MONADELPHOUS GROUP LIMITED

ABN 28 008 988 547

CONDENSED CONSOLIDATED FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2018

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
100 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
R E & M Services Pty Ltd
Pilbara Rail Services Pty Ltd

MONADELPHOUS GROUP LIMITED
DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2018.

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	*Chairman* Appointed 18 January 1991 Resigned as Managing Director on 30 May 2003 and continued as Chairman 52 years experience in the construction and engineering services industry
Robert Velletri	*Managing Director* Appointed 26 August 1992 Mechanical Engineer, Corporate Member of Engineers Australia Appointed as Managing Director on 30 May 2003 39 years experience in the construction and engineering services industry
Peter John Dempsey	*Lead Independent Non-Executive Director* Appointed 30 May 2003 Civil Engineer, Fellow of Engineers Australia, Member of the Australian Institute of Company Directors 46 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	*Independent Non-Executive Director* Appointed 1 October 2007 Civil Engineer, Fellow of Engineers Australia 46 years experience in the construction and engineering services industry
Dietmar Robert Voss	*Independent Non-Executive Director* Appointed 10 March 2014 Chemical Engineer, Member of the Australian Institute of Company Directors 45 years experience in the oil and gas, and mining and minerals industries
Helen Jane Gillies	*Independent Non-Executive Director* Appointed 5 September 2016 Solicitor, Master of Business Administration and Construction Law, Fellow of the Australian Institute of Company Directors 22 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	*Company Secretary and Chief Financial Officer* Appointed 21 December 2007 Chartered Accountant, Member of Chartered Accountants Australia and New Zealand 18 years experience in the construction and engineering services industry
Kristy Glasgow	*Company Secretary* Appointed 8 December 2014 Chartered Accountant, Member of Chartered Accountants Australia and New Zealand 13 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), and Christchurch (New Zealand), Ulaanbaatar (Mongolia) and Manila (Philippines), 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 attributable to equity holders of the parent after providing for income tax for the half-year was $30.726 million (2017: $37.608 million).

DIVIDENDS PAID OR PROPOSED

A 25 cent fully franked interim dividend has been approved by the directors payable on 29 March 2019 (2018: 30 cent interim dividend). A final fully franked dividend of $30,112,459 was paid during the period in respect of the financial year ended 30 June 2018.

REVIEW OF OPERATIONS

	Half-year ended 31 December 2018 $'000	**Half-year ended 31 December 2017 $'000**
Revenue from contracts with customers	**777,195**	848,310
Profit after income tax attributable to equity holders of the parent	**30,726**	37,608

The Directors of Monadelphous Group Limited are pleased to report the Company's financial results for the six months ended 31 December 2018.

Revenue

Monadelphous recorded revenue from contracts with customers for the half year of $830.5 million*, a decrease of 5 per cent on the previous corresponding period and in line with guidance provided at the Company's Annual General Meeting held in November 2018.

The result reflects a significant increase in maintenance revenues and a growing contribution from infrastructure markets, offset by a reduction in construction revenues from the completion of the Ichthys Project and the timing of new resource construction opportunities.

The highlight of the result was the strong performance of the Maintenance and Industrial Services division, which achieved a 25 per cent increase in revenue compared to the first half of the previous financial year. This represents a record six-month performance for the division and was a result of increasing activity levels in offshore oil and gas contracts, and growing demand for services in the resources sector.

Earnings

Earnings before interest, tax, depreciation and amortisation (EBITDA^) was $55.8 million which was 10.2% lower than the previous corresponding period. An increase in the depreciation charge resulting from the Company's recent plant and equipment fleet renewal process, and a reduction in net interest earned, contributed to net profit after tax attributable to members (NPAT) of $30.7 million, an 18.3% reduction on the prior corresponding period.

Earnings per share (EPS) was 32.7 cents.

Dividend

The Board of Directors has declared an interim dividend of 25 cents per share fully franked. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the interim dividend.

Strong balance sheet

Monadelphous ended the half year with a healthy cash balance of $193.5 million, with cash flow from operations for the period of $15.5 million. This resulted in a cash flow conversion rate of 72 per cent which was impacted by the significant level of employee entitlement payouts on a number of large, multi-year projects which demobilised during the period.

Strategic Progress

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 overseas markets.

Having successfully completed all works on the Ichthys Project Onshore LNG Facilities in Darwin, Northern Territory, the Engineering Construction division demobilised from site during the period. The division's performance throughout this project was strong, resulting in the award of additional work as a result of its track record of effective delivery and a solid safety record. Work on this project broadened our proven capability in the oil and gas market.

The division also executed several contracts under its panel arrangement with BHP at iron ore operations in the Pilbara, WA, and continued to experience a high level of tendering activity in preparation for a number of major construction prospects planned for coming years.

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

The Maintenance and Industrial Services division continued to offer its broad range of services to existing and new customers and diversify its presence in new geographical regions. The division further enhanced its position as the market leader in the resources market in Western Australia, securing a three-year general maintenance services contract with BHP to service a number of its sites in the Pilbara.

Monadelphous continued to increase its presence in the infrastructure market, securing a number of new contracts and additional work in both the renewable energy and water and irrigation sectors.

Zenviron, the Company's renewable energy joint venture, continued to perform strongly, having been awarded a total of $390 million in new contracts since April 2018, and having successfully completed the Sapphire and Salt Creek Wind Farms during the period.

