

MONADELPHOUS GROUP LIMITED

ABN 28 008 988 547

CONDENSED CONSOLIDATED FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2017

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

Helen Jane Gillies
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 11, 172 St George's Terrace
Perth
Western Australia 6000
Telephone: 1300 364 961
Facsimile: +61 8 9473 2500

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

Johnson, Winter and Slattery

Level 4, 167 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 Inc.
Monadelphous Marcellus LLC
MKT Pipelines Limited
Monadelphous Investments Pty Ltd
MWOG Pty Ltd
Arc West Group Pty Ltd
MOAG Pty Ltd
Monadelphous International Holdings Pty Ltd
Evo Access Pty Ltd
Monadelphous Sdn Bhd
RIG Installations (Newcastle) Pty Ltd (acquired
14 July 2017)
R E & M Services Pty Ltd (incorporated
22 September 2017)

Your directors submit their report for the half-year ended 31 December 2017.

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 51 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 38 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, Member of the Australian Institute of Company Directors 45 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entity: 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 45 years experience in the construction and engineering services industry
Dietmar Robert Voss	<i>Independent Non-Executive Director</i> Appointed 10 March 2014 Chemical Engineer, Member of the Australian Institute of Company Directors 44 years experience in the oil and gas, and mining and minerals industries throughout Australia, the US, Europe, the Middle-East and Africa
Helen Jane Gillies	<i>Independent Non-Executive Director</i> Appointed 5 September 2016 Solicitor, Master of Business Administration and Construction Law, Fellow of the Australian Institute of Company Directors 21 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entity: Yancoal Australia Limited (ASX:YAL) – appointed 30 January 2018

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 17 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 12 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
- Electrical and instrumentation services
- Process and non-process maintenance services
- Front-end scoping, shutdown planning, management and execution
- Water and waste water asset construction and maintenance
- Irrigation services
- Construction of transmission pipelines and facilities
- Operation and maintenance of power and water assets
- Heavy lift and specialist transport
- Access solutions
- Dewatering services
- Corrosion management services

General

Monadelphous operates from major offices in Perth and Brisbane, with regional offices in Sydney, Newcastle, Houston (USA), Beijing (China), Auckland and Christchurch (New Zealand) and Ulaanbaatar (Mongolia), and a network of workshop facilities in Kalgoorlie, Karratha, Port Hedland, Newman, Tom Price, Darwin, Roxby Downs, Gladstone, Hunter Valley, Mackay and Bunbury.

The consolidated entity's revenue is earned predominantly from the resources, energy and infrastructure industry sectors.

There have been no significant changes in the nature of those activities during the year.

OPERATING RESULTS

The consolidated entity's profit after providing for income tax for the half-year was \$37.608 million (2016: \$28.570 million).

DIVIDENDS PAID OR PROPOSED

A 30 cent fully franked interim dividend has been approved by the directors payable on 29 March 2018 (2017: 24 cent interim dividend). A final fully franked dividend of \$28,174,354 was paid during the period in respect of the financial year ended 30 June 2017.

REVIEW OF OPERATIONS

	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000
Revenue from services	848,310	625,194
Profit after income tax attributable to equity holders of the parent	37,608	28,570

The Directors of Monadelphous Group Limited are pleased to report the Company's financial results for the six months ended 31 December 2017.

Revenue

Monadelphous recorded sales revenue of \$874.1 million*, an increase of 38.6 per cent on the previous corresponding period and in line with guidance provided to the market.

The strong half year results reflect solid revenue increases in the Company's core resources and energy markets in Australia as well as growth from diversification into overseas and infrastructure markets.

Revenues were up across the board with both construction and maintenance arms of the business seeing increased activity from a high volume of contracts secured over the past 12 to 18 months.

Earnings

Net profit after tax (NPAT) attributable to equity holders of the parent was \$37.6 million, an increase of 31.6 per cent on the previous corresponding period. The Company has experienced moderating margins as a result of the diversification of the Company's business portfolio, the increased level of competition.

