

**MONADELPHOUS GROUP LIMITED**

**ABN 28 008 988 547**

**CONDENSED CONSOLIDATED FINANCIAL REPORT**

**HALF-YEAR ENDED 31 DECEMBER 2020**

For personal use only

**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

Susan Lee Murphy AO  
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

**Bankers**

**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  
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  
EC Projects Pty Ltd  
Monadelphous Chile SpA  
MAQrent SpA  
Buildtek SpA  
Sinostruct Engineering & Fabrication (Tianjin)  
Company Limited

## MONADELPHOUS GROUP LIMITED DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2020.

### 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 54 years experience in the construction and engineering services industry
Robert Velletri	<i>Managing Director</i> Appointed 26 August 1992 Mechanical Engineer, Corporate Member of Engineers Australia Appointed as Managing Director on 30 May 2003 41 years experience in the construction and engineering services industry
Peter John Dempsey	<i>Lead Independent Non-Executive Director</i> Appointed 30 May 2003 Civil Engineer, Fellow of Engineers Australia, Member of the Australian Institute of Company Directors 48 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entity: Service Stream Limited (ASX:SSM) – appointed 1 November 2010
Christopher Percival Michelmore	<i>Independent Non-Executive Director</i> Appointed 1 October 2007 Civil Engineer, Fellow of Engineers Australia 48 years experience in the construction and engineering services industry
Dietmar Robert Voss	<i>Independent Non-Executive Director</i> Appointed 10 March 2014 Chemical Engineer, Member of the Australian Institute of Company Directors 47 years experience in the oil and gas, and mining and minerals industries
Helen Jane Gillies	<i>Independent Non-Executive Director</i> Appointed 5 September 2016 Solicitor, Master of Business Administration and Construction Law, Fellow of the Australian Institute of Company Directors 24 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entities: Yancoal Australia Limited (ASX:YAL) – appointed 30 January 2018 Aurelia Metals Limited (ASX:AMI) – appointed 21 January 2021
Susan Lee Murphy AO	<i>Independent Non-Executive Director</i> Appointed 11 June 2019 Civil Engineer, Honorary Fellow of Engineers Australia 41 years experience in the resources and infrastructure industries

### COMPANY SECRETARIES

Philip Trueman	<i>Company Secretary and Chief Financial Officer</i> Appointed 21 December 2007 Chartered Accountant, Member of Chartered Accountants Australia and New Zealand 20 years experience in the construction and engineering services industry
Kristy Glasgow	<i>Company Secretary</i> Appointed 8 December 2014 Chartered Accountant, Member of Chartered Accountants Australia and New Zealand 15 years experience in the construction and engineering services industry

# MONADELPHOUS GROUP LIMITED

## DIRECTORS' REPORT

### 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
- Engineering, procurement and construction 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
- Specialist coatings
- Rail maintenance services

#### *General*

Monadelphous operates from major offices in Perth and Brisbane, with regional offices in Sydney, Newcastle, Beijing (China), Ulaanbaatar (Mongolia), Manila (Philippines), and Santiago (Chile) and a network of workshop facilities in Kalgoorlie, Karratha, Port Hedland, Newman, Tom Price, Darwin, Roxby Downs, Gladstone, Hunter Valley, Mackay, Bibra Lake, Bunbury, Chinchilla, Mudgee, Rutherford and Tianjin (China).

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

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 \$31.576 million (2019: \$28.456 million).

### DIVIDENDS PAID OR PROPOSED

A 24 cent fully franked interim dividend has been approved by the directors payable on 26 March 2021 (2020: 22 cent interim dividend). A final fully franked dividend of \$12,303,392 was paid during the period in respect of the financial year ended 30 June 2020.

### REVIEW OF OPERATIONS

	<b>Half-year ended 31 December 2020 \$'000</b>	<b>Half-year ended 31 December 2019 \$'000</b>
Revenue from contracts with customers	<b>842,078</b>	776,805
Profit after income tax attributable to equity holders of the parent	<b>31,576</b>	28,456

## **MONADELPHOUS GROUP LIMITED**

### **DIRECTORS' REPORT**

The Directors of Monadelphous Group Limited are pleased to report the Company's financial results for the six months ended 31 December 2020.

#### **Revenue**

Monadelphous recorded revenue for the half year of \$947.8 million<sup>1</sup>, an increase of 11.2 per cent on the previous corresponding period.

The overall result was up 18.7 per cent on the second half of the previous financial year, as the industry recovered from the initial impact of COVID-19. The result was aided by the fact that a significant proportion of the Company's contracted activity levels during the period were located in Western Australia, which was less affected by the pandemic than many other parts of the world.