On the back of its strong performance in the water and irrigation market, Monadelphous was appointed to the Hunter Water Corporation Complex Capital Works Design and Construct Panel, in the Hunter Region of New South Wales, for a four-year period.

The Company continues to make good progress on the two packages of work current being undertaken on the Oyu Tolgoi Underground Project in Mongolia. This large-scale project will likely provide Monadelphous with a number of further opportunities in years to come.

In total, the Company has secured new contracts and contract extensions valued at approximately $770 million since the beginning of the financial year, including the following awards, totalling $250 million which were made subsequent to the half year end:

- A major construction contract at BHP's South Flank Project in the Pilbara region of Western Australia, comprising structural, mechanical, piping and electrical and instrumentation works associated with the project's outflow infrastructure;
- The award of a supply, fabrication and construction package under an existing contract with BHP at the Jimblebar Mine, east of Newman, Western Australia;
- The design and construction of a pipeline, pump station and associated works from Malpas Dam to the Guyra Water Treatment Plant for the Armidale Regional Council, New South Wales;
- A contract for the supply and fabrication of structural steelwork for the Oyu Tolgoi Underground Project in Mongolia;
- An additional order from Australia Pacific LNG, under an existing agreement, for the supply of wellhead skids;
- An additional package of work under its existing agreement with Sydney Water Corporation to provide desilting and rehabilitation works for a section of the Northern Suburbs Ocean Outfall Sewer;
- The award of a contract to Zenviron for the engineering, procurement and construction of the Cherry Tree Wind Farm, located near Seymour in Victoria;
- Two three-year contracts with Whitehaven Coal for the provision of mechanical services, maintenance, shutdown support and minor projects in New South Wales; and
- A two-year extension to an existing contract with BHP Mitsubishi Alliance to provide dragline shutdown services in the Bowen Basin, Queensland.

Health and Safety

The Company's safety performance for the period was impacted by the rapid ramp-up in maintenance activity levels, with the 12-month total case injury frequency rate (TCIFR) declining to 4.17 incidents per million man-hours. The Company has implemented a number of activities to address this performance, including the rollout of a renewed Safety Leadership Development program, and an organisational restructure to optimise leadership resources.

The lost time injury frequency rate (LTIFR) for the year was unchanged at 0.19 incidents per million man-hours worked.

People

The Company's employee numbers at 31 December 2018 was 5,378, with the demobilisation of a number of construction projects during the period, and a continued growth in employee numbers within the Maintenance and Industrial Services division.

The strategic diversification of the business over recent years into the infrastructure sector, as well as overseas, has seen a substantial increase in the engagement of subcontractor labour to supplement the Company's capability in these markets.

Total workforce numbers, including subcontractors, as at 31 December 2018 was 7,536.

Key talent retention levels remained high, and the Company will maintain its focus on this important success factor as market conditions continue to improve and the employment market tightens. People development remained a focus with the continued rollout of the Company's safety leadership and emerging leaders programs, graduate and apprenticeship programs and the implementation of a senior leadership framework.

During the period the Company formalised its longstanding commitment to increasing female participation levels across the Company through the launch of the inaugural Monadelphous Gender Diversity and Inclusion Plan.

Productivity and Innovation

Monadelphous is committed to enhancing its competitive position in the market through the development of innovative solutions for customers, the application of proven technology and the continual improvement of work practices to improve productivity and reduce costs.

The Company has identified and implemented a range of technological initiatives which improve the efficiency of service delivery, including the prototyping of robotic inspection vehicles and automated service tools, investment in 3D visualisation software, and the increased deployment of infield mobile devices.

The Monadelphous Innovation Framework, which was implemented during the period, facilitates the strategic alignment of the Company's productivity and innovation programme, prioritises and focusses internal efficiency and improved customer delivery initiatives, and enhances collaboration across the business.

OPERATIONAL ACTIVITY

Engineering Construction

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported revenue from contracts with customers of $331.6 million* for the six months, having successfully completed works on its biggest ever project, the Ichthys Project Onshore LNG Facilities, during the period.

Monadelphous undertook a number of projects for the provision of structural, mechanical, piping, electrical and instrumentation work under its BHP panel contract in the Pilbara, WA. Subsequent to the half year end, the Company was awarded a further package of work at the Jimblebar Mine, east of Newman, Western Australia which includes the supply, fabrication and construction associated with new surface infrastructure.

In addition, subsequent to the half year end the Company was awarded a major construction contract at BHP's South Flank Project in the Pilbara region of Western Australia. The contract, which is valued at $108 million, includes structural, mechanical, piping and electrical and instrumentation works associated with the project's outflow infrastructure. Work will commence immediately, and is expected to be completed by May 2021.

The Company continues to make good progress on its contracted works at the Oyu Tolgoi Underground Project in Mongolia. The work, which includes structural, mechanical, piping and electrical and instrumentation works, significantly ramped up during the period with approximately 1,500 people working on this project at the end of the half year.

* Includes share of joint venture revenue

Activity levels remain high in the infrastructure sectors of renewable energy and water and irrigation.