Earnings per share (EPS) was 40.1 cents.

Dividend

The Board of Directors has declared an interim dividend of 30 cents per share fully franked. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the interim dividend.

Strong balance sheet

Monadelphous ended the period with a strong net cash balance of \$206.1 million, a cash flow from operations of \$21.0 million and a cash flow conversion rate of 60.6 per cent, which was impacted by the increased activity levels and working capital requirements across the business. The Company's strong balance sheet provides substantial capacity to invest in new business opportunities.

Strategic Progress

During the period, Monadelphous made good progress in its markets and growth strategy to maximise returns from core markets, build an infrastructure business and deliver core services to new overseas markets.

The Engineering Construction division continued works on the MEC-2 project for JKC Australia LNG on the Ichthys Project Onshore LNG Facilities in Darwin, Northern Territory, having commenced work on this project in 2014. It's performance since that time led to the award of additional work, including the electrical and instrumentation works for the product loading jetty, a subcontract for structural, mechanical, piping, electrical and instrumentation work on the cryogenic tanks and a contract for the completion of the gas turbine generators and the associated steam piping of the combined cycle power plant.

The Company continued to offer a broader range of services to its existing and new customers. Services added to its service offering in prior years, such as corrosion management, protective coatings, marine maintenance and rope access, continued to grow and provide opportunities. During the period, Monadelphous acquired Newcastle-based maintenance services business RIG Installations, which provides an opportunity to on-sell the diverse range of services to RIG's customer base in the region.

The Company's objective to build a substantial infrastructure business has been focussed around the growth of the water and irrigation business, and its entry into the renewable energy market through Zenviron.

The water and irrigation business was heavily focussed on executing the significant number of contracts secured in the last financial year. In addition, Monadelphous also secured a contract with Pukaki Irrigation Company Limited for the design, supply, installation and commissioning of a gravity pressurised irrigation scheme in the Mackenzie Basin, New Zealand.

* Includes Monadelphous' share of joint venture revenue – refer to page 10 for reconciliation

Zenviron made good progress on the Sapphire Wind Farm project and furthermore, was awarded a contract for the Salt Creek Wind Farm in Victoria. Through Zenviron, the Company is well placed to secure further work in the rapidly growing renewable energy sector.

Monadelphous' EPC business, Mondium, which was established last year in conjunction with Lycopodium, continued to pursue opportunities in the mining and mineral processing market. During the period, Mondium was awarded its first contract, for the design, construction and commissioning of a new feed system to the existing chemical grade plant at Talison Lithium's Greenbushes mine site, in the south west of Western Australia (WA). The work includes detailed earthworks, concrete works, structural, platework, electrical, instrumentation and process controls.

The Company's Engineering Construction division was awarded two packages of work on the Oyu Tolgoi Underground Project in Mongolia, highlighting the continuing expansion of core services overseas. The work includes mechanical decommissioning, demolition, civil, structural, mechanical, piping, electrical and instrumentation works associated with the Shaft 1 and 2 Surface Infrastructure and Facilities.

SinoStruct, the Company's China-based fabrication business, continued to focus on global business development opportunities, particularly in the North American oil and gas and resources sectors, and was supported by the newly established workshop and logistics facility in Houston, in the United States.

In total, Monadelphous has secured new contracts and additional work valued at approximately \$385 million since the beginning of the financial year.

Productivity

Identifying innovative solutions which deliver value, safety and quality enhancement for the Company and its customers' continues to remain a key priority for Monadelphous.

The Company has focussed its efforts on developing and implementing technological solutions that improve its operational productivity levels. A variety of new site and workshop based innovations have been implemented that enable more efficient work practices, including robotic welding technologies, remote-operated inspection devices, 3D visualisation tools, and the broader use of mobile devices to support data capture and improve the quality and timeliness of reporting and decision making.

In addition, work continued on a purpose-built capability library and customer relationship management database, the refinement of the Company's project information management system and the enhancement of its resource management and workforce optimisation solution.

