WA;
- Project and maintenance services for Queensland Alumina Limited in Gladstone; and
- Maintenance and shutdown works for BM Alliance Coal Operations in Queensland.

Outlook

Australian market conditions are very competitive and expected to remain challenging on the back of historically low resource and energy commodity prices. Customers will continue to minimise capital and operating costs and focus on improving production efficiency.

Opportunities for new major construction contracts in core customer markets are likely to remain at low levels. Delays to new projects seeking final investment decisions persist and there remains a backlog of projects at the feasibility stage.

The outlook for maintenance and industrial services is more positive as maintenance activity begins to normalise and new process facilities continue to transition from the construction to the operating phase. We remain in a strong position to capitalise on a number of opportunities that are currently at the tendering stage.

Our position in the water infrastructure market continues to strengthen and we remain focussed on expanding our presence in Australia and New Zealand.

We will focus on advancing our diversification strategy, broadening our service offering and customer markets in Australia and expanding our core services into new geographic markets.

The surplus capacity of service providers and falling construction activity combined with a reduced pipeline of work will keep margins under pressure. The company remains focused on initiatives to reduce costs, protect margins and improve sustainability.

In the short term, the significant reduction in overall construction demand is continuing to impact sales revenue and at this stage we anticipate full-year revenue to be around 25 per cent lower than 2014/15.

In this volatile environment, we are committed to maintaining our strong balance sheet and pursuing investment opportunities that support our long term market growth strategy.

On behalf of the Board, I take this opportunity to thank all our stakeholders for their loyalty and support and particularly our people for their dedication, commitment and highly valued contribution.

^EBITDA is a non-IFRS earnings measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. This measure is important to management when used as an additional means to evaluate the Company's profitability.

Reconciliation of Profit before tax to EBITDA (unreviewed)

	31 December 2015 \$'000	31 December 2014 \$'000
Profit before tax	53,188	84,622
Interest expense	548	974
Interest received	(2,021)	(2,550)
Depreciation expense	10,961	11,637
Amortisation expense	65	390
EBITDA	62,741	95,073

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 15 February 2016, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividend is \$26,174,324, which represents a fully franked interim dividend of 28 cents per share. This dividend has not been provided for in the 31 December 2015 Financial Statements. The Monadelphous Group Limited Dividend Reinvestment plan will apply to the dividend.

Other than the item noted above, there are no matters or circumstances that have arisen since the end of the half-year ended 31 December 2015 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.

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

The auditor's independence declaration is set out on page 9 and forms part of the Directors' Report for the half-year ended 31 December 2015.

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, 15 February 2016



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Auditor's independence declaration to the Directors of Monadelphous Group Limited

As lead auditor for the review of Monadelphous Group Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Monadelphous Group Limited and the entities it controlled during the financial period.

Ernst & Young

G H Meyerowitz
Partner
15 February 2016



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To the members of Monadelphous Group Limited

Report on the 31 December 2015 half-year financial report

We have reviewed the accompanying half-year financial report of Monadelphous Group Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 2015 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*. 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.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Monadelphous Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'Ernst & Young', with a large, stylized flourish at the end.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', with a large, stylized flourish at the end.

G H Meyerowitz
Partner
Perth
15 February 2016

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) giving a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying 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, 15 February 2016

MONADELPHOUS GROUP LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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	Notes	Half-year ended 31 December 2015 \$'000	Half-year ended 31 December 2014 \$'000
CONTINUING OPERATIONS			
REVENUE	3	739,064	1,054,563
Cost of services rendered		<u>(660,387)</u>	<u>(947,119)</u>
GROSS PROFIT		78,677	107,444
Other income	3	3,120	2,463
Business development and tender costs		(11,045)	(7,875)
Occupancy costs		(1,659)	(1,541)
Administrative costs		(14,324)	(16,230)
Finance costs		(548)	(974)
Unrealised foreign currency gain/(loss)		<u>(1,033)</u>	<u>1,335</u>
PROFIT FOR THE PERIOD BEFORE TAX		53,188	84,622
Income tax expense		<u>(15,541)</u>	<u>(23,966)</u>
PROFIT FOR THE PERIOD AFTER TAX		<u>37,647</u>	<u>60,656</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED		<u>37,647</u>	<u>60,656</u>
Earnings per share:			
• Basic, profit for the period attributable to ordinary equity holders of the parent (cents per share)		40.37	65.36
• Diluted, profit for the period attributable to ordinary equity holders of the parent (cents per share)		40.37	65.36

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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	Half-year ended 31 December 2015 \$'000	Half-year ended 31 December 2014 \$'000
NET PROFIT FOR THE PERIOD	37,647	60,656
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	512	220
Income tax effect	-	-
	<hr/> 512	<hr/> 220
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<hr/> 512	<hr/> 220
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	<hr/> 38,159	<hr/> 60,876