Zenviron, Monadelphous' renewable energy joint venture, continued to build upon its success of the prior year, securing another two wind farm contracts during the period, bringing to five the total number of contracts awarded since April 2018. The new work includes a contract with Goldwind Australia for the balance of plant works for the southern section of the Moorabool Wind Farm in regional Victoria, which is in addition to the contract for the northern section secured last year, taking the total contract works on this project to approximately $130 million. Furthermore, Zenviron was also awarded a contract with Vestas – Australian Wind Technology for the delivery of balance-of-plant civil and electrical works for the Dundonnell Wind Farm in regional Victoria, with Zenviron's portion of the works, which is expected to be completed in August 2020, valued at approximately $100 million. Subsequent to the half year end, Zenviron has secured a further contract with Vestas – Australian Wind Technology for the engineering, procurement and construction of the Cherry Tree Wind Farm, located near Seymour in Victoria.

Construction was completed on the Sapphire Wind Farm, the largest wind farm in New South Wales and the Salt Creek Wind Farm in Victoria, while activity ramped up on the Lal Lal Wind Farm in regional Victoria, and on the Crudine Ridge Wind Farm in regional New South Wales.

In the water and irrigation business, work continued at Unitywater's Kawana Sewage Treatment Plant and at the Cleveland Bay Purification Plant, both in Queensland, as well as on the Pukaki Irrigation Project in the South Island, New Zealand. The Company also commenced the design and construction of a piped irrigation scheme for Kurow Duntroon Irrigation Company, valued at approximately NZ$40 million. The project, which is located in Kurow in the South Island of New Zealand, is expected to be completed in early 2020.

Subsequent to the half year end, Monadelphous was awarded a contract with Armidale Regional Council to design and construct an 18km pipeline, pump station and associated works from Malpas Dam to the Guyra Water Treatment Plant, New South Wales. The project, which is funded by the NSW Government through the Stronger Communities Fund and Restart NSW, is expected to be completed in the final quarter of the 2019 calendar year.

Work continued under the Sydney Water Corporation's Network and Facilities Renewals Program, and subsequent to the half year end, the Company was awarded an additional package of work to provide desilting and rehabilitation works on the Northern Suburbs Ocean Outfall Sewer.

On the back of its reputation for the reliable delivery of services to the water sector, Monadelphous was appointed, along with two other contractors, to the Hunter Water Corporation Complex Capital Works Design and Construct Panel, in the Hunter Region of New South Wales, for an initial term of four years (with an additional two one-year extension options). The capital works program includes the upgrade and renewal of water, waste water and recycled water systems, and is valued at approximately $450 million in total across the four years. The Company has already been awarded its first contract under the program at the Dungog Water Treatment Plant.

Mondium, the Company's EPC business, is quickly developing a strong reputation with customers and is well placed to secure further work in WA's rapidly growing lithium market, having successfully delivered its second EPC contract, for the design, engineering, construction and upgrade work at Galaxy Lithium Australia's Mt Cattlin Mine at Ravensthorpe, Western Australia. The company will continue to pursue a number of other opportunities in the mining and mineral processing market.

SinoStruct continued to supply and fabricate wellhead skids for Santos and APLNG for their upstream coal seam gas developments in northern Queensland, and subsequent to the half year end, secured an additional order from APLNG, as well as a contract for the supply and fabrication of structural steelwork to Oyu Tolgoi.

The Company's heavy lift services business continued to provide fixed plant maintenance and shutdown crane services for Fortescue Metals Group at the Solomon Hub site in the Pilbara, WA. In addition, the business secured work through an existing contract to provide similar services to several sites for Woodside. The business was supported by the Company's Heavy Lift Operations Centre in Port Hedland, WA, which was opened last year.

In total the division secured new contracts valued at approximately $460 million since the beginning of the financial year.

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, reported revenue from contracts with customers of $503.2 million, up 25.6 per cent on the previous corresponding period. The increase is attributable to a significant ramp up of activity on offshore oil and gas maintenance services contracts, an increased demand in the resources sector in Western Australia for sustaining capital works, as well as an increase in general shutdown activity.

During the period, the division was awarded a major contract with BHP for the provision of general maintenance services for shutdowns, outages and minor capital works, totalling approximately $240 million over a three-year period. The contract, which contains an additional two one-year extension options, involves the provision of general maintenance services at BHP's Pilbara sites in Western Australia.

The division's offshore oil and gas maintenance services contracts, being the Woodside-operated gas production facilities contract, the INPEX-operated Ichthys LNG contract and the Shell Prelude FLNG maintenance and modification services contract continue to experience increasing activity levels and the Company now employs over 500 people associated with these contracts.

Major work was performed for BHP Mitsubishi Alliance for work on the Shiploader 2 shutdown at the Hay Point Coal Terminal, Queensland. The division received recognition from the customer for its ability to ramp up at short notice to resource rapidly emerging additional works.

Other significant contract activity undertaken during the period included:

