

MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

CONDENSED FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2011

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

Directors

Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Irwin Tollman
Non-Executive Director

Peter John Dempsey
Lead Independent Non-Executive Director

Christopher Percival Michelmores
Independent Non-Executive Director

Company Secretaries

Zoran Bebic
Philip Trueman

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

Minter Ellison

Level 49, Central Park
152 St George's Terrace
Perth
Western Australia 6000

Clifford Chance

Level 12, London House
216 St Georges Terrace
Perth
Western Australia 6000

Mallesons Stephen Jaques

Level 10, Central Park
152 St George's Terrace
Perth
Western Australia 6000

Controlled Entities

Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Skystar Airport Services Pty Ltd
Monadelphous Properties Pty Ltd
Monadelphous Workforce Pty Ltd
Genco Pty Ltd
MBF Workforce Pty Ltd
MI & E Holdings Pty Ltd
Monadelphous PNG Ltd
Skystar Airport Services Holdings Pty Ltd
Skystar Airport Services NZ Pty Ltd
Ellavale Engineering Pty Ltd
Moway International Limited
SinoStruct Pty Ltd
Moway AustAsia Steel Structures Trading (Beijing)
Company Limited
Monadelphous Group Limited Employee Share Trust
KT Pty Ltd
Monadelphous Energy Services Pty Ltd (acquired 1 July 2011)

Your directors submit their report for the half-year ended 31 December 2011.

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 45 years experience in the construction and engineering services industry
Robert Velletri	<i>Managing Director</i> Appointed 26 August 1992 Mechanical Engineer, Corporate Member of the Institution of Engineers Australia Appointed as Managing Director on 30 May 2003 32 years experience in the construction and engineering services industry
Irwin Tollman	<i>Non-Executive Director</i> Appointed 26 August 1992 Chartered Accountant, Member Institute of Chartered Accountants in Australia 19 years experience in the construction and engineering services industry Retired as Executive Director on 25 July 2003 and continued as a Non-Executive Director
Peter John Dempsey	<i>Lead Independent Non-Executive Director</i> Appointed 30 May 2003 Civil Engineer, Fellow of the Institution of Engineers Australia 39 years experience in the construction and engineering services industry Also a non-executive director of two other publicly listed entities, Becton Properties Group Limited (ASX:BEC) – appointed 25 July 2008 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 the Institution of Engineers Australia Member Institution of Structural Engineers, UK 39 years experience in the construction and engineering services industry

COMPANY SECRETARIES

Zoran Bebic	<i>Company Secretary and Chief Financial Officer</i> Appointed 24 August 2009 Certified Practising Accountant, 18 years experience in the construction and engineering services industry
Philip Trueman	<i>Company Secretary and General Manager, Human Resources</i> Appointed 21 December 2007 Chartered Accountant, Member Institute of Chartered Accountants in Australia and the South African Institute of Chartered Accountants 11 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
- Construction of transmission pipelines and facilities

Skystar Airport Services

Provides aviation support services.

General

The Monadelphous Group operates from major offices in Perth and Brisbane, with regional offices in Beijing (China) and Adelaide, and a network of workshop facilities in Kalgoorlie, Karratha, Darwin, Roxby Downs, Gladstone, Hunter Valley, Mt Isa, Mackay and Townsville.

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 \$57.507 million (2010: \$45.520 million).

DIVIDENDS PAID OR PROPOSED

A 50.0 cent fully franked interim dividend has been approved by the directors payable on 16 March 2012 (2011: 40.0 cent interim dividend). A final fully franked dividend of \$48,758,505 was paid during the period in respect of the financial year ended 30 June 2011.

REVIEW OF OPERATIONS

	Consolidated 2011 \$'000	Consolidated 2010 \$'000
Revenue from services	879,450	700,105
Profit after income tax	57,507	45,520

FINANCIAL OVERVIEW

Revenue

Sales revenue for the first half (H1) 2012 was a record \$879.5 million, up 25.6 per cent on the previous corresponding period. Significant revenue growth from the Company's Maintenance and Industrial Services and Infrastructure divisions and continued strong demand from customers across all key markets in resources, energy and infrastructure contributed to the result.

Earnings

Earnings before interest, tax, depreciation and amortisation (EBITDA[^]) in H1 2012 lifted by 22.5 per cent on the previous corresponding period to \$90.7 million. Net profit after tax (NPAT) for the period was \$57.5 million, up 26.3 per cent. Earnings per share (EPS) increased by 25.0 per cent to 65.4 cents.

Interim Dividend

The Board declared an interim dividend for H1 2012 of 50 cents per share (fully franked), up 25.0 per cent on the previous corresponding period.