Monadelphous continues to identify and embed opportunities to deliver operational support services within a centralised and standardised operating model. The Company's offshore support service centre delivers a growing number of cost effective business and project related services, including providing support directly to its customers operations in the areas of resource estimation and workpack development.

OPERATIONAL OVERVIEW

Markets

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

The Australian resources and energy sectors continue to show signs of recovery, with an increase in capital projects announced or under feasibility studies. Investments in precious and base metals are strengthening, reflecting favourable forecasts for commodity prices in these sectors. The outlook for bulk commodities such as coal and iron ore reflects an ongoing focus on efficient operating cost and prudent capital investment to maintain the current high levels of production.

Activity in the maintenance sector is forecast to remain positive as production volumes remain high and essential maintenance works are delivered.

Investment in infrastructure remains healthy, with good prospects in the water and irrigation market in Australia and New Zealand, while the buoyant activity in the Australian renewables market is expected to continue for the foreseeable future.

Health and Safety

The 12-month total case injury frequency rate (TCIFR) for the half year was 3.54 incidents per million man-hours worked, representing a 17% improvement since 30 June 2017 with the lost time injury frequency rate (LTIFR) for the same period improving by 12% to 0.07 incidents per million man-hours worked. This improvement can be attributed to the increasing maturity of operations in the new markets and environments entered in previous years, the safety campaigns undertaken throughout the business to reinforce the Company's safety culture, and the implementation of other improvement initiatives identified through the Group-wide safety survey.

People

The Company's total workforce at 31 December 2017 was 6,277, an increase of 26 per cent on 12 months earlier. The increase in employee numbers is due to the ramp up of new offshore oil and gas contracts awarded in the last financial year and a general increase in construction and maintenance activity.

At Monadelphous, our people are our greatest asset in our journey toward long term, sustainable growth. There remains a continued focus on attracting, developing and retaining high calibre employees who live our values and actively contribute to the achievement of our vision and strategic objectives. Key talent retention levels remain high and the Company continues to invest in training and development for employees.

OPERATIONAL ACTIVITY

Engineering Construction

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported sales revenue of \$477.5 million* for the period, an increase of 63 per cent on the previous corresponding period. This result reflects increased construction activity levels right across the division. A surge in activity at the Ichthys Project Onshore LNG Facilities in Darwin and the growth in the water and renewables businesses were significant contributors.

The division continued to work successfully at the Ichthys Project Onshore LNG Facilities, on both the MEC-2 package, and the previously mentioned additional work announced in June 2017. The strong safety culture maintained on this project was a significant achievement considering the large scale, rapid workforce mobilisation onto the newer packages of work. The Company has been recognised for its safety performance on this project during the period, receiving its 9th Monthly Gold Standard Award for best performing subcontractor from JKC Australia LNG.

Work is underway on the two packages secured during the period on the Oyu Tolgoi Underground Project, located in the South Gobi region of Mongolia which are scheduled for completion in the second half of 2019. Monadelphous has a strong commitment to the upskilling and development of the local Mongolian workforce. To assist with the successful execution of this and future projects in Mongolia, the Company has expanded its office in Ulaanbataar, increasing its local workforce and providing upskilling and development opportunities with the establishment of a registered training organisation (RTO). The RTO, which employs local Mongolians, is now running a number of courses and assessments, with plans to further expand capability. Monadelphous has also awarded a number of subcontract packages to local Mongolian companies and will continue to support local Mongolian businesses.

* Includes share of joint venture revenue

SinoStruct, Monadelphous' China-based fabrication business, continued to grow overseas, supported by its newly established workshop and logistics facility in Houston, United States and its procurement and logistics expertise are being utilised on the Oyu Tolgoi project in Mongolia. During the period, the business secured an additional order from Santos for the supply and fabrication of wellhead skids as part of its upstream coal seam gas development in northern Queensland.