- Sustaining capital works and fixed plant maintenance services for Rio Tinto at its coastal and inland operations in the Pilbara;
- Maintenance and major shutdown services at the Woodside-operated Karratha Gas Plant at Karratha, WA;
- Mechanical, electrical, access, coatings and insulation services on the Woodside-operated Karratha Gas Plant Life Extension Program through its joint venture MGJV;
- Engineering, procurement and construction services, in joint operation with Jacobs Engineering, on Oil Search's oil and gas production and support facilities in the Highlands region of Papua New Guinea;
- Maintenance and turnarounds for BHP's Olympic Dam copper-uranium operation at Roxby Downs, South Australia;
- Maintenance and shutdown services for BHP's Nickel West operations in the Goldfields, WA;
- Maintenance and dragline shutdown works for BHP Mitsubishi Alliance in Queensland;
- Maintenance and turnarounds for Glencore in the Hunter Valley, NSW;
- Shutdown maintenance, breakdown and repair services, minor projects and ad hoc services for BHP at Mount Arthur Coal in the Hunter Valley, NSW;
- Maintenance and turnarounds for Queensland Alumina Limited in Gladstone, Queensland;
- Maintenance and shutdown services for QGC's Curtis LNG Plant, on Curtis Island, Queensland;
- Mechanical shutdown services and tank maintenance and refurbishments for Newmont Boddington;
- Operation and maintenance of the coal handling facility at the Muja Power Station for Synergy in Collie, WA;
- Rail track maintenance work in the Pilbara, WA; and
- Rope access based mechanical maintenance, inspection and protective coating services for Dalrymple Bay Coal Terminal in Mackay, Queensland.

Markets and Outlook

The resources and energy sectors continue to experience strengthening operating conditions as a number of global and domestic customers commit to capital investments. In the resources sector, project development activity is increasing with the pipeline of construction opportunities gaining in number, particularly in the iron ore and lithium sectors. Activity in the energy market has increased, with offshore developments entering production and a number of debottlenecking and brownfields growth projects progressing through feasibility studies.

The demand for maintenance services is expected to be strong as resources production in Australia remains at record levels, ongoing maintenance and support on aging resources assets continue to increase and onshore and offshore LNG assets ramp up production.

Investment in infrastructure is healthy, with prospects continuing in the water and irrigation market, while activity in the Australian renewable sector is buoyant as construction continues on a large volume of projects.

The Company is experiencing high levels of tendering activity and is in a good position to secure new work on major resource construction projects. These opportunities are expected to generate significant revenue in 2019/20 and beyond.

As highlighted in the financial results for the year ended 30 June 2018, the expected timing of resource construction opportunities, and the large revenue contribution earned from the Ichthys project in the prior period has resulted in the Company forecasting lower construction revenues for 2018/19.

Total revenue for the financial year ended 30 June 2019 is forecast to be around 10 per cent less than the prior corresponding period.

Productivity improvements will remain a priority as high levels of competition persist and customers focus on innovative and cost competitive solutions. The attraction and retention of labour resources will become a key focus area for Monadelphous as industry activity levels increase and the employment market tightens.

A strong balance sheet provides Monadelphous with the capacity to invest in the right opportunities and enables the Company to continue to progress its markets and growth strategy.

In closing, I would like to thank our very talented and dedicated team of people for their loyalty and outstanding contribution. I also wish to sincerely thank our shareholders and other stakeholders for their ongoing support.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Contract Awards

On 18 February 2019, Monadelphous Group Limited announced it had been awarded a construction contract at BHP's South Flank Project in the Pilbara region of Western Australia. The contract, which is valued at $108 million, includes structural, mechanical, piping and electrical and instrumentation works associated with the project's outflow infrastructure.

Dividends Declared

On 18 February 2019, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2019 financial year. The total amount of the dividend is $23,560,632 which represents a fully franked interim dividend of 25 cents per share. This dividend has not been provided for in the 31 December 2018 Financial Statements. The Monadelphous Group Limited Dividend Reinvestment plan will apply to the dividend.

Other than the items noted above, there are no matters or circumstances that have arisen since the end of the half-year ended 31 December 2018 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 2018.

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, 18 February 2019

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, which is unaudited, is important to management when used as an additional means to evaluate the Company's performance.

Reconciliation of Statutory Revenue from Contracts with Customers

	31 December 2018 $'000	**31 December 2017 $'000**
Total revenue from contracts with customers including joint ventures	**830,533**	874,103
Share of revenue from joint ventures ~	**(53,338)**	(25,793)
Statutory revenue from contracts with customers	**777,195**	848,310

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

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 as an additional way to evaluate the Company's performance.

Reconciliation of profit before income tax to EBITDA

	31 December 2018 $'000	**31 December 2017 $'000**
Profit before income tax	**45,554**	54,479
Interest expense	**456**	223
Interest revenue	**(1,203)**	(1,285)
Depreciation expense	**9,466**	8,123
Amortisation expense	**614**	375
Share of interest, depreciation, amortisation and tax of joint ventures #	**871**	172
EBITDA	**55,758**	62,087

Represents Monadelphous' proportionate share of the interest, depreciation, amortisation and tax of joint ventures accounted for using the equity method.

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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 2018, 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.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
18 February 2019

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's review report to the members of Monadelphous Group Limited

Report on the 31 December 2018 half-year financial report

We have reviewed the accompanying half-year financial report of Monadelphous Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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.