Positioned for Growth

During the period, Monadelphous was awarded approximately \$1.4 billion in new contracts and contract extensions due to strong market conditions and the Company's proven track record in delivery. Further new contracts valued at approximately \$180 million have been secured subsequent to the reporting period.

The Company's bond facilities were increased by \$150 million to \$360 million and its club banking facility was expanded with the addition of HSBC. Monadelphous's balance sheet remained robust and at the half-year end it held net cash of \$136.9 million, supporting future growth.

Capital Expenditure

Monadelphous continued to invest in future capacity with capital expenditure in property, plant and equipment for the period totalling \$27.3 million. This included the purchase of industrial land in Karratha for the development of a new workshop facility to support the Company's activities in the Pilbara region of Western Australia, additions to the mobile crane fleet, and plant and equipment to support the expansion of KT Pty Ltd (KT), the Company's transmission pipeline business.

In addition, capital commitments of \$56.0 million were made to 31 December 2011, including approximately \$30 million for 11 heavy-lift cranes with up to 600-tonne capacity. The cranes are scheduled to be delivered and commissioned in the second half of the financial year (H2 2012).

Norfolk Divestment

As announced in February 2012, subsequent to the reporting period, Monadelphous sold its 13.98 per cent interest in Norfolk Group Limited in an on-market transaction for a cash consideration of \$24.4 million. The transaction will result in a one-off pre-tax profit of approximately \$16.2 million and will support further growth and the continued development of the infrastructure business.

The majority of Monadelphous's strategic interest in Norfolk was acquired in 2009 in line with the Company's diversification strategy to broaden exposure to non-resources markets. Following the successful establishment of Monadelphous's Infrastructure division in 2010, the Company's holding in Norfolk was no longer considered strategic.

Market Index Rating

In November 2011, following more than a decade of sustained growth, Monadelphous shares were included in the S&P/ASX 100 index. This was a significant milestone in the Company's development.

OPERATIONAL OVERVIEW

Our Strategy

Monadelphous continued to make progress towards its long term strategic objective of establishing and maintaining a leadership position in core markets and further diversifying in infrastructure during the reporting period.

The Company maintained a strategic focus on attracting and retaining the right people and further developing a safety leadership culture.

Health and Safety

Monadelphous continued its focus on health and safety management with further implementation of the safety leadership program. No lost time injuries were recorded for the period and the total case injury frequency rate (TCIFR) trended lower with a 24 per cent reduction compared with the previous corresponding period.

People

The Company's total workforce at 31 December was 6,237, up 8.6 per cent on 12 months earlier. The attraction and retention of employees remains the Company's most significant challenge. A broad range of initiatives continued to be executed throughout the period. The introduction of a new long-term employee incentive program was a highlight.

OPERATIONAL ACTIVITY

Monadelphous provides extensive services to the resources, energy and infrastructure sectors through its three operating divisions.

Engineering Construction (EC)

The Engineering Construction division, which provides large-scale multidisciplinary project management and construction services, reported sales revenue of \$480.1 million, an increase of 2.8 per cent on the previous corresponding period. The division was awarded approximately \$1,075 million in new contracts in H1 2012.

The new contracts included a number of large construction contracts valued at approximately \$980 million with blue-chip customers in the iron ore and coal markets. These wins will provide revenue momentum well beyond the current financial year and support the Company's leadership position in core markets.

During the period Monadelphous secured its first marine construction contract, valued at \$330 million, in joint venture with Muhibbah Construction Pty Ltd for Wiggins Island Coal Export Terminal (WICET) in Queensland. This was a significant highlight which broadens the Company's service offering.

Work on major projects during the period included:

- Engineering construction services at Woodside's Pluto LNG Project at Karratha in Western Australia (WA);
- Structural, mechanical, electrical and piping work for BHP Billiton's Worsley Alumina Efficiency and Growth Project at Collie in WA;
- Structural, mechanical and piping work for Newcrest Mining's Cadia East Project at Orange in New South Wales (NSW);
- Mechanical and electrical instrumentation work for Boyne Smelters Limited at Gladstone in Queensland; and
- Structural, mechanical and piping work for MCC at CITIC Pacific Mining's Sino Iron Project at Cape Preston in WA.