The Engineering Construction division reported revenue of \$460.3 million for the six months, a 68.4 per cent increase on the prior corresponding period. Work progressed strongly on a number of significant resource construction projects which had experienced COVID-19 related delays in the first half of the of 2020 calendar year.

The Maintenance and Industrial Services division reported revenue of \$491.5 million, down 15.9 per cent on the prior corresponding period. Maintenance activity levels early in the period were lower than usual as the industry steadily regained momentum after the initial impact of the pandemic, as well as from the effects of reduced levels of demand within the oil and gas sector.

Statutory revenue, which excludes Monadelphous' share of revenue from joint ventures, was \$842.1 million.

#### **Earnings**

Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$57.0 million<sup>2</sup>, a 3.5 per cent reduction on the prior corresponding period. Earnings in the first few months of the period were lower than normal as the industry regained momentum following the initial impact of COVID-19.

During the period, the Company reversed a one-off provision of \$6.5 million made in the 2019 financial year. The provision related to Notices of Amended Assessments received from the Australian Taxation Office (ATO) in 2019 for research and development tax incentives claimed by the Company in previous years which were determined to be ineligible. At the time, Monadelphous applied for an internal review of these findings.

In December 2020, the Company was notified that, upon review, the original findings had been set aside, and the Company was in fact eligible for the incentives. The Company has commenced the process to obtain a refund for the amounts paid to the ATO.

Net profit after tax for the period was \$31.6 million, representing earnings per share of 33.4 cents.

#### **Dividend**

The Board of Directors has declared an interim dividend of 24 cents per share fully franked. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the interim dividend.

#### **Strong balance sheet**

Monadelphous ended the period with a strong cash balance of \$169.4 million with cash flows used in operating activities for the six months of \$18 million.

The cash flow conversion rate for the 2020 calendar year was a healthy 91 per cent, however the Company experienced unusually different cash flow conversion rates in the first and second halves of 2020 as a result of the initial impact of COVID-19, and the subsequent recovery therefrom.

<sup>1</sup> Includes Monadelphous' share of joint venture revenue – refer to page 11 for reconciliation

<sup>2</sup> Refer to page 11 for reconciliation of EBITDA

## **MONADELPHOUS GROUP LIMITED**

### **DIRECTORS' REPORT**

The materially reduced operating activity levels experienced in the months leading up to 30 June 2020, at the height of the COVID-19 pandemic, significantly reduced the working capital requirements of the business at that time, and delivered an unusually high cash flow conversion rate of 303 per cent for the first half of the 2020 calendar year.

The improvement in the operating environment post 30 June 2020, and the consequent increase in working capital as the Company's requirements returned to more normal levels, meant that the cash flow conversion rate for the second six months of the 2020 calendar year was negative 18 per cent.

The Company balance sheet provides it with sufficient capacity to invest in suitable opportunities as they arise.

#### **Notification of filing of Writ of Summons**

As announced on 3 August 2020, Monadelphous was notified that Rio Tinto had filed a Writ of Summons in the Supreme Court of Western Australia against one of Monadelphous' wholly owned subsidiaries, Monadelphous Engineering Associates Pty Ltd (MEA), in respect of a fire at Rio Tinto's iron ore processing facility at Cape Lambert on 10 January 2019.

MEA, along with its insurers and their legal representatives, continues to work effectively with Rio Tinto towards reaching a satisfactory outcome in this matter.

#### **Strategic Progress**

Despite the unique challenges brought about by COVID-19, Monadelphous made good progress on its markets and growth strategy.

Since the beginning of the period, the Company has secured approximately \$360 million of new contracts and contract extensions, most notably in the iron ore sector. A large volume of project developments in execution phase, the resumption of work scopes deferred earlier in 2020 and a strong appetite from customers to maximise production has seen activity levels in the iron ore sector ramp up significantly.

Mondium, the Company's engineering, procurement and construction (EPC) joint venture with Lycopodium, made good progress on its strategically important \$400 million contract with Rio Tinto for the Western Turner Syncline Phase 2 mine, located in the Pilbara. The project continues to progress in line with expectations and is due to be completed in 2021.

The renewable energy sector is currently experiencing a lull in activity levels as the industry focuses on the development of improved grid access and transmission capability. Highlighting its reputation as a leader in the market, Zenviron, the Company's renewable energy joint venture, continues to be awarded new work despite these lower levels of investment in the industry, securing a contract to deliver the Murra Warra Stage II Wind Farm in regional Victoria for General Electric International.