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

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	Notes	31 December 2015 \$'000	30 June 2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		202,574	209,835
Trade and other receivables		336,919	375,167
Inventories		80,587	80,544
Income tax receivable		9,681	-
Total current assets		629,761	665,546
Non-current assets			
Property, plant and equipment	5, 3(b)	88,804	96,190
Deferred tax assets		19,210	28,204
Intangible assets and goodwill		2,946	3,012
Investment in joint venture		1,421	-
Other non-current assets	6	780	1,247
Total non-current assets		113,161	128,653
TOTAL ASSETS		742,922	794,199
LIABILITIES			
Current liabilities			
Trade and other payables		272,617	287,228
Interest bearing loans and borrowings		9,520	11,891
Income tax payable		-	4,288
Provisions		80,787	105,777
Total current liabilities		362,924	409,184
Non-current liabilities			
Interest bearing loans and borrowings		10,349	11,334
Provisions		4,447	5,583
Total non-current liabilities		14,796	16,917
TOTAL LIABILITIES		377,720	426,101
NET ASSETS		365,202	368,098
EQUITY			
Issued capital	8	119,124	117,310
Reserves		30,953	30,441
Retained earnings		215,125	220,347
TOTAL EQUITY		365,202	368,098

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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	Issued Capital \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2015	117,310	30,280	161	220,347	368,098
Other comprehensive income	-	-	512	-	512
Profit for the period	-	-	-	37,647	37,647
Total comprehensive income for the period	-	-	512	37,647	38,159
Transactions with owners in their capacity as owners					
Dividend reinvestment plan	1,814	-	-	-	1,814
Dividends paid	-	-	-	(42,869)	(42,869)
At 31 December 2015	119,124	30,280	673	215,125	365,202

	Issued Capital \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2014	112,115	34,667	120	215,763	362,665
Other comprehensive income	-	-	220	-	220
Profit for the period	-	-	-	60,656	60,656
Total comprehensive income for the period	-	-	220	60,656	60,876
Transactions with owners in their capacity as owners					
Exercise of employee options	1,640	-	-	-	1,640
Acquisition of reserved shares	(1,269)	-	-	-	(1,269)
Dividend reinvestment plan	2,710	-	-	-	2,710
Share-based payments	-	934	-	-	934
Dividends paid	-	-	-	(58,462)	(58,462)
At 31 December 2014	115,196	35,601	340	217,957	369,094

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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	Half-year ended 31 December 2015 \$'000	Half-year ended 31 December 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	807,060	973,791
Payments to suppliers and employees	(753,965)	(893,837)
Income tax paid	(13,677)	(25,691)
Other income	1,651	571
Interest received	2,021	2,550
Borrowing costs	(548)	(974)
	<hr/>	<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES	42,542	56,410
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	2,402	2,337
Purchase of property, plant and equipment	(607)	(742)
Investment in joint venture	(1,646)	-
Loan to associates	(1,119)	-
	<hr/>	<hr/>
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(970)	1,595
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	1,640
Purchase of reserved shares	-	(1,269)
Dividend paid	(41,055)	(55,752)
Repayment of borrowings	(1,667)	(2,045)
Payment of finance leases	(5,587)	(7,346)
	<hr/>	<hr/>
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(48,309)	(64,772)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
Opening cash and cash equivalents brought forward	(6,737)	(6,767)
Net foreign exchange difference	209,835	217,859
	<hr/>	<hr/>
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	(524)	1,304
	<hr/>	<hr/>
	202,574	212,396

1. CORPORATE INFORMATION

The half-year condensed consolidated financial report of Monadelphous Group Limited for the six months ended 31 December 2015 was authorised for issue in accordance with a resolution of directors on 15 February 2016.

Monadelphous Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

a) Basis of Preparation

The half-year financial report is a general-purpose condensed financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting.

The half-year condensed consolidated financial report does not include all information and disclosures required in the annual financial report and should be read in conjunction with the annual financial report of Monadelphous Group Limited as at 30 June 2015.

b) New and amending Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the half-year consolidated financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2015. The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective 1 July 2015. The adoption of these new and revised Standards and Interpretations did not have any effect on the financial position or performance of the consolidated entity.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective.

	31 December 2015	31 December 2014
	\$'000	\$'000
3. REVENUE AND EXPENSES		
(a) Specific Items		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
(i) Revenue		
Rendering of services	737,043	1,052,013
Finance income	2,021	2,550
	739,064	1,054,563
(ii) Other income		
Gain on disposal of property, plant and equipment	1,469	1,892
Other income	1,651	571
	3,120	2,463
(b) Expenses		
Depreciation of non-current assets	10,961	11,637

	31 December 2015	31 December 2014
	\$'000	\$'000
4. DIVIDENDS PAID AND PROPOSED		
(a) Fully franked dividends declared and paid during the half-year	42,869	58,462
(b) Dividends proposed and not yet recognised as a liability	26,174	42,779

5. PROPERTY, PLANT AND EQUIPMENT

During the half-year the consolidated entity acquired assets with a cost of \$4,508,539 (2014: \$1,095,937), including assets purchased by means of finance leases and hire purchase contracts (see Note 7). Assets with a written down value of \$933,767 (2014: \$444,736) were disposed of during the period.