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 2018 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 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 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*, 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 2018 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 the Group, 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

D S Lewsen
Partner
Perth
18 February 2019

MONADELPHOUS GROUP LIMITED

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 2018 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, 18 February 2019

MONADELPHOUS GROUP LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Notes	Half-year ended 31 December 2018 $'000	Half-year ended 31 December 2017 $'000
CONTINUING OPERATIONS			
REVENUE	3	**778,507**	849,675
Cost of services rendered		**(710,355)**	(772,645)
GROSS PROFIT		**68,152**	77,030
Other income	3	**2,008**	3,176
Business development and tender costs		**(9,779)**	(9,236)
Occupancy costs		**(1,970)**	(1,835)
Administrative costs		**(14,996)**	(14,116)
Finance costs		**(456)**	(223)
Profit from joint ventures		**2,557**	-
Unrealised foreign currency (loss)/gain		**38**	(317)
PROFIT FOR THE PERIOD BEFORE TAX		**45,554**	54,479
Income tax expense		**(13,769)**	(16,217)
PROFIT FOR THE PERIOD AFTER TAX		**31,785**	38,262
ATTRIBUTABLE TO			
EQUITY HOLDERS OF THE PARENT		**30,726**	37,608
NON-CONTROLLING INTERESTS		**1,059**	654
		31,785	38,262
Earnings per share:			
• Basic, profit for the period attributable to ordinary equity holders of the parent (cents per share)		**32.66**	40.06
• Diluted, profit for the period attributable to ordinary equity holders of the parent (cents per share)		**32.63**	40.03

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Half-year ended 31 December 2018 $'000	Half-year ended 31 December 2017 $'000
NET PROFIT FOR THE PERIOD	**31,785**	38,262
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	**157**	(962)
Gain on available-for-sale financial asset	**-**	1,056
Income tax effect	**-**	(317)
	-	739
Items that will not be reclassified subsequently to profit or loss:		
Gain on equity instruments designated at fair value through other comprehensive income	**97**	-
Income tax effect	**(30)**	-
	67	**-**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**224**	(223)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**32,009**	38,039
ATTRIBUTABLE TO		
EQUITY HOLDERS OF THE PARENT	**30,950**	37,385
NON-CONTROLLING INTERESTS	**1,059**	654
	32,009	38,039

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 December 2018 $'000	30 June 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**193,505**	208,773
Trade and other receivables	5	**295,335**	288,371
Contract assets		**22,325**	-
Inventories		**5,733**	47,200
Income tax receivable		**7,135**	-
Total current assets		**524,033**	544,344
Non-current assets			
Contract assets		**1,166**	-
Property, plant and equipment	6, 3(b)	**104,800**	101,983
Deferred tax assets		**30,374**	35,304
Intangible assets and goodwill		**3,120**	3,120
Investment in joint venture	7	**2,646**	1,437
Other financial assets	8	**4,285**	2,806
Total non-current assets		**146,391**	144,650
TOTAL ASSETS		**670,424**	688,994
LIABILITIES			
Current liabilities			
Trade and other payables	9	**187,059**	164,008
Interest bearing loans and borrowings		**9,121**	7,944
Income tax payable		**-**	8,522
Provisions		**56,308**	94,106
Total current liabilities		**252,488**	274,580
Non-current liabilities			
Interest bearing loans and borrowings		**17,936**	13,027
Provisions		**4,624**	5,259
Total non-current liabilities		**22,560**	18,286
TOTAL LIABILITIES		**275,048**	292,866
NET ASSETS		**395,376**	396,128
EQUITY			
Issued capital	11	**127,815**	125,703
Reserves		**31,027**	30,292
Retained earnings		**234,728**	238,486
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**393,570**	394,481
Non-Controlling Interests		**1,806**	1,647
TOTAL EQUITY		**395,376**	396,128

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders						
	Issued Capital $'000	**Share-Based Payment Reserve $'000**	**Foreign Currency Translation Reserve $'000**	**Retained Earnings $'000**	**Non-controlling Interests $'000**	**Fair Value Reserve for Financial assets ^ $'000**	**Total $'000**
At 1 July 2018 as previously stated	125,703	29,662	(191)	238,486	1,647	821	396,128
Opening balance adjustment on application of AASB 15*	**-**	**-**	**-**	**(4,127)**	**-**	**-**	**(4,127)**
Opening balance adjustment on application of AASB 9*	**-**	**-**	**-**	**(245)**	**-**	**-**	**(245)**
At 1 July 2018 as restated	**125,703**	**29,662**	**(191)**	**234,114**	**1,647**	**821**	**391,756**
Other comprehensive income	**-**	**-**	**157**	**-**	**-**	**67**	**224**
Profit for the period	**-**	**-**	**-**	**30,726**	**1,059**	**-**	**31,785**
Total comprehensive income for the period	**-**	**-**	**157**	**30,726**	**1,059**	**67**	**32,009**
Transactions with owners in their capacity as owners							
Share-based payments	**-**	**511**	**-**	**-**	**-**	**-**	**511**
Dividend reinvestment plan	**2,112**	**-**	**-**	**-**	**-**	**-**	**2,112**
Dividends paid	**-**	**-**	**-**	**(30,112)**	**(900)**	**-**	**(31,012)**
At 31 December 2018	**127,815**	**30,173**	**(34)**	**234,728**	**1,806**	**888**	**395,376**

	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

^ previously Available for Sale Reserve

*Refer to note 2 for details of the opening balance adjustments made on application of the new accounting standards applicable for the Group from 1 July 2018.