Buildtek, the Company's Chile-based maintenance and construction services contractor, continues to perform well. Leveraging Monadelphous' core capability and vast experience in liquefied natural gas (LNG), Buildtek was awarded its most significant LNG contract to date to replace five liquefied natural gas discharge arms at GNL Quintero's operations in Valparaiso. This strategically important contract, which is now well underway, positions Buildtek for further LNG work across South America.

Monadelphous remained focused on broadening its service offering, strengthening its rail, coal seam gas pipeline, marine, civil and corrosion management capabilities, and investing in specialist equipment to support the delivery of its existing contracts and enable further growth.

# MONADELPHOUS GROUP LIMITED

## DIRECTORS' REPORT

### Health and Safety

The Company's 12-month total recordable injury frequency rate (TRIFR) substantially improved during the period to 3.12 incidents per million hours, representing a decrease of 16.1 per cent.

This improvement was supported by a significant number of health and safety initiatives implemented during the period, including the introduction of a new Fatal Risk Standard and Life Saving Rule relating to the use of mobile plant and equipment, the implementation of the Company's revised and updated supervisor safety leadership program and the continued rollout of the *Delivering the Safe Way* behaviour framework.

A number of systems improvements and activities were implemented during the period to reinforce fatal risk controls, including a Line-of-Fire Fatal Risk campaign focused on the prevention of risks relating to the use of mobile plant, the transferring of loads, the prevention of falling objects and the identification and management of energy sources.

A number of initiatives were undertaken to highlight the importance of mental health awareness, including participation in national health and wellbeing initiatives such as Movember and R U OK? Day.

### People

With activity levels across the Company's operations steadily increasing as the industry recovered from the initial impact of COVID-19, workforce numbers increased by 22 per cent during the period. At 31 December 2020 Monadelphous employed 6,811 people, while total workforce numbers, including subcontractors, were 7,093.

During the period, certain Monadelphous subsidiaries received wage subsidy support under the Australian Government's JobKeeper scheme totalling approximately \$7 million. The JobKeeper scheme was implemented earlier in the 2020 calendar year to minimise the financial hardship to employees of businesses affected by the significant economic impact of COVID-19, and keep more Australians in jobs. The Company utilised the JobKeeper subsidy to pay employees placed on stand down, provide temporary uplifts for those eligible under the scheme, and to maintain, where possible, employment levels within the Company's workforce, by subsidising the wages of those still working.

In response to the impact of COVID-19 on the Company's business and operations the Board agreed to a 30 per cent salary and fee reduction for the period from May to October 2020, with the Executive and General Management teams agreeing to salary reductions of between 10 and 20 per cent for the same period.

Central to Monadelphous' long-term sustainability and success is the retention and development of its key talent. During the period, the Company focused on a number of initiatives to support this objective including improving the effectiveness of the Company's performance management practices, undertaking detailed planning activities to enable the provision of challenging career opportunities, and increasing participation levels in the Company's employee equity scheme.

In a tightening labour market, a number of activities were implemented to improve the effectiveness and efficiency of the Company's recruitment practices, including engaging external consultants to undertake detailed labour market analysis to assist in future workforce planning, the continued refinement of the MonaWork workforce engagement application and the launch of the Monadelphous 'Make It Yours' employer branding program. These initiatives will ensure that Monadelphous can continue to source, select and mobilise new talent in an optimal manner.

To support these initiatives, the Company has also commenced the implementation of a new recruitment, onboarding and talent management information management system.

### Social Value

Monadelphous is committed to making a positive contribution to the societies and communities in which it operates and focuses its efforts in the key strategic areas of diversity, community support and education.

Over the last six months, through in-depth consultation with key stakeholders, including the Company's Indigenous workforce, Monadelphous substantially progressed the development of its fourth Reconciliation Action Plan (RAP), with its second Stretch RAP due for release in 2021.

## **MONADELPHOUS GROUP LIMITED**

### **DIRECTORS' REPORT**

Supporting its ongoing commitment to gender diversity and inclusion, the Company focused on further revising and enhancing the strategic direction of its Gender Diversity and Inclusion Plan and continues to progress well towards achieving its strategic objectives. Highlighting its success in the important area of gender diversity, Monadelphous was extremely pleased to announce the appointment of its first female operational General Manager during the period.

As part of creating a diverse and inclusive workplace Monadelphous continued the rollout of its cultural awareness training program across the business, hosted a range of NAIDOC Week events in celebration of Australia's indigenous heritage and continued to provide career opportunity pathways for Indigenous students through the provision and funding of a number of cadetships.

The Company participated in a large number of other varied social value initiatives, including the launch of partnership programs with the Graham (Polly) Farmer Foundation's Follow the Dream and Living the Dream, the provision of funding for a number of initiatives in the education sector, and providing volunteering opportunities at community events. In late October 2020, Monadelphous' after-school program in Newman, Monadelphous Mechanical Mob, was announced as a finalist for the Indigenous Engagement Award for the Australian Mining 2020 Prospect Awards.