6. OTHER NON-CURRENT ASSETS

Other non-current assets consists of investments in ordinary shares at fair value in AnaeCo Limited (ASX Code: ANQ). The Group has a 14.7% interest in AnaeCo Limited, whose principal activity is the development and commercialisation of a process for the treatment of organic solid waste. The investment is classified as an investment in associate. The investment is not considered to be material.

7. NON-CASH FINANCING AND INVESTING ACTIVITIES

During the half-year the consolidated entity acquired plant and equipment with an aggregate fair market value of \$3,898,768 (2014: \$353,559) by means of finance leases and hire purchase agreements.

8. ISSUED CAPITAL

	Notes	31 December 2015 \$'000	30 June 2015 \$'000
Ordinary shares – Issued and fully paid	8(a)	120,393	118,579
Reserved shares	8(b)	(1,269)	(1,269)
		<u>119,124</u>	<u>117,310</u>

(a) Movement in ordinary shares

	31 December 2015		31 December 2014	
	Number of Shares	\$'000	Number of Shares	\$'000
Beginning of the period	93,194,159	118,579	92,679,570	112,115
Exercise of employee options	-	-	118,440	1,640
Dividend reinvestment plan	285,572	1,814	200,370	2,710
End of the period	<u>93,479,731</u>	<u>120,393</u>	<u>92,998,380</u>	<u>116,465</u>

(b) Movement in reserved shares

	31 December 2015		31 December 2014	
	Number of Shares	\$'000	Number of Shares	\$'000
Beginning of the period	85,500	(1,269)	-	-
Acquisition of reserved shares	-	-	85,500	(1,269)
End of the period	<u>85,500</u>	<u>(1,269)</u>	<u>85,500</u>	<u>(1,269)</u>

85,500 of the Group's own equity instruments have been acquired for later use in employee share-based payment arrangements (reserved shares) and have been deducted from equity.

9. OPERATING SEGMENTS

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 2015 the Engineering Construction division contributed revenue of \$414.6 million (2014: \$730.0 million) and the Maintenance and Industrial Services division contributed revenue of \$323.3 million (2014: \$322.9 million). Included in these amounts is \$0.9 million (2014: \$0.9 million) of inter-entity revenue, which is eliminated on consolidation. The operating divisions are exposed to similar risks and rewards from operations, and are only segmented to facilitate appropriate management structures.

The directors believe that the aggregation of the operating divisions is appropriate for segment reporting purposes as they:

- have similar economic characteristics;
- perform similar services for the same industry sector;
- have similar operational business processes;
- provide a diversified range of similar engineering services to a large number of common clients;
- utilise a centralised pool of engineering assets and shared services in their service delivery models, and the services provided to customers allow for the effective migration of employees between divisions; and
- operate predominately in one geographical area, namely Australia.

Accordingly all service divisions have been aggregated to form one reporting segment.

10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value hierarchy

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1: The fair value is calculated using quoted prices in active markets.
- Level 2: The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no material financial assets or liabilities measured at fair value at 31 December 2015 or 30 June 2015.

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:

	31 December 2015	30 June 2015
	\$'000	\$'000
Guarantees given to various clients for satisfactory contract performance	289,659	392,598

Legal dispute with Wiggins Island Coal Export Terminal ('WICET')

In June 2015, Monadelphous announced that MMM, an unincorporated joint arrangement in which Monadelphous holds a 50 per cent interest, would be lodging a counterclaim in excess of \$200 million in the Supreme Court of Queensland in response to a claim filed against Monadelphous by the owners of Wiggins Island Coal Export Terminal Pty Ltd (WICET). The counter claim was lodged in October 2015.

MMM has to date received successful adjudication from the Building and Construction Industry Payment Agency ("BCIPA") (a Queensland statutory agency designed to facilitate the adjudication of payments in the construction industry by expert adjudicators) for payments relating to the project totalling approximately \$90 million, with a further BCIPA determination expected in the second half of the financial year.

WICET filed a claim relating to the MMM contracts in the Supreme Court of Queensland totalling approximately \$130 million (net of the proceeds of bank guarantees plus general damages, interest and costs), in which it seeks to recover monies, the majority of which include those paid to MMM under BCIPA and variations previously approved by WICET. Monadelphous rejects WICET's position as outlined in the claim and will vigorously defend the proceedings.

12. SHARE BASED PAYMENT

For the half-year ended 31 December 2015, the Group has recognised \$nil of share-based payment expense in the Income Statement (2014: \$933,967).

13. CAPITAL COMMITMENTS

The consolidated group has capital commitments of \$1,612,477 at 31 December 2015 (2014: \$2,719,697).

14. EVENTS AFTER BALANCE DATE

On 15 February 2016, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividend is \$26,174,324 which represents a fully franked interim dividend of 28 cents per share. This dividend has not been provided for in the 31 December 2015 Financial Statements. The Monadelphous Group Limited Dividend Reinvestment plan will apply to the dividend.

Other than the item noted above, there are no matters or circumstances that have arisen since the end of the half-year ended 31 December 2015 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.