MONADELPHOUS GROUP LIMITED
CONSOLDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Half-year ended 31 December 2018 $'000	Half-year ended 31 December 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**859,202**	982,514
Payments to suppliers and employees	**(822,937)**	(946,587)
Income tax paid	**(22,728)**	(17,502)
Other income	**1,073**	1,491
Interest received	**1,203**	1,285
Dividends received	**109**	80
Borrowing costs	**(456)**	(264)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**15,466**	21,017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**1,130**	2,191
Purchase of property, plant and equipment	**(5,213)**	(14,767)
Loan to associates and joint ventures	**-**	(1,981)
Acquisition of controlled entities	**-**	(1,387)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(4,083)**	(15,944)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**(28,000)**	(26,965)
Proceeds (repayment of)/from borrowings	**4,431**	(1,500)
Payment of finance leases	**(4,136)**	(2,936)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(27,705)**	(31,401)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(16,322)**	(26,328)
Opening cash and cash equivalents brought forward	**208,773**	241,909
Net foreign exchange difference	**1,054**	(185)
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	**193,505**	215,396

1. CORPORATE INFORMATION

The half-year condensed consolidated financial report of Monadelphous Group Limited for the six months ended 31 December 2018 was authorised for issue in accordance with a resolution of directors on 18 February 2019.

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 2018 together with any public announcements made during the half year.

b) New and amended 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 2018, except for the adoption of new and amended standards which were effective for the Group from 1 July 2018. 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 from 1 July 2018.

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

The Group applies, for the first time, AASB 15 *Revenue from Contracts with Customers ("AASB 15")* and AASB 9 *Financial Instruments* ("AASB 9") and the consequential amendments to other Accounting Standards. In accordance with elections available under these new accounting standards (see below for further details), the new accounting policies are effective from 1 July 2018 and comparative information continues to be prepared in line with the accounting policies as disclosed in the 30 June 2018 Financial Report. The cumulative effect of initially applying the Standards has been recognised as an adjustment to the opening balance of retained earnings.

Other revised Standards and Interpretations which apply from 1 July 2018 did not have any material effect on the financial position or performance of the Group.

AASB 15 Revenue from contracts with customers

AASB 15 supersedes AASB 118 'Revenue', AASB 111 'Construction Contracts' and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with its customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to the customer.

The Group adopted AASB 15 using the modified retrospective method of adoption with the date of initial application being 1 July 2018. Under this approach, the Group has elected to apply the standard only to contracts that are not completed contracts at the initial date of application.

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

b) New and amended Accounting Standards and Interpretations (continued)

AASB 15 Revenue from contracts with customers (continued)

The cumulative impact of applying AASB 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under AASB 118, AASB 111 and related interpretations. On transition, the Group has also elected to use the contract modification practical expedient and applied the expedient to all modifications that occurred before the date of initial application.

The nature of adjustments required on adoption of AASB 15 is as follows:

(a) Variable consideration
Under AASB 15, the transaction price reflects the Group's expectations about the consideration to which it will be entitled to receive from the customer. If the consideration promised in a contract includes a variable amount due to enforceable claims, the Group is obliged to estimate the amount of consideration receivable. Before recognising any amount of variable consideration in the transaction price, the Group is required to consider whether the amount of variable consideration is constrained. To include variable consideration in the estimated transaction price under AASB 15, the Group has to conclude that it is highly probable that a significant revenue reversal will not occur in future periods. Revenue was previously recognised to the extent it was probable that future economic benefits would flow to the Group and was measured at the fair value of consideration received or receivable.

(b) Presentation of contract assets and liabilities
In accordance with AASB 15, when either party to the contract has performed, the Group is required to present a contract in the Statement of Financial Position as a contract asset or contract liability depending on the relationship between the Group's performance and the customers payment. The Group is obliged to present any unconditional right to payment as a receivable. A contract asset is considered to be unconditional if the right to receive payment is only conditional on the passage of time. Under AASB 111, amounts due from customers were previously included in inventories as construction work in progress.

AASB 9 Financial Instruments

AASB 9 replaces parts of AASB *139 Financial Instruments: Recognition and Measurement* and brings together three aspects of accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied AASB 9 retrospectively with the initial application date being 1 July 2018. The Group has not restated comparative information which continues to be reported under AASB 139. Differences arising from the adoption of AASB 9 has been recognised directly in retained earnings.

The nature of the adjustments is described below:

(a) Classification and measurement
Under AASB 9 debt instruments are subsequently measured at fair value through profit or loss, amortised cost or fair value through other comprehensive income (OCI). The classification is based on two criterion: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

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

b) New and amended Accounting Standards and Interpretations (continued)

AASB 9 Financial Instruments (continued)

(a) Classification and measurement (continued)

The assessment of the Group's business model was performed on the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the financial asset.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial instruments previously held at fair value under AASB 139. The following are the changes in the classification of the Group's financial assets:

- Trade and other receivables, classified as Loans and Receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 July 2018.
- The listed equity investment at 30 June 2018, previously classified as available-for-sale financial asset, is now classified as an equity instrument designated at fair value through OCI (FVOCI) as this investment was not held for trading.

The changes in classifications have not resulted in any measurement difference on adoption of AASB 9. As a result of the change in classification of the Group's listed equity investment, the Available for Sale Reserve of $821,000 at 1 July 2018 has been reclassified to the Fair Value Reserve for Financial Assets at FVOCI.

(b) Impairment

The adoption of AASB 9 has also changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECL for all debt instruments not held at fair value through profit and loss and contract assets. For trade receivables and contract assets, the Group has applied the standard's simplified approach and has calculated the expected credit loss based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

As at 1 July 2018, the Group reviewed and assessed the existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the Group concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Group recognised lifetime ECL.

With respect to the Group's demand and term deposits at 30 June 2018, no material adjustments were required on adoption of the ECL approach. These balances were assessed as having low probability of default as they are either on demand or have relatively short maturity dates and it is the Group's policy that these balances are held with reputable financial institutions with high credit ratings.