New contracts awarded to the Company during the period included:

- Two contracts for structural, mechanical, piping, electrical and instrumentation work as part of the Rio Tinto Coal Australia-managed Kestrel Mine, near Emerald in Queensland;
- Structural, mechanical, piping, electrical and instrumentation work as part of the upgrade of the coal preparation plant and stockyards at the Kestrel Mine;
- Two contracts for BHP Billiton Mitsubishi Alliance's (BMA) Project Delivery Group for ongoing construction work on various sites in the northern region of the Bowen Basin in Queensland;
- Mechanical commissioning support for Woodside's Pluto LNG Plant on the Burrup Peninsula, WA;
- Structural, mechanical and piping work for the greenfields mine processing plant for Rio Tinto and Hancock Prospecting's Hope Downs 4 Iron Ore Project in WA;
- Construction and commissioning of coal conveyors associated with Xstrata Coal's Ulan West Project in the central west of NSW;
- Structural and mechanical work associated with the coarse ore stockpiles at Cape Lambert for Rio Tinto Iron Ore in WA;
- Structural, mechanical and piping work associated with the supply and installation of the screenhouse for Rio Tinto at Cape Lambert in WA;
- A construction general services contract for Bechtel (Western Australia) at the Chevron-operated Wheatstone Project near Onslow in WA; and
- Structural, mechanical and piping work associated with the materials handling and processing facilities at the port operations for BHP Billiton Iron Ore's Port Hedland Inner Harbour Project at Finucane Island and Nelson Point in WA.

In February, subsequent to the reporting period, Monadelphous announced it had entered into two non-exclusive, five-year framework agreements with Rio Tinto's iron ore operations for its major program of construction works in the Pilbara region of WA. The first agreement is for the provision of structural, mechanical and piping packages of work. The second is for the provision of electrical and instrumentation packages of work. The milestone agreements provide Monadelphous with preferred contractor status and their key characteristic is early contractor involvement, which will enable the Company to work with Rio Tinto to optimise project delivery outcomes.

Maintenance and Industrial Services (M&IS)

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multi-disciplinary maintenance services, shutdowns and sustaining capital works, performed strongly in H1 2012.

The division achieved record sales revenue of \$311.3 million, up 65.5 per cent on the previous corresponding period.

This exceptional growth was the result of a significant increase in service volumes through most existing contracts, full period revenue from new contracts and a ramp up in workload through the recently established operations at Mackay in Queensland. Other factors contributing to the division's strong performance were growth of existing maintenance contracts, major shutdown activity and an increase in sustaining capital works from regional operations.

Major contract activity during the period included:

- Facilities management services at the Chevron-operated Gorgon Project at Barrow Island in WA;
- Maintenance and shutdown services for Rio Tinto's coastal and inland West Pilbara operations in WA;
- Major shutdown, minor capital and maintenance services for BHP Billiton's Nickel West in WA;
- Minor capital project services for BHP Billiton's Worsley Alumina refinery at Collie in WA;
- Field construction services for Oil Search at the oil and gas production support facilities in Papua New Guinea;
- Maintenance, minor capital work and shutdown support for BHP Billiton's Olympic Dam Services at Roxby Downs in South Australia; and
- General maintenance services and projects for Chevron at its Barrow Island and Thevenard Island operations in WA.

The division was awarded approximately \$220 million in new contracts and contract extensions during H1 2012.

The announcement during the period of the Company's first long-term dragline shovel shutdown contract following the establishment of the workshop facility in Mackay has facilitated an increased presence in the Bowen Basin and revenue growth from coal customers. The new three-year contract with BHP Mitsubishi Alliance for work across its Bowen Basin coal operations is a strategic milestone, representing geographic diversification of the Company's services.

The following contract extensions were secured during the period:

- A three-year contract extension to provide minor capital project services for BHP Billiton's Worsley Alumina refinery at Collie in WA; and
- A two-year extension to an onshore maintenance and shutdown services contract with ConocoPhillips Australia at its Darwin LNG facility in the Northern Territory.

Infrastructure

The Infrastructure division, established in July 2010 as part of Monadelphous's diversification strategy to support long-term growth, delivered strong sales revenue of \$96.3 million in H1 2012, an increase of 33.8 per cent on the previous corresponding period.

This pleasing result was due to growth in transmission pipeline services, progress on a number of water projects, substantial progress on the construction of the solid waste management project and expansion into the power sector following the acquisition in July 2011 of PearlStreet Energy Services Pty Ltd (renamed Monadelphous Energy Services Pty Ltd).

KT, the Company's transmission pipeline business, continued to grow in H1 2012 following the award of additional pipeline construction contracts. Further investment was also made in specialised pipe laying equipment.

Significant progress was achieved in the Stage 2 expansion of the DiCOM bioconversion waste processing facility for Western Metropolitan Regional Council at Shenton Park in WA, with joint venture partner AnaeCo Ltd.

The integration of PearlStreet Energy Services during the period contributed additional sales revenue through its two long-term operate and maintain contracts in the power sector. Other major infrastructure projects under way included:

- Supply and construction of a new waste water treatment facility for the Water Corporation at Picton, near Bunbury in WA; and
- Construction of pipelines, cables and tubes at the Chevron-operated Gorgon Project at Barrow Island in WA.