#### **Productivity and Innovation**

Monadelphous continues to develop and implement improved operational and support methodologies, practices and processes to enhance its competitive position in the market, delivering high quality, safe, value-adding services. The Company's approach is centred around using proven technologies to improve the efficiency of its own, as well its customers', operations.

Work on systems optimisation continued, with a view to consolidating legacy systems to reduce costs and improve data quality and governance. The digitalisation of in-field data capture processes, automation of data processing activities and the use of data analytics remains a focus, and will enable the Company to identify and focus on the areas of greatest opportunity for cost reduction and efficiency in operational and administrative performance.

During the period, Monadelphous and its partner Novata Solutions were announced as the winner of the OutSystems Global Enterprise Transformation Award, for the development of MonaWork. Monawork is a mobile and web-based employee application designed to improve engagement with the Company's workforce. The application will aid Monadelphous' reputation as an employer of choice, improving candidate experience through faster and more tailored communications with employees regarding available work opportunities and site mobilisation requirements.

Monadelphous also continued to develop its drone data post-processing capabilities, receiving approval to operate drones on several major customers' sites. The Company now has the capability to produce 2D and 3D imagery for execution change management and visualisation, site logistics planning, and elevation and volume profiling calculations.

#### **OPERATIONAL ACTIVITY**

##### **Engineering Construction**

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported revenue of \$460.3<sup>1</sup> million for the half, an increase of 68.4 per cent on the previous corresponding period.

The division was awarded approximately \$175 million of new contracts during the period. Four new packages of work were secured under the BHP Western Australian Iron Ore (WAIO) Panel Agreement across various sites in the Pilbara region of Western Australia (WA). These contracts include the Port Availability Improvement Project for brownfields modifications across the Nelson Point and Finucane Island facilities, a dewatering project at the Jimblebar mine site, fabrication of the Jimblebar train loadout rectification works at Jimblebar and a stacker upgrade at the Newman Hub site. An additional contract with BHP was also secured for multidisciplinary construction services at the Olympic Dam copper mine in South Australia.

<sup>1</sup> Includes share of joint venture revenue



## **MONADELPHOUS GROUP LIMITED**

### **DIRECTORS' REPORT**

The Company made good progress on its construction contracts at BHP's South Flank Project, making substantial progress on structural, mechanical, piping and electrical and instrumentation works associated with the Project's inflow and outflow infrastructure, as well as on construction of the world's largest rail mounted stockyard machines for thyssenkrupp Industrial Solutions (Australia).

Work at Rio Tinto's West Angelas Deposits C and D Project continued, with support for the fabrication work on the project being provided by SinoStruct, the Company's China-based fabrication business. Monadelphous' scope of work on this project is due to be completed by mid-2021.

The Company's heavy lifting services business continues to perform well, providing services to both external customers and internal projects.

Monadelphous provides fixed plant maintenance and shutdown crane services at Fortescue Metals Group's (FMG) Solomon Hub and Port operations in the Pilbara under an existing contract, and this contract was expanded during the period to include the provision of services at FMG's Eliwana mine.

Specialist heavy lifting support and the provision of equipment continued to be provided to major Monadelphous construction projects, as well as on the Maintenance and Industrial Services division's contracts with Woodside at its Karratha-based operations and at Alcoa's Wagerup Refinery.

SinoStruct's focus on entering new markets and expanding its geographical reach culminated in the business securing several new contracts during the period as well as the establishment of its own fabrication facility in Tianjin, China, enabling SinoStruct to self-perform fabrication work. The business also continued to deliver work for Origin Energy, Rio Tinto in both Australia and Mongolia, and Newcrest Mining Limited in Papua New Guinea.

Zenviron completed its works at the Dundonnell Wind Farm in regional Victoria for Vestas – Australian Wind Technology and significantly progressed works on the Crudine Ridge Wind Farm for CWP Renewables in regional New South Wales.

Following the decision to discontinue the Company's water operations in New Zealand and significantly consolidate its position in the Australian market, activity during the period focused on the completion of contracted works. In New South Wales, work progressed on the Wyee Backlog Sewer Scheme under the Hunter Water Corporation Complex Capital Works Design and Construct Panel program, as well as on Sydney Water's Network and Facilities Renewal Program. In Queensland, commissioning activities approached completion on the Kawana Sewerage Treatment Plant on the Sunshine Coast.