The division experienced an increase in activity in its water and irrigation business during the period. The construction of the Amuri Irrigation Scheme, north of Christchurch, New Zealand, was completed, and work continued on the major upgrade to Unitywater's Kawana Sewage Treatment Plant, on the Sunshine Coast, Queensland. Work began on the upgrade to the Cleveland Bay Purification Plant for Townsville City Council, and on the Pukaki Irrigation Project in the South Island, New Zealand.

At the end of the half year, the Sapphire Wind Farm project, the first project through Monadelphous' renewable energy business, Zenviron, and in consortium with Vestas, was near completion and ahead of schedule. Feedback from the customer, CWP, has been positive, noting Zenviron's high regard to quality, safety and community relationships. The Sapphire Wind Farm is the largest wind farm in New South Wales (NSW) and uses the largest wind turbine generators in Australia. During the period, Zenviron was awarded a contract, again in consortium with Vestas, to provide engineering, procurement, construction and commissioning of the 54 MW Salt Creek Wind Farm for Tilt Renewables. The project, located in western Victoria, is expected to be completed in July 2018.

In order to support the growth in the Company's heavy lift crane services offering, and in particular its fixed plant maintenance and shutdown crane services contract with Fortescue Metals Group at the Solomon Hub site in the Pilbara Region, WA, the Company expanded its crane fleet, acquiring a number of all-terrain cranes ranging from 25 tonnes to 160 tonnes.

Other work undertaken during the period included:

- The Network and Facility Renewals Program contract with Sydney Water Corporation, which includes the provision of mechanical, electrical and civil services for water and waste water treatment facilities, pumping stations, pipelines, reservoirs, chemical dosing facilities and odour control facilities;
- Structural, mechanical and piping works associated with the Santos Roma West Phase 2B Project, in the Surat Basin, Queensland;
- Construction of a new sewer pipeline, water main and ancillary items in the Havelock North township and a new water main in Hastings City, New Zealand;
- An upgrade to a wastewater treatment plant for Selwyn District Council in Rolleston, New Zealand;
- The supply of additional wellhead skids for Australia Pacific LNG, under an existing agreement;
- An upgrade to the Water Treatment Plant providing the potable water supply, treatment and distribution system at BHP Billiton Western Australia Iron Ore's Mining Area C operation in the northwest of WA;
- Structural, mechanical and piping works for Nyrstar at its Port Pirie Smelter in South Australia (SA);
- The supply, fabrication, pre-assembly and delivery of structural steel, conveyers and plate work at the Hanson Bass Point Quarry Expansion Project in Shellharbour, NSW;
- The supply of structural steel, fabricated spooling and preassembled modular pipe racks for Jacobs, as part of a plant expansion project in the USA; and
- The supply of approximately 7,000 tonnes of structural steel, plate work and conveyers to Kiewit Corporation.

Maintenance and Industrial Services

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustaining capital works and turnarounds, achieved a record sales revenue of \$400.7 million, up 18 per cent on the previous corresponding period due to an increase in demand for maintenance services across the resources and energy sectors.

Since the beginning of the year, the Maintenance and Industrial Services division has been awarded approximately \$270 million in new contracts, including:

- A contract for piping modification and fabrication for TechnipFMC on the hook-up and commissioning phase of Shell Australia's Prelude Floating Liquefied Natural Gas (FLNG) project, in the Browse Basin, approximately 475 kilometres north-northeast of Broome, in WA;
- A two-year contract to supply fixed plant maintenance services for Rio Tinto at its coastal and part of the inland operations in the Pilbara, a continuation of existing work with Rio Tinto;
- A 12-month contract extension on the Woodside-operated Karratha Gas Plant Life Extension Program through its joint venture MGJV, which includes the delivery of mechanical, electrical, access, coatings and insulation services;
- A three-year contract for the supply of rope access based mechanical maintenance, inspection and protective coating services for Dalrymple Bay Coal Terminal in Mackay, Queensland;
- A three-year contract for the operation and maintenance of the coal handling facility at the Muja Power Station for Synergy in Collie, WA;
- A two-year contract extension for the supply of mechanical services for Queensland Alumina Limited in Gladstone, Queensland; and
- A three-year contract to provide shutdown maintenance, breakdown and repair services, minor projects and ad hoc services for BHP at Mount Arthur Coal in the Hunter Valley, NSW.