The Infrastructure division was awarded approximately \$100 million in new contracts in H1 2012, including:

- Construction of the onshore DomGas pipeline for Clough Sea Trucks Joint Venture associated with the Chevron-operated Gorgon Project in WA;
- Pipeline remediation work for Ok Tedi Mining in Tabubil, Western Province in Papua New Guinea;
- Construction of the Toowoomba Wastewater Infrastructure Projects program for the Toowoomba Regional Council in Queensland, in joint venture with Transfield Services; and
- Construction work for Unitywater's Cooroy and Woodford Sewage Treatment Plant Augmentation projects in Queensland.

In January 2012, subsequent to the reporting period, the division was awarded a further \$180 million in new contracts.

The division secured a contract to construct a potable water supply system with Rio Tinto's Coastal Waters Project at Bungaroo Valley in the Pilbara region of WA. This will support Rio Tinto's iron ore expansion operations in the Pilbara and position the division to deliver further large-scale water projects.

Also in January 2012, Monadelphous announced KT had been awarded a contract for the preparation and construction of a CO₂ injection pipeline for the Chevron-operated Gorgon project on Barrow Island, WA. This is the third pipeline contract secured by the Company on the Gorgon Project.

OUTLOOK

With a historically high level of large-scale resources and energy projects currently in the execution phase throughout Australia and a healthy pipeline of projects in planning stages – particularly for iron ore, coal and LNG developments – Monadelphous expects the strong revenue momentum achieved in H1 2012 will continue for the remainder of the financial year.

At this stage, the Company expects sales revenue growth for the full year to be similar to the first half of the 2012 financial year.

A significant amount of revenue flow from the more than \$1.4 billion of new contracts secured by Monadelphous during H1 2012, along with others secured subsequent to the reporting period, will extend well into the 2013 financial year and beyond, providing continuing strong revenue visibility.

The Company anticipates that supply constraints, particularly for skilled labour, will remain as demand for resources continues to increase in the short term. Monadelphous will continue to develop and implement initiatives to maximise employee retention and attraction.

A robust level of capital investment in property, plant and equipment is expected to continue in support of ongoing core business growth and further expansion in infrastructure markets.

By maintaining its leadership position in its core markets and sustaining the successful execution of its diversification strategy, Monadelphous is confident it is well positioned to capitalise on the strong pipeline of construction and maintenance opportunities and deliver sustainable growth.

^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 performance.

Reconciliation of Profit before tax to EBITDA (unreviewed)

	H1 2012	H1 2011
	\$'000	\$'000
Profit before tax	78,627	64,093
Interest expense	1,679	1,234
Interest received	(3,458)	(2,424)
Depreciation expense	12,787	10,599
Amortisation expense	1,097	537
EBITDA	90,732	74,039

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

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

	Monadelphous Group Limited	
	Ordinary Shares	Options
C G B Rubino	2,004,000	Nil
R Velletri	2,250,000	650,000
I Tollman	667,586	Nil
P J Dempsey	78,000	Nil
C P Michelmore	18,597	Nil

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 30 January 2012, Monadelphous Group Limited announced it had secured water and transmission pipelines construction contracts in Western Australia with a combined value of approximately \$180 million.

The first is for Rio Tinto's Coastal Waters Project at Bungaroo Valley in the Pilbara region of WA. The contract comprises the construction and installation of a potable water supply system that will deliver 10 gegalitres per year of potable water from the Bungaroo Valley to the West Pilbara Supply Scheme at Millstream, WA. The system includes a bore field, approximately 15 kilometres of collector main and 87 kilometres of transfer pipeline and a transfer pump station. Work is expected to commence in the first quarter of the 2012 calendar year and is scheduled to be completed in the first half of the 2013 calendar year.

The second contract, awarded by Chevron Australia, is for the preparation and construction of a CO2 injection pipeline and well sites on the Gorgon Project, Barrow Island, WA. This contract, secured through Monadelphous's transmission pipelines business KT Pty Ltd, comprises installation and pre-commissioning of seven kilometres of underground pipeline, five well sites and associated facilities. Work will commence immediately and is scheduled to be completed in the first quarter of the 2013 calendar year.

On 3 February 2012, Monadelphous Group Limited sold its holding in Norfolk Group Limited (ASX:NFK) of 22,210,268 shares, representing 13.98% of issued capital, in an on-market transaction for a cash consideration of \$24.4 million.

On 17 February 2012, Monadelphous Group Limited announced it had entered into two milestone framework agreements with Rio Tinto's iron ore operations. The agreements give Monadelphous preferred contractor status for a program of structural, mechanical and piping work and a program of electrical and instrumentation work over the next five years.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE (continued)

The agreements are non-exclusive and a number of agreements of this type are expected to be made with other suppliers, covering different work streams and sites.