#### **Maintenance and Industrial Services**

The Maintenance and Industrial Services division provides planning, management and execution of multidisciplinary maintenance services, sustaining capital works and turnarounds. The division recorded revenue of \$491.5 million for the six months, down 15.9 per cent on the prior corresponding period.

Activity levels during the period were impacted by disruptions caused by COVID-19 as well as a decline in demand for oil and gas services, however these were partially offset by an increase in demand for maintenance and shutdown services in the iron ore sector.

During the period, the division secured \$185 million in new contracts and contract extensions, further adding to its contracted forward workload. In the Pilbara, Monadelphous was awarded two contracts with BHP under an existing WAIO Site Engineering Panel Agreement for the supply and installation of the Jimblebar Transfer Station and the refurbishment of Car Dumper 3 at Nelson Point, Port Hedland, WA. In addition, the Company secured three master services contracts with Rio Tinto for the delivery of sustaining capital projects across various iron ore mine sites and port operations over a three-year period.

The Company experienced high levels of activity in the iron ore sector during the period, successfully completing a number of shutdowns for both BHP and Rio Tinto across the Pilbara, as well as the Car Dumper 3 Mega Shut, Mining Area C Stretch Assist and Eastern Ridge projects.

## MONADELPHOUS GROUP LIMITED DIRECTORS' REPORT

In other sectors, Monadelphous was awarded a three-year contract for the provision of maintenance services for fixed plant shutdowns at Rio Tinto's Gove operations in the Northern Territory, a major dragline shutdown for BHP Mitsubishi Alliance at its Saraji Mine in Queensland, a 12-month extension to its existing maintenance, shutdown and project services contract across BHP's Western Australian nickel operations and a three-year extension to an existing contract with Custom Fleet to manage the servicing of the Western Power light vehicle fleet in Western Australia. Subsequent to the end of the reporting period the Company secured a multidisciplinary contract with AGL Macquarie for the Bayswater Fly Ash Plant Refurbishment and Slurry Lines Replacement project near Muswellbrook, New South Wales (NSW).

In Chile, the Company's maintenance and construction services business, Buildtek, was awarded a number of new contracts, including two contracts with Minera Escondida BHP, for the relocation, construction and assembly of a communications tower and associated infrastructure at the Escondida copper mine, as well as an upgrade to the conveyer system feeding the Filter Plant Warehouse at Coloso Port, both in the Antofagasta region.

In the oil and gas sector, Monadelphous completed shutdowns both onshore and offshore at the Woodside-operated North West Shelf Project and continued to build on its industrial services offering, investing in fabric maintenance equipment to support new scopes of work across its offshore oil and gas contracts. In addition, planning for a major program of turnarounds in 2021 and 2022 progressed significantly during the period.

The Company continued to embed the rail services business acquired in the previous financial year, Harbinger Infrastructure, and provided maintenance services to ARTC on its Hunter Valley rail network in New South Wales. In the Pilbara, dedicated equipment was purchased to support the Company's rail services contract with Rio Tinto, and the team was the recipient of a number of customer safety awards.

Other significant contract activity undertaken during the period included:

- Maintenance, shutdown and sustaining capital works services for BHP's Pilbara-based iron ore operations, WA;
- Fixed plant maintenance and sustaining capital works services for Rio Tinto's Pilbara-based iron ore operations, WA;
- Maintenance and shutdown services for BHP's Olympic Dam copper-uranium operation at Roxby Downs, South Australia;
- Offshore maintenance services for INPEX Operations Australia, WA;
- Provision of services for Shell, WA and Queensland;
- Offshore and onshore maintenance services for Woodside, WA;
- Engineering, procurement and construction services on Oil Search's oil and gas production and support facilities in the Highlands region of Papua New Guinea, in joint operation with Worley;
- Minor capital project services at Newcrest Mining Limited's Lihir Gold Mine in Papua New Guinea;
- Maintenance and projects for Queensland Alumina Limited in Gladstone, Queensland;
- Mechanical shutdown and tank maintenance and refurbishments for Newmont at Boddington, WA;
- Shutdown and mechanical services for South32's Worsley Alumina Refinery, WA;
- National Services Agreement to complete maintenance, shutdown and sustaining capital works across APA Group's assets;
- Operation and maintenance of the coal handling facility at the Muja Power Station for Synergy in Collie, WA;
- General mechanical and maintenance services for Incitec Pivot Limited in Gibson Island, Queensland; and
- Maintenance and turnaround services in the Hunter Valley, NSW, for Glencore.

# MONADELPHOUS GROUP LIMITED

## DIRECTORS' REPORT

### Markets and Outlook

While the global economic outlook in the wake of COVID-19 remains uncertain, the resources sector is expected to provide a steady flow of opportunities for Monadelphous over coming years.