During the period, there was a ramp up of activity on the three offshore oil and gas maintenance services contracts; namely the Woodside-operated gas production facilities contract, the contract associated with the INPEX-operated Ichthys LNG Project and the Shell Prelude FLNG maintenance and modification services contract. A significant amount of planning, logistics coordination and recruitment and resourcing has gone into the transition and ramp up of these contracts.

Other significant contract activity undertaken during the period included:

- Maintenance services and shutdown support for BHP's Olympic Dam copper-uranium operation at Roxby Downs, SA;
- Engineering, procurement and construction services, in joint operation with Jacobs Engineering, on Oil Search's oil and gas production facilities in the Highlands region of Papua New Guinea;
- Facilities maintenance management and support services at Chevron Australia's facilities at Barrow Island and Onslow, WA;
- Abrasive blasting, cleaning and relining of carbon steel ore wagons for The Pilbara Infrastructure (a wholly owned subsidiary of Fortescue Metals Group) in Port Hedland, WA;
- Maintenance and major shutdown services at the Woodside-operated Karratha Gas Plant at Karratha, WA;
- Maintenance and shutdown services for BHP's Nickel West operations in the Goldfields, WA;
- Shutdown and maintenance services for QGC's Curtis LNG Plant, on Curtis Island, Queensland; and
- Projects and turnaround works at Citic Pacific Mining's Sino Iron Project in the Pilbara.

Outlook

As highlighted earlier, the high volumes of contracts secured in the past year or so, an increase in demand for maintenance services and a spike in construction activity at the Ichthys project have driven a surge in revenue in the first half. Sales revenue is expected to moderate in the second half with the full year revenue result expected to be around 30% up on the previous year.

More broadly, the outlook for the Company's core resources market has improved as commodity prices have stabilised. Demand for sustaining and brownfield capital works is expected to be solid as operators look to maximise production and improve productivity. Prospects for major construction opportunities are improving particularly in the iron ore, copper and lithium sectors.

The outlook for the maintenance division is positive with demand expected to remain strong. Oil and gas services revenue are expected to benefit from LNG projects ramping up production and offshore work volumes increasing.

Productivity improvements will continue to be a priority as competition levels in the industry remain high and customers focus on cost competitive solutions.

The Company will continue to build upon its broadening revenue base by growing its position in the infrastructure market, including water and renewable energy and developing more opportunities overseas. A strong balance sheet continues to provide capacity to invest in the right opportunity.

In closing, I would like to take the opportunity to thank all our stakeholders for their loyalty and support and in particular our people for their continued commitment and dedication and for their contribution to an outstanding result.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Dividends declared

On 19 February 2018, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is \$28,198,703 which represents a fully franked interim dividend of 30 cents per share. This dividend has not been provided for in the 31 December 2017 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 2017 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 11 and forms part of the Directors' Report for the half-year ended 31 December 2017.

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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

Signed in accordance with a resolution of the directors.



C. G. B. Rubino
Chairman
Perth, 19 February 2018

MONADELPHOUS GROUP LIMITED

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

Reconciliation of Statutory Sales Revenue

	31 December 2017 \$'000	31 December 2016 \$'000
Total sales revenue including joint ventures	874,103	630,736
Share of revenue from joint ventures ~	(25,793)	(5,542)
Statutory sales revenue	848,310	625,194

~ Represents Monadelphous' proportionate share of the revenue of joint ventures accounted for using the equity method.