With respect to the Group's trade receivables and contract assets, the Group trades with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Publicly available credit information from recognised providers is utilised for this purpose where available. As a result, no material adjustment was required on the adoption of the ECL approach.

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

b) New and amended Accounting Standards and Interpretations (continued)

Accounting policies applied from 1 July 2018

The accounting policies applied by the Group in this consolidated financial report are the same as those applied in the financial report for the year ended 30 June 2018, except for the following new policies applicable under the new accounting standards adopted from 1 July 2018.

i) Revenue from contracts with customers

The Group is in the business of providing construction and maintenance services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

Construction services
Construction contracts are assessed to identify the performance obligations contained in the contract. The total transaction price is allocated to each individual performance obligation. Typically, the Group's construction contracts contain a single performance obligation.

Work is performed on assets that are controlled by the customer or on assets that have no alternative use to the Group, with the Group having right to payment for performance to date. As performance obligations are satisfied over time, revenue is recognised over time using an output method based on work certified to date.

Services contracts
Contracts for performance of maintenance activities cover servicing of assets and involve various activities. These activities tend to be substantially the same with the same pattern of transfer to the customer. These services are taken to be one performance obligation.

Performance obligations are fulfilled over time as the Group largely enhances assets which the customer controls. Customers are typically invoiced monthly for an amount that is calculated on either a schedule of rates or a cost plus basis. For these contracts, the transaction price is considered to be variable consideration.

Variable consideration.
If the consideration in the contract includes a variable amount, the Group estimates the amount of the consideration to which it is entitled in exchange for transferring the goods and services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant reversal of the cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Certain contracts are subject to claims which are enforceable under the contract. If the claim does not result in any additional goods or services, the transaction price is updated and the claim accounted for as variable consideration.

Where appropriate, the Group applies the variable consideration allocation exception to allocate variable consideration to distinct services in Services Contracts where the contract includes a series of distinct services that form a single performance obligation.

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

b) New and amended Accounting Standards and Interpretations (continued)

Accounting policies applied from 1 July 2018 (continued)

Significant Financing Component
Using the practical expedient in AASB 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer or the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Project fulfilment costs
Contract fulfilment costs are expensed as incurred except where they generate or enhance resources of the Group that will be used to satisfy future performance obligations in which case they are capitalised and amortised over the course of the contract.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration. If the Group's right to an amount of consideration is unconditional (other than the passage of time), the contract asset is classified as a receivable.

Contract liability
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

ii) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

With the exception of trade receivables, that do not have a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under AASB 15.

Financial assets at amortised cost
The Group measures financial assets at amortised cost where the objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

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

b) New and amended Accounting Standards and Interpretations (continued)

Accounting policies applied from 1 July 2018 (continued)

Financial assets at fair value
For financial assets at fair value, gains and losses will either be reported in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instruments at fair value through OCI.

Gains and losses on financial assets designated at fair value through OCI are not recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Impairment of financial assets
The Group recognises an allowance for ECLs for trade receivables, contract assets and other debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses and recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECL's are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of default (a lifetime ECL).

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

b) New and amended Accounting Standards and Interpretations (continued)

Impact on Application

The impact of the application of the new standards are analysed by financial statement line items below.

	Notes	30 June 2018 $'000	AASB 9 Transition Adjustments $'000	AASB 15 Transition Adjustments $'000	Opening Balance 1 July 2018 $'000
Trade and other receivables	3	288,371	(181)	-	288,190
Contract assets	1,2,3	-	(169)	21,304	21,135
Inventories	2	47,200	-	(27,199)	20,001
Deferred tax assets	4	35,304	105	1,768	37,177
Total assets		**688,994**	**(245)**	**(4,127)**	**684,622**
Trade and other payables		164,008	-	-	164,008
Total liabilities		**292,866**	**-**	**-**	**292,866**
Net Assets		**396,128**	**(245)**	**(4,127)**	**391,756**
Retained Earnings	1,3,4	238,486	(245)	(4,127)	234,114
Total Equity		**396,128**	**(245)**	**(4,127)**	**391,756**

1 Adjustment for variable consideration receivable at the date of initial application of AASB 15. The application of the constraint resulted in a reduction in contract assets of $5,895,000.

2 Adjustment relating to the presentation of Contract assets. Contract assets amounting to $27,199,000 have been reclassified from Inventories (construction work in progress) to Contract assets.

3 Adjustment for additional impairment losses under AASB 9 amounting to $181,000 in respect of Trade receivables and $169,000 in respect of Contract assets.

4 Tax impact of adjustments 1 and 3 above.

There has been no material impact on cash flow or other financial statements items on transition.