A key feature of the innovative agreements is early contractor involvement (ECI) which will enable Monadelphous to work with Rio Tinto in the early phases of projects to contribute to design constructability and early cost and schedule development to optimise delivery.

The agreements will give visibility of a stream of projects and continuity of work. Visibility will allow longer term resource planning and optimisation while continuity of work will assist employee retention and attraction and ongoing Indigenous engagement initiatives, as well improved safety, cost and schedule outcomes.

On 20 February 2012, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2012 financial year. The total amount of the dividend is \$44,337,164, which represents a fully franked interim dividend of 50 cents per share. This dividend has not been provided for in the 31 December 2011 Financial Statements.

Other than the items noted above, there are no matters or circumstances that have arisen since the end of the half-year ending 31 December 2011 which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

SIGNIFICANT CHANGES

On 1 July 2011, Monadelphous Group Limited acquired 100% of the voting shares of asset management company, PearlStreet Energy Services Pty Ltd ('PearlStreet'). PearlStreet manages two long-term operations and maintenance contracts in the power sector in Western Australia. The acquisition forms part of Monadelphous's markets and growth strategy. The consideration comprised an initial cash payment of \$4,130,000 and a subsequent cash payment of \$303,814 on finalisation of the completion accounts. The company was renamed as Monadelphous Energy Services Pty Ltd on 14 July 2011.

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

The auditor's independence declaration is set out on page 10 and forms part of the Directors' Report for the half-year ended 31 December 2011.

ROUNDING

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

Signed in accordance with a resolution of the directors.



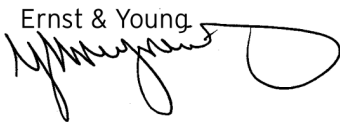
C G B Rubino
Chairman
Perth, 20 February 2012

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

In relation to our review of the financial report of Monadelphous Group Limited for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', written over a faint, stylized 'Ernst & Young' logo.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', written over a faint, stylized 'Ernst & Young' logo.

G H Meyerowitz
Partner
20 February 2012

To the members of Monadelphous Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Monadelphous Group Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and 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 2011 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.

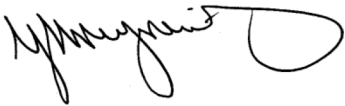
Conclusion

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 2011 and of its 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*.

A stylized, handwritten signature of the Ernst & Young firm, written in black ink.

Ernst & Young

A handwritten signature of G H Meyerowitz, written in black ink.

G H Meyerowitz
Partner
Perth
20 February 2012

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 2011 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

A handwritten signature in black ink, appearing to read 'C. G. B. Rubino', with a large, stylized circular flourish above it.

C. G. B. Rubino
Chairman
Perth, 20 February 2012

**INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Notes	Consolidated Half-year ended 31 December 2011 \$'000	Consolidated Half-year ended 31 December 2010 \$'000
CONTINUING OPERATIONS			
REVENUE	2	883,352	702,529
Cost of services rendered		(773,666)	(615,295)
GROSS PROFIT		109,686	87,234
Other income	2	1,248	660
Business development and tender costs		(10,361)	(6,565)
Occupancy costs		(1,474)	(986)
Administrative costs		(18,569)	(14,961)
Finance costs		(1,679)	(1,234)
Other expenses		(224)	(55)
PROFIT BEFORE INCOME TAX		78,627	64,093
Income tax expense		(21,120)	(18,573)
PROFIT AFTER INCOME TAX		57,507	45,520
PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED		57,507	45,520
Basic earnings per share for the half-year (cents per share)		65.4	52.3
Diluted earnings per share for the half-year (cents per share)		64.3	51.4

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Consolidated Half-year ended 31 December 2011 \$'000	Consolidated Half-year ended 31 December 2010 \$'000
NET PROFIT FOR THE PERIOD	57,507	45,520
OTHER COMPREHENSIVE INCOME		
Net fair value (loss)/gain on available-for-sale financial assets	(2,332)	11,438
Foreign currency translation	6	1
Income tax on items of other comprehensive income	699	(3,431)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(1,627)	8,008
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	55,880	53,528

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Notes	Consolidated as at 31 December 2011 \$'000	Consolidated as at 30 June 2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		181,579	172,479
Trade and other receivables		217,145	168,028
Inventories		83,096	26,134
Available-for-sale financial assets	4	23,543	-
Total current assets		505,363	366,641
Non-current assets			
Property, plant and equipment	5	121,765	113,442
Deferred tax assets		23,345	24,933
Intangible assets and goodwill		8,357	5,349
Available-for-sale financial assets	4	-	25,875
Total non-current assets		153,467	169,599
TOTAL ASSETS		658,830	536,240
LIABILITIES			
Current liabilities			
Trade and other payables		290,082	183,264
Interest bearing loans and borrowings		14,817	13,654
Income tax payable		7,477	17,920
Provisions		94,372	93,637
Derivative Financial Instruments		265	-
Total current liabilities		407,013	308,475
Non-current liabilities			
Interest bearing loans and borrowings		29,821	29,302
Provisions		5,909	5,106
Deferred tax liabilities		123	123
Total non-current liabilities		35,853	34,531
TOTAL LIABILITIES		442,866	343,006
NET ASSETS		215,964	193,234
EQUITY			
Contributed equity		57,876	46,612
Reserves		32,044	29,326
Retained earnings		126,044	117,296
TOTAL EQUITY		215,964	193,234