With continued solid demand from China driving favourable iron ore prices, the outlook for Australian iron ore investment remains solid. Ongoing capital and operating expenditure required to sustain the high levels of production in this sector will drive strong and steady demand for engineering construction and maintenance services.

Developments in other resource sectors including lithium, gold, copper and nickel are also expected to provide ongoing prospects for Monadelphous in Australia as well as its international operations in South America, Mongolia and Papua New Guinea.

Declining global demand in the oil and gas sector has resulted in delays in the development of new LNG projects, with customers reducing operating costs and deferring non-essential work in the short-term.

The long-term outlook for the renewable energy sector is positive with a pipeline of new wind farm projects expected to come to market in the next few years, particularly as electrical grid access improves in NSW and Victoria.

Maintenance activity in the resources and energy sectors has recovered from the effects of COVID-19. Demand for maintenance services is expected to grow steadily on the back of aging assets and customers deferring non-essential work in prior periods.

In the more immediate term, resource sector activity in Western Australia is expected to remain strong in the second half of this financial year, resulting in increased pressure for the demand of skilled labour. Capacity constraints from the further tightening of an already stretched labour market, coupled with unpredictable interstate border restrictions, will be a key challenge for the business.

Following a solid first half result, and subject to the timing of progress of projects, sales revenue for the full year is expected to see an increase of around 10 per cent on the previous year. While the outlook remains positive, the potential impacts of COVID-19 continue to create uncertainty.

Monadelphous' reputation as a leader in its markets and its longstanding commitment to the delivery of safe, reliable and cost competitive service solutions, places it in a strong position to capitalise on opportunities and deal with the challenges ahead.

The Company will continue to monitor the COVID-19 situation and adapt its response to ensure the health and safety of its people and the communities in which it operates.

**MONADELPHOUS GROUP LIMITED  
DIRECTORS' REPORT**

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

**Dividends Declared**

On 22 February 2021, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is \$22,723,440 which represents a fully franked interim dividend of 24 cents per share. This dividend has not been provided for in the 31 December 2020 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 2020 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 12 and forms part of the Directors' Report for the half-year ended 31 December 2020.

**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, 22 February 2021

## MONADELPHOUS GROUP LIMITED

Revenue including joint ventures is a non-IFRS 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 Total Revenue from Contracts with Customers including joint ventures to Statutory Revenue from Contracts with Customers (unaudited)

	31 December 2020 \$'000	31 December 2019 \$'000
Total revenue from contracts with customers including joint ventures	947,828	851,980
Share of revenue from joint ventures <sup>1</sup>	(105,750)	(75,175)
Statutory revenue from contracts with customers	<u>842,078</u>	<u>776,805</u>

<sup>1</sup> 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, which is unaudited, is important to management as an additional way to evaluate the Company's performance.

### Reconciliation of profit before income tax to EBITDA (unaudited)

	31 December 2020 \$'000	31 December 2019 \$'000
Profit before income tax	39,241	42,205
Interest expense on loans and hire purchase finance charges	390	738
Interest expense on other lease liabilities	725	977
Interest revenue	(263)	(645)
Depreciation of owned and hire purchase assets	11,258	10,771
Depreciation of other lease assets	3,869	3,777
Amortisation expense	187	323
Share of interest, depreciation, amortisation and tax of joint ventures <sup>2</sup>	1,642	986
EBITDA	<u>57,049</u>	<u>59,132</u>

<sup>2</sup> Represents Monadelphous' proportionate share of the interest, depreciation, amortisation and tax of joint ventures accounted for using the equity method.



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

As lead auditor for the review of the half-year financial report of Monadelphous Group Limited for the half-year ended 31 December 2020, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

*Ernst & Young*

Ernst & Young

D S Lewsen  
Partner  
22 February 2021



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## Independent Auditor's Review Report to the Members of Monadelphous Group Limited

### Report on the 31 December 2020 half-year financial report

#### Conclusion

We have reviewed the accompanying half-year financial report of Monadelphous Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 2020 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 2020 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.





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

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Ernst & Young*

Ernst & Young

A handwritten signature in blue ink, appearing to read 'D S Lewsen', written over a faint horizontal line.