	31 December 2018 $'000	31 December 2017 $'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		
Revenue from contracts with customers		
Services revenue	**503,224**	400,664
Construction revenue	**273,971**	447,646
	777,195	848,310 ^
Other revenue		
Dividend income	**109**	80
Interest	**1,203**	1,285
	778,507	849,675
Disaggregation of revenue from contracts with customers by end customer industry:		
Oil and gas	**348,132**	493,892
Other minerals	**139,615**	119,542
Iron Ore	**146,119**	110,395
Infrastructure	**90,611**	85,797
Coal	**52,718**	38,684
	777,195	848,310
(ii) Other income		
Gain on disposal of property, plant and equipment	**935**	1,685
Other income	**1,073**	1,491
	2,008	3,176
(b) Expenses		
Depreciation of non-current assets	**9,466**	8,123
4. DIVIDENDS PAID AND PROPOSED		
(a) Fully franked dividends declared and paid during the half-year	**30,112**	28,174
(b) Dividends proposed and not yet recognised as a liability	**23,561**	28,198

^ The Group initially applied AASB 15 using the modified retrospective approach (see note 2 (b)). Under this method, comparative information has been presented in accordance with AASB 15 but has not been remeasured on the adoption of AASB 15

5. TRADE AND OTHER RECEIVABLES

	31 December 2018 $'000	30 June 2018 $'000
CURRENT		
Trade and other receivables at amortised cost	**298,550**	292,014
Less: allowance for impairment loss	**(3,215)**	(3,643)
	295,335	288,371

6. PROPERTY, PLANT AND EQUIPMENT

During the half-year the consolidated entity acquired assets with a cost of $12,468,610 (2017: $14,767,019), including assets purchased by means of finance leases and hire purchase contracts (see Note 10). Assets with a written down value of $194,651 (2017: $505,919) were disposed of during the period.

7. 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 2018, the Group's interests in joint ventures was not material.

8. 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 a financial asset at fair value through OCI (30 June 2018 - available-for-sale investment).

9. TRADE AND OTHER PAYABLES

	31 December 2018 $'000	30 June 2018 $'000
CURRENT		
Trade payables and accruals	**102,439**	68,946
Advances on construction work in progress	**-**	65,599
Contract liabilities	**34,909**	-
Sundry creditors and accruals	**49,711**	29,463
	187,059	164,008

10. NON-CASH FINANCING AND INVESTING ACTIVITIES

During the half-year the consolidated entity acquired plant and equipment by means of finance leases and hire purchase agreements totalling $5,791,106 (2017: nil).

11. ISSUED CAPITAL

	Notes	31 December 2018 $'000	30 June 2018 $'000
Ordinary shares – Issued and fully paid	11(a)	**129,084**	126,972
Reserved shares	11(b)	**(1,269)**	(1,269)
		127,815	125,703

(a) Movement in ordinary shares

	31 December 2018		31 December 2017	
	Number of Shares	$'000	Number of Shares	$'000
Beginning of the period	94,108,311	126,972	93,928,264	124,234
Dividend reinvestment plan	**134,217**	**2,112**	81,164	1,209
End of the period	**94,242,528**	**129,084**	94,009,428	125,443

(b) Movement in reserved shares

	31 December 2018		31 December 2017	
	Number of Shares	$'000	Number of Shares	$'000
Beginning of the period	85,500	(1,269)	85,500	(1,269)
Acquisition of reserved shares	**6,875**	**-**	-	-
End of the period	**92,375**	**(1,269)**	85,500	(1,269)

92,375 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.

12. 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 2018 the Engineering Construction division contributed revenue of $331.6 million (2017: $477.5 million) and the Maintenance and Industrial Services division contributed revenue of $503.2 million (2017: $400.7 million). Included in the Engineering Construction division revenue is $4.3 million (2017: $4.1 million) of inter-entity revenue and $53.3 million (2017: $25.8 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.

13. 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 2018 or 30 June 2018.

14. 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 2018 **$'000**	**30 June 2018** **$'000**
Guarantees given to various clients for satisfactory contract performance	**199,758**	181,759

15. SHARE BASED PAYMENT

During the period, 257,379 performance rights were granted by Monadelphous Group Limited under the Combined Reward Plan ("CR Plan"). The Performance Rights vest into shares in equal instalments, one, two and three years subsequent to award, subject to the employee remaining in the employ of the company at those particular dates.

The fair value of each performance right issued during the period was estimated on the date of grant using a discounted cash flow calculation. Specifically, the Monadelphous Group Limited share price has been discounted at the dividend yield in order to account for the dividends that the rights holder forgoes over the life of the rights. A dividend yield of 3.96% to 4.44% has been used in the calculation.

The weighted average fair value of performance rights granted in the period was $13.90.

For the half-year ended 31 December 2018, the Group has recognised $1,071,111 of share-based payment expense in the Income Statement (2017: $nil) relating to performance rights issued under the CR Plan.

For the half-year ended 31 December 2018, the Group has recognised $80,000 of share-based payment expense in the Income Statement (2017: $533,927) relating to shares to be issued as part of the acquisition of Arc West Group Pty Ltd. $640,000 (2017: $640,000) was satisfied as a cash payment during the period.

16. CAPITAL COMMITMENTS

The group has capital commitments related to the acquisition of plant and equipment of $17,908,207 at 31 December 2018 (2017: $21,885,299).

17. EVENTS AFTER BALANCE DATE

Contract Awards

On 18 February 2019, Monadelphous Group Limited announced it had been awarded a construction contract at BHP's South Flank Project in the Pilbara region of Western Australia. The contract, which is valued at $108 million, includes structural, mechanical, piping and electrical and instrumentation works associated with the project's outflow infrastructure.

Dividends declared

On 18 February 2019, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2019 financial year. The total amount of the dividend is $23,560,632 which represents a fully franked interim dividend of 25 cents per share. This dividend has not been provided for in the 31 December 2018 Financial Statements. The Monadelphous Group Limited Dividend Reinvestment plan will apply to the dividend.

Other than the items noted above, there are no matters or circumstances that have arisen since the end of the half-year ended 31 December 2018 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.