Reconciliation of Statutory Revenue

	31 December 2017 \$'000	31 December 2016 \$'000
Total revenue including joint ventures	875,468	632,660
Share of revenue from joint ventures ~	(25,793)	(5,542)
Statutory revenue	849,675	627,118

~ Represents Monadelphous' proportionate share of the revenue of joint ventures accounted for using the equity method.



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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 2017, 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; and
- 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.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'D S Lewsen'.

D S Lewsen
Partner
19 February 2018



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To the members of Monadelphous Group Limited

Report on the 31 December 2017 half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Monadelphous Group Limited (Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors 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 control as the directors determine is 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* (ASRE 2410), in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial 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*.

Ernst & Young

Ernst & Young

A handwritten signature in blue ink, appearing to read 'D S Lewsen', written over a faint, light blue grid background.

D S Lewsen
Partner
Perth
19 February 2018

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 2017 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, 19 February 2018

MONADELPHOUS GROUP LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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	Notes	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000
CONTINUING OPERATIONS			
REVENUE	3	849,675	627,118
Cost of services rendered		<u>(772,645)</u>	<u>(560,466)</u>
GROSS PROFIT		77,030	66,652
Other income	3	3,176	4,346
Business development and tender costs		(9,236)	(13,074)
Occupancy costs		(1,835)	(1,895)
Administrative costs		(14,116)	(14,377)
Finance costs		(223)	(411)
Unrealised foreign currency (loss)/gain		(317)	1,121
PROFIT FOR THE PERIOD BEFORE TAX		54,479	42,362
Income tax expense		<u>(16,217)</u>	<u>(12,990)</u>
PROFIT FOR THE PERIOD AFTER TAX		38,262	29,372
ATTRIBUTABLE TO			
EQUITY HOLDERS OF THE PARENT		37,608	28,570
NON-CONTROLLING INTERESTS		654	802
		<u>38,262</u>	<u>29,372</u>
Earnings per share:			
• Basic, profit for the period attributable to ordinary equity holders of the parent (cents per share)		40.06	30.50
• Diluted, profit for the period attributable to ordinary equity holders of the parent (cents per share)		40.03	30.46

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000
NET PROFIT FOR THE PERIOD	38,262	29,372
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(962)	(122)
Income tax effect	-	-
	<u>(962)</u>	<u>(122)</u>
Net gain on available-for-sale financial asset	1,056	-
Income tax effect	(317)	-
	<u>739</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(223)</u>	<u>(122)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>38,039</u>	<u>29,250</u>
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	37,385	28,448
NON-CONTROLLING INTERESTS	<u>654</u>	<u>802</u>
	<u>38,039</u>	<u>29,250</u>

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

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	Notes	31 December 2017 \$'000	30 June 2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		215,396	241,909
Trade and other receivables		270,603	245,826
Inventories		75,084	69,774
Total current assets		561,083	557,509
Non-current assets			
Property, plant and equipment	5, 3(b)	85,785	79,052
Deferred tax assets		34,371	25,980
Intangible assets and goodwill		3,370	3,345
Investment in joint venture	6	251	78
Other non-current assets	7	4,846	3,734
Total non-current assets		128,623	112,189
TOTAL ASSETS		689,706	669,698
LIABILITIES			
Current liabilities			
Trade and other payables		191,993	183,063
Interest bearing loans and borrowings		4,536	6,904
Income tax payable		10,777	3,603
Provisions		83,206	86,042
Total current liabilities		290,512	279,612
Non-current liabilities			
Interest bearing loans and borrowings		4,747	6,856
Provisions		5,235	4,972
Deferred tax liabilities		-	14
Total non-current liabilities		9,982	11,842
TOTAL LIABILITIES		300,494	291,454
NET ASSETS		389,212	378,244
EQUITY			
Issued capital	9	124,174	122,965
Reserves		30,719	31,048
Retained earnings		232,814	223,380
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		387,707	377,393
Non-Controlling Interests		1,505	851
TOTAL EQUITY		389,212	378,244

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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Attributable to equity holders