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Consolidated	<i>Attributable to equity holders</i>					Total \$'000
	Issued Capital \$'000	Net Unrealised Gains Reserve \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	
At 1 July 2011	46,612	12,395	17,210	(279)	117,296	193,234
Other comprehensive income	-	(1,633)	-	6	-	(1,627)
Profit for the period	-	-	-	-	57,507	57,507
Total comprehensive income for the period	-	(1,633)	-	6	57,507	55,880
Transactions with owners in their capacity as owners						
Exercise of employee options	11,264	-	-	-	-	11,264
Share-based payments	-	-	2,198	-	-	2,198
Deferred tax asset recognised on Employee Share Trust	-	-	2,147	-	-	2,147
Dividends paid	-	-	-	-	(48,759)	(48,759)
At 31 December 2011	57,876	10,762	21,555	(273)	126,044	215,964

Consolidated	<i>Attributable to equity holders</i>					Total \$'000
	Issued Capital \$'000	Net Unrealised Gains Reserve \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	
At 1 July 2010	30,083	6,098	9,152	(317)	99,270	144,286
Other comprehensive income	-	8,007	-	1	-	8,008
Profit for the period	-	-	-	-	45,520	45,520
Total comprehensive income for the period	-	8,007	-	1	45,520	53,528
Transactions with owners in their capacity as owners						
Exercise of employee options	10,625	-	-	-	-	10,625
Shares issued on acquisition of subsidiary	5,406	-	-	-	-	5,406
Share-based payments	-	-	1,115	-	-	1,115
Deferred tax asset recognised on Employee Share Trust	-	-	4,844	-	-	4,844
Dividends paid	-	-	-	-	(42,010)	(42,010)
At 31 December 2010	46,114	14,105	15,111	(316)	102,780	177,794

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Notes	Consolidated Half-year ended 31 December 2011 \$'000	Consolidated Half-year ended 31 December 2010 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,023,647	770,804
Payments to suppliers and employees		(930,681)	(692,258)
Income tax paid		(26,944)	(18,808)
Other income		566	536
Interest received		3,501	2,480
Borrowing costs		(1,679)	(1,235)
NET CASH FLOWS FROM OPERATING ACTIVITIES		68,410	61,519
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		6,922	10,777
Purchase of property, plant and equipment		(21,833)	(11,761)
Dividends received		444	-
Acquisition of subsidiary, net of cash acquired	10	(4,434)	(7,218)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(18,901)	(8,202)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		11,264	10,625
Dividend paid		(48,759)	(42,010)
Proceeds from borrowings		5,207	-
Repayment of borrowings		(362)	(35)
Payment of finance leases		(8,642)	(6,639)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(41,292)	(38,059)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Opening cash and cash equivalents brought forward		172,479	149,192
Net foreign exchange difference		883	(2,563)
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD		181,579	161,887

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report should be read in conjunction with the annual financial report of Monadelphous Group Limited as at 30 June 2011.

It is also recommended that the half-year financial report be considered together with any public announcements made by Monadelphous Group Limited and its controlled entities during the half-year ended 31 December 2011, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of Preparation

The half-year financial report is a general-purpose condensed financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

The half-year financial report has been prepared in accordance with the historical cost basis except for derivative financial instruments and available-for-sale financial assets which have been measured at fair value. The half-year financial report is presented in Australian Dollars.

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

b) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2011, as described in Note 1 (c).

c) New and amended Accounting Standards and Interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended and are effective 1 July 2011 have resulted in no material changes in accounting policies and therefore no material impact on Monadelphous Group Limited's financial performance or position for the half-year ended 31 December 2011.

Monadelphous Group Limited and its subsidiaries ('the Group') has adopted all Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2011, including:

- AASB 124 (Revised) Related Party Disclosures
These amendments clarify the definition of a related party.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**c) Changes in Accounting Policies (continued)****• AASB 1054 Australian Additional Disclosures**

This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:

- Compliance with Australian Accounting Standards;
- The statutory basis or reporting framework for financial statements;
- Whether the financial statements are general purpose or special purpose;
- Audit fees; and
- Imputation credits.

• AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

This amendment affected the following standards:

- AASB 1 Business Combinations;
- AASB 7 Financial Instruments: Disclosures;
- AASB 101 The Effects of Changes in Foreign Exchange Rates;
- AASB 134 Interim Financial Reporting; and
- Interpretation 13.

• AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on transfer of financial assets

The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.

d) Basis of Consolidation**Subsidiaries**

The consolidated financial statements comprise the financial statements of Monadelphous Group Limited and its subsidiaries ('the Group') as at 31 December 2011.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

	Consolidated 31 December 2011 \$'000	Consolidated 31 December 2010 \$'000
2. 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	879,450	700,105
Finance income	3,458	2,424
Dividends received	444	-
	<u>883,352</u>	<u>702,529</u>
(ii) Other income		
Gain on disposal of property, plant and equipment	681	123
Other income	567	537
	<u>1,248</u>	<u>660</u>
(b) Expenses		
Depreciation of non-current assets	12,787	10,599
3. DIVIDENDS PAID AND PROPOSED		
(a) Fully franked dividends declared and paid during the half-year	48,759	42,010
(b) Dividends proposed and not yet recognised as a liability	44,337	35,031

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets consists of investments in ordinary shares at fair value in Norfolk Group Limited (ASX Code: NFK). On 3 February 2012, Monadelphous Group Limited sold its holding in Norfolk Group Limited (ASX:NFK) of 22,210,268 shares representing 13.98% of the issued capital, in an on-market transaction for a cash consideration of \$24,431,295.

5. PROPERTY, PLANT AND EQUIPMENT

During the half-year the consolidated entity acquired assets with a cost of \$27,317,701 (2010: \$17,602,153), including assets purchased by means of finance leases and hire purchase contracts (see Note 6), and excluding property, plant and equipment purchased through a business combination.

6. NON-CASH FINANCING AND INVESTING ACTIVITIES

During the half-year the consolidated entity acquired plant and equipment with an aggregate fair market value of \$5,478,303 (2010: \$5,789,413) by means of finance leases and hire purchase agreements.

7. 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 2011 the Engineering Construction division contributed revenue of \$480.1 million, the Maintenance and Industrial Services division contributed revenue of \$311.3 million and the Infrastructure division contributed revenue of \$96.3 million. Included in these amounts is \$8.2 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.

Skystar Airport Services is not considered material for segment reporting purposes.

Accordingly all services divisions have been aggregated to form one segment.

8. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**(a) Forward currency contracts**

At 31 December 2011, the Group had five foreign currency forward contracts outstanding in relation to future purchases of plant and equipment which are denominated in foreign currency. The maturity of the foreign currency forward contracts has been aligned with the expected payment dates of the purchases. The Group does not apply hedge accounting and the fair value movement of \$264,695 (2010: nil) has been taken to the Income Statement.

(b) Fair value hierarchy

There have been no changes to the fair value valuation hierarchy of financial instruments since the date of the last annual report.

9. 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:

	Consolidated 31 December 2011 \$'000	Consolidated 31 December 2010 \$'000
Guarantees given to various clients for satisfactory contract performance	256,175	142,547

10. BUSINESS COMBINATION

On 1 July 2011, Monadelphous Group Limited acquired 100% of the voting shares of asset management company, PearlStreet Energy Services Pty Ltd ('PearlStreet'). PearlStreet manages two long-term operations and maintenance contracts in the power sector in Western Australia. The acquisition forms part of Monadelphous's markets and growth strategy. The consideration comprised an initial cash payment of \$4,130,000 and a subsequent cash payment of \$303,814 on finalisation of the completion accounts. The company was renamed as Monadelphous Energy Services Pty Ltd on 14 July 2011.

The fair values of the identifiable assets and liabilities of PearlStreet Energy Services Pty Ltd as of the date of acquisition were:

	Consolidated Fair Value at acquisition date \$'000
Trade and other receivables	1,455
Plant and equipment	38
Intangible assets	4,092
Deferred tax assets	185
	<u>5,770</u>
Trade and other payables	717
Provisions	633
	<u>1,350</u>
Fair value of identifiable net assets	4,420
Goodwill arising on acquisition	14
	<u>4,434</u>
Acquisition-date fair-value of consideration transferred	
Cash paid	4,434
Consideration transferred	<u>4,434</u>
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	-
Cash paid	(4,434)
Net consolidated cash outflow	<u>(4,434)</u>

The consolidated Income Statement includes sales revenue for the period ended 31 December 2011 of \$5,827,079. Net profit for the period was not material.

11. INTERESTS IN JOINTLY CONTROLLED OPERATIONS

Monadelphous Muhibbah Marine joint venture was established on 1 July 2011. The principal activity of the joint venture is to construct the approach jetty and ship berth associated with the Wiggins Island Coal Export Terminal project at Gladstone in Queensland.