D S Lewsen  
Partner  
Perth  
22 February 2021

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# 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 2020 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, 22 February 2021

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Notes	Half-year ended 31 December 2020 \$'000	Half-year ended 31 December 2019 \$'000
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	3	<b>842,371</b>	777,543
Cost of services rendered		<b>(780,808)</b>	(710,724)
<b>GROSS PROFIT</b>		<b>61,563</b>	66,819
Other income	3	7,217	2,823
Business development and tender costs		<b>(8,434)</b>	(9,285)
Occupancy costs		<b>(1,838)</b>	(1,802)
Administrative costs		<b>(16,825)</b>	(15,983)
Finance costs	3	<b>(1,115)</b>	(1,715)
Profit from joint ventures		2,665	1,545
Foreign currency loss		<b>(3,992)</b>	(197)
<b>PROFIT FOR THE PERIOD BEFORE TAX</b>		<b>39,241</b>	42,205
Income tax expense	3(c)	<b>(7,049)</b>	(13,309)
<b>PROFIT FOR THE PERIOD AFTER TAX</b>		<b>32,192</b>	28,896
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>31,576</b>	28,456
<b>NON-CONTROLLING INTERESTS</b>		<b>616</b>	440
		<b>32,192</b>	28,896
Earnings per share:			
• Basic, profit for the period attributable to ordinary equity holders of the parent (cents per share)		<b>33.36</b>	30.17
• Diluted, profit for the period attributable to ordinary equity holders of the parent (cents per share)		<b>33.29</b>	30.07

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Half-year ended 31 December 2020 \$'000	Half-year ended 31 December 2019 \$'000
<b>NET PROFIT FOR THE PERIOD</b>	<b>32,192</b>	28,896
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Foreign currency translation	(2,364)	(490)
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
(Loss)/Gain on equity instruments designated at fair value through other comprehensive income	(55)	446
Income tax effect	17	(134)
	<u>(38)</u>	<u>312</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<u>(2,402)</u>	<u>(178)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<u>29,790</u>	<u>28,718</u>
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>29,174</b>	28,278
<b>NON-CONTROLLING INTERESTS</b>	<b>616</b>	440
	<u>29,790</u>	<u>28,718</u>

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Notes	31 December 2020 \$'000	30 June 2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		169,351	208,292
Trade and other receivables		407,553	262,437
Contract assets		18,354	27,379
Inventories		4,975	4,786
<b>Total current assets</b>		<b>600,233</b>	<b>502,894</b>
<b>Non-current assets</b>			
Contract assets		-	124
Property, plant and equipment	5, 3(b)	163,451	163,666
Deferred tax assets		32,603	28,775
Intangible assets and goodwill		3,900	4,181
Investment in joint venture		12,939	11,649
Other financial assets		2,818	2,873
<b>Total non-current assets</b>		<b>215,711</b>	<b>211,268</b>
<b>TOTAL ASSETS</b>		<b>815,944</b>	<b>714,162</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		228,191	165,752
Interest bearing loans and borrowings		1,200	1,580
Lease liabilities	6	20,049	18,733
Income tax payable		7,217	3,766
Provisions		69,254	59,365
<b>Total current liabilities</b>		<b>325,911</b>	<b>249,196</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings		300	1,943
Lease liabilities	6	75,518	69,636
Provisions		6,247	4,340
Other financial liability		7,856	4,480
Deferred tax liabilities		-	125
<b>Total non-current liabilities</b>		<b>89,921</b>	<b>80,524</b>
<b>TOTAL LIABILITIES</b>		<b>415,832</b>	<b>329,720</b>
<b>NET ASSETS</b>		<b>400,112</b>	<b>384,442</b>
<b>EQUITY</b>			
Issued capital	7	131,733	131,307
Reserves		29,033	33,062
Retained earnings		239,337	220,064
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>400,103</b>	<b>384,433</b>
Non-Controlling Interests		9	9
<b>TOTAL EQUITY</b>		<b>400,112</b>	<b>384,442</b>

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

*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	Equity Reserve \$'000	Total \$'000
At 1 July 2020	131,307	34,810	(1,160)	220,064	9	867	(1,455)	384,442
Other comprehensive (loss)/income	-	-	(2,364)	-	-	(38)	-	(2,402)
Profit for the period	-	-	-	31,576	616	-	-	32,192
<b>Total comprehensive income for the period</b>	-	-	(2,364)	31,576	616	(38)	-	29,790
<b>Transactions with owners in their capacity as owners</b>								
Reclassification of non controlling interest to liabilities	-	-	-	-	(616)	-	616	-
Remeasurement of financial liability	-	-	-	-	-	-	(3,376)	(3,376)
Share-based payments	-	898	-	-	-	-	-	898
Adjustment to deferred tax asset recognised on employee share trust	-	128	-	-	-	-	-	128
Dividend reinvestment plan	426	-	-	-	-	-	-	426
Dividends paid	-	-	-	(12,303)	-	-	-	(12,303)
Foreign currency movements	-	-	-	-	-	-	107	107
At 31 December 2020	131,733	35,836	(3,524)	239,337	9	829	(4,108)	400,112