	Issued Capital \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Non- controlling Interests \$'000	Available for-Sale Reserve \$'000	Total \$'000
At 1 July 2017	122,965	30,142	719	223,380	851	187	378,244
Other comprehensive income	-	-	(962)	-	-	739	(223)
Profit for the period	-	-	-	37,608	654	-	38,262
Total comprehensive income for the period	-	-	(962)	37,608	654	739	38,039
Transactions with owners in their capacity as owners							
Share-based payments	-	(106)	-	-	-	-	(106)
Dividend reinvestment plan	1,209	-	-	-	-	-	1,209
Dividends paid	-	-	-	(28,174)	-	-	(28,174)
At 31 December 2017	124,174	30,036	(243)	232,814	1,505	926	389,212

Attributable to equity holders

	Issued Capital \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Non- controlling Interests \$'000	Available for-Sale Reserve \$'000	Total \$'000
At 1 July 2016	120,723	29,102	853	218,317	(106)	-	368,889
Other comprehensive income	-	-	(122)	-	-	-	(122)
Profit for the period	-	-	-	28,570	802	-	29,372
Total comprehensive income for the period	-	-	(122)	28,570	802	-	29,250
Transactions with owners in their capacity as owners							
Share-based payments	-	560	-	-	-	-	560
Dividend reinvestment plan	1,174	-	-	-	-	-	1,174
Dividends paid	-	-	-	(29,981)	-	-	(29,981)
At 31 December 2016	121,897	29,662	731	216,906	696	-	369,892

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	982,514	725,885
Payments to suppliers and employees	(946,587)	(640,922)
Income tax paid	(17,502)	(11,276)
Other income	1,491	1,871
Interest received	1,285	1,924
Dividends received	80	-
Borrowing costs	(264)	(369)
	<hr/>	<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES	21,017	77,113
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	2,191	4,329
Purchase of property, plant and equipment	(14,767)	(2,195)
Loan (to)/repayment from associates and joint ventures	(1,981)	70
Purchase of available-for-sale financial assets	-	(1,634)
Acquisition of controlled entities	(1,387)	(5,433)
	<hr/>	<hr/>
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(15,944)	(4,863)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(26,965)	(28,807)
Proceeds (repayment of)/from borrowings	(1,500)	1,500
Payment of finance leases	(2,936)	(4,641)
	<hr/>	<hr/>
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(31,401)	(31,948)
	<hr/>	<hr/>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
Opening cash and cash equivalents brought forward	241,909	203,515
Net foreign exchange difference	(185)	922
	<hr/>	<hr/>
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	215,396	244,739
	<hr/> <hr/>	<hr/> <hr/>

1. CORPORATE INFORMATION

The half-year condensed consolidated financial report of Monadelphous Group Limited for the six months ended 31 December 2017 was authorised for issue in accordance with a resolution of directors on 19 February 2018.

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 and the Corporations Act 2001.

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 2017 together with any public announcements made during the half year.

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 2017. 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 2017. The adoption of these new and revised Standards and Interpretations did not have any material 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.

c) AASB 15 Revenue from contracts with customers

The new revenue standard will supersede all current revenue recognition requirements. In particular, the standard replaces AASB 118 'Revenue' and AASB 111 'Construction Contracts', upon which the Group's current revenue recognition policies are based. The new standard will be effective for the Group from 1 July 2018.

The Group continues to carry out a systematic review of the impact of AASB 15 on existing contracts and new contracts as they are awarded.

A further update will be provided as part of the 30 June 2018 financial reporting.