A joint venture agreement between Skystar Airport Services Pty Ltd and Menzies Aviation (Australia) Pty Ltd was executed on 28 July 2011. The principal activity of the joint venture is to provide aviation support services.

A joint venture agreement between Monadelphous Engineering Pty Ltd and Transfield Services (Australia) Pty Ltd was executed on 5 September 2011. The principal activity of the joint venture is to undertake construction of the Toowoomba Wastewater Infrastructure Projects program for the Toowoomba Regional Council in Queensland.

12. SHARE BASED PAYMENT

In November 2011, a total of 4,630,000 options were granted by Monadelphous Group Limited under the Employee Option Prospectus at an exercise price of \$17.25 and a further 40,000 options were issued under the Employee Option Plan – October 2011 at an exercise price of \$19.31. The exercise price of the options granted under the Employee Option Prospectus was calculated as the average closing market price of the shares for the five trading days prior to 10 October 2011. The exercise price of the options granted under the Employee Option Plan – October 2011 was calculated as the average closing market price of the shares for the five trading days prior to the invitation date to apply for the options of 31 October 2011. The fair value of each option issued during the half-year was estimated on the date of grant using a Binomial option-pricing model. The following weighted average assumptions were used for grants during the half-year:

Dividend yield	5.4% - 5.5%
Expected volatility	30.0% - 40.0%
Historical volatility	30.0% - 40.0%
Risk-free interest rate	3.06% - 3.79%
Expected life of option	25% - 2 years
	25% - 3 years
	50% - 4 years

The dividend yield reflects an analysis of past dividends and future dividend expectations. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which also may not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

For the half-year ended 31 December 2011, the Group has recognised \$2,198,376 of share-based payment expense in the Income Statement (2010: \$1,115,237).

13. CAPITAL COMMITMENTS

The consolidated group has capital commitments of \$56,006,357 at 31 December 2011 (2010: \$19,109,810), which includes \$30 million for 11 heavy-lift cranes with up to 600-tonne capacity. The cranes are scheduled to be delivered and commissioned in the second half of the financial year.

14. EVENTS AFTER BALANCE SHEET DATE

On 30 January 2012, Monadelphous Group Limited announced it had secured water and transmission pipelines construction contracts in Western Australia with a combined value of approximately \$180 million.

The first is for Rio Tinto's Coastal Waters Project at Bungaroo Valley in the Pilbara region of WA. The contract comprises the construction and installation of a potable water supply system that will deliver 10 gegalitres per year of potable water from the Bungaroo Valley to the West Pilbara Supply Scheme at Millstream, WA. The system includes a bore field, approximately 15 kilometres of collector main and 87 kilometres of transfer pipeline and a transfer pump station. Work is expected to commence in the first quarter of the 2012 calendar year and is scheduled to be completed in the first half of the 2013 calendar year.

The second contract, awarded by Chevron Australia, is for the preparation and construction of a CO₂ injection pipeline and well sites on the Gorgon Project, Barrow Island, WA. This contract, secured through Monadelphous's transmission pipelines business KT Pty Ltd, comprises installation and pre-commissioning of seven kilometres of underground pipeline, five well sites and associated facilities. Work will commence immediately and is scheduled to be completed in the first quarter of the 2013 calendar year.

On 3 February 2012, Monadelphous Group Limited sold its holding in Norfolk Group Limited (ASX:NFK) of 22,210,268 shares, representing 13.98% of issued capital, in an on-market transaction for a cash consideration of \$24,431,295.

On 17 February 2012, Monadelphous Group Limited announced it had entered into two milestone framework agreements with Rio Tinto's iron ore operations. The agreements give Monadelphous preferred contractor status for a program of structural, mechanical and piping work and a program of electrical and instrumentation work over the next five years.

The agreements are non-exclusive and a number of agreements of this type are expected to be made with other suppliers, covering different work streams and sites.

A key feature of the innovative agreements is early contractor involvement (ECI) which will enable Monadelphous to work with Rio Tinto in the early phases of projects to contribute to design constructability and early cost and schedule development to optimise delivery.

The agreements will give visibility of a stream of projects and continuity of work. Visibility will allow longer term resource planning and optimisation while continuity of work will assist employee retention and attraction and ongoing Indigenous engagement initiatives, as well improved safety, cost and schedule outcomes.

On 20 February 2012, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2012 financial year. The total amount of the dividend is \$44,337,164, which represents a fully franked interim dividend of 50 cents per share. This dividend has not been provided for in the 31 December 2011 Financial Statements.

Other than the items noted above, there are no matters or circumstances that have arisen since the end of the half-year ending 31 December 2011 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.