	31 December 2017	31 December 2016
	\$'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	848,310	625,194
Dividend income	80	-
Finance income	1,285	1,924
	<u>849,675</u>	<u>627,118</u>
(ii) Other income		
Gain on disposal of property, plant and equipment	1,685	2,475
Other income	1,491	1,871
	<u>3,176</u>	<u>4,346</u>
(b) Expenses		
Depreciation of non-current assets	8,123	9,379
	31 December 2017	31 December 2016
	\$'000	\$'000
4. DIVIDENDS PAID AND PROPOSED		
(a) Fully franked dividends declared and paid during the half-year	28,174	29,981
(b) Dividends proposed and not yet recognised as a liability	28,198	22,519

5. PROPERTY, PLANT AND EQUIPMENT

During the half-year the consolidated entity acquired assets with a cost of \$14,767,019 (2016: \$6,336,142), including assets purchased by means of finance leases and hire purchase contracts (see Note 8). Assets with a written down value of \$505,919 (2016: \$1,853,055) were disposed of during the period.

6. INVESTMENT IN JOINT VENTURES

On 26 July 2016, a joint venture company, Zenviron Pty Ltd was formed between Monadelphous and ZEM Energy Pty Ltd. The Group has a 55% interest in the joint venture. The principal activity of Zenviron is to deliver multi-disciplinary construction services in the renewable energy market in Australia and New Zealand.

On 21 October 2016, a joint venture company, Mondium Pty Ltd was formed between Monadelphous and Lycopodium Ltd. The Group has a 60% interest in the joint venture. The principal activity of Mondium is to deliver engineering, procurement and construction services in the minerals processing sector.

At 31 December 2017, the Group's interests in joint ventures was not material.

7. OTHER NON-CURRENT ASSETS

Other non-current assets include ordinary shares at fair value in Lycopodium Limited (ASX Code: LYL). The investment is classified as available-for-sale securities. The investment is not considered to be material.

8. NON-CASH FINANCING AND INVESTING ACTIVITIES

During the half-year the consolidated entity did not acquire plant and equipment by means of finance leases and hire purchase agreements (2016: \$4,069,735).

9. ISSUED CAPITAL

	Notes	31 December 2017 \$'000	30 June 2017 \$'000
Ordinary shares – Issued and fully paid	9(a)	125,443	124,234
Reserved shares	9(b)	(1,269)	(1,269)
		124,174	122,965

(a) Movement in ordinary shares

	31 December 2017		31 December 2016	
	Number of Shares	\$'000	Number of Shares	\$'000
Beginning of the period	93,928,264	124,234	93,703,963	121,992
Dividend reinvestment plan	81,164	1,209	140,202	1,174
End of the period	94,009,428	125,443	93,844,165	123,166

(b) Movement in reserved shares

	31 December 2017		31 December 2016	
	Number of Shares	\$'000	Number of Shares	\$'000
Beginning of the period	85,500	(1,269)	85,500	(1,269)
End of the period	85,500	(1,269)	85,500	(1,269)

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.

10. 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 2017 the Engineering Construction division contributed revenue of \$477.5 million (2016: \$292.6 million) and the Maintenance and Industrial Services division contributed revenue of \$400.7 million (2016: \$339.6 million). Included in these amounts is \$4.1 million (2016: \$1.5 million) of inter-entity revenue and \$25.8 million (2016: \$5.5 million) of revenue of joint ventures, 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.

11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value hierarchy

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

- 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.

The carrying amount and estimated aggregate net fair values of financial assets and financial liabilities at the balance date are materially the same.

There were no material financial assets or liabilities measured at fair value at 31 December 2017 or 30 June 2017.

12. 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 2017	30 June 2017
	\$'000	\$'000
Guarantees given to various clients for satisfactory contract performance	169,132	147,704

13. SHARE BASED PAYMENT

For the half-year ended 31 December 2017, the Group has recognised \$533,927 of share-based payment expense in the Income Statement (2016: \$559,575) relating to shares to be issued as part of the acquisition of Arc West Group Pty Ltd.

14. CAPITAL COMMITMENTS

The group has capital commitments related to the acquisition of plant and equipment of \$21,885,299 at 31 December 2017 (2016: \$249,726).

15. EVENTS AFTER BALANCE DATE

Dividends declared

On 19 February 2018, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is \$28,198,703 which represents a fully franked interim dividend of 30 cents per share. This dividend has not been provided for in the 31 December 2017 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 2017 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.