*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	Equity Reserve \$'000	Total \$'000
At 1 July 2019	128,723	32,721	84	226,036	1,245	902	-	389,711
Other comprehensive (loss)/income	-	-	(490)	-	-	312	-	(178)
Profit for the period	-	-	-	28,456	440	-	-	28,896
<b>Total comprehensive income for the period</b>	-	-	(490)	28,456	440	312	-	28,718
<b>Transactions with owners in their capacity as owners</b>								
Recognition of non-controlling interest at the date of acquisition of controlled entities	-	-	-	-	2,891	-	-	2,891
Reclassification of non controlling interest to liabilities	-	-	-	-	(3,009)	-	(2,984)	(5,993)
Share-based payments	-	1,498	-	-	-	-	-	1,498
Adjustment to deferred tax asset recognised on employee share trust	-	83	-	-	-	-	-	83
Dividend reinvestment plan	1,545	-	-	-	-	-	-	1,545
Dividends paid	-	-	-	(21,688)	(1,650)	-	-	(23,338)
Foreign currency movements	-	-	-	-	104	-	(217)	(113)
At 31 December 2019	130,268	34,302	(406)	232,804	21	1,214	(3,201)	395,002

**MONADELPHOUS GROUP LIMITED`  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Half-year ended 31 December 2020 \$'000	Half-year ended 31 December 2019 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	797,962	893,045
Payments to suppliers and employees	(811,076)	(850,655)
Income tax paid	(7,410)	(4,266)
Other income	1,940	1,422
Interest received	263	645
Dividends received	1,405	93
Finance costs	(1,115)	(1,715)
	<b>(18,031)</b>	<b>38,569</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	7,640	2,224
Purchase of property, plant and equipment	(4,229)	(5,093)
Purchase of intangible assets	-	(720)
Repayment of loans from joint venture	-	630
Acquisition of controlled entities	-	(681)
	<b>3,411</b>	<b>(3,640)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(11,877)	(21,793)
Repayment of borrowings	(2,023)	(5,373)
Repayment of hire purchase leases	(5,747)	(5,257)
Repayment of other lease liabilities	(1,801)	(3,425)
	<b>(21,448)</b>	<b>(35,848)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		
Opening cash and cash equivalents brought forward	208,292	164,042
Net foreign exchange difference	(2,873)	137
	<b>169,351</b>	<b>163,260</b>
<b>CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>		
	<b>169,351</b>	<b>163,260</b>

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**1. CORPORATE INFORMATION**

The half-year condensed consolidated financial report of Monadelphous Group Limited for the six months ended 31 December 2020 was authorised for issue in accordance with a resolution of directors on 22 February 2021.

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 2020 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 interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of new standards effective as of 1 July 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Other revised Standards and Interpretations which apply from 1 July 2020 did not have a material effect on the financial position or performance of the Group.

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

	31 December 2020 \$'000	31 December 2019 \$'000
<b>3. REVENUE AND EXPENSES</b>		
<b>(a) Specific Items</b>		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
<b>(i) Revenue</b>		
Revenue from contracts with customers		
Services revenue	491,452	584,544
Construction revenue	350,626	192,261
	<b>842,078</b>	776,805
Other revenue		
Dividend income	30	93
Interest	263	645
	<b>842,371</b>	777,543
Disaggregation of revenue from contracts with customers by end customer industry:		
Iron Ore	507,950	232,277
Other minerals	231,082	253,447
Oil and gas	173,605	251,337
Infrastructure	35,191	114,919
	<b>947,828</b>	851,980
Less share of revenue from joint ventures accounted for using the equity method	<b>(105,750)</b>	(75,175)
	<b>842,078</b>	776,805
<b>(ii) Other income</b>		
Gain on disposal of property, plant and equipment	5,277	1,401
Other income	1,940	1,422
	<b>7,217</b>	2,823
<b>(b) Expenses</b>		
Depreciation of owned property, plant and equipment	7,487	7,702
Depreciation of hire purchase assets	3,771	3,069
Depreciation of other lease assets	3,869	3,777
	<b>15,127</b>	14,548
Amortisation	187	323
Government Grants – JobKeeper	7,143	-

Certain Monadelphous subsidiaries were eligible to receive wage subsidy support under the Australian Government's JobKeeper scheme during the period to September 2020.

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**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**3. REVENUE AND EXPENSES (continued)**

	Notes	31 December 2020 \$'000	31 December 2019 \$'000
<b>Finance costs</b>			
Loans and finance charges payable	3(c)	390	738
Interest on other lease liabilities		725	977
		<u>1,115</u>	<u>1,715</u>

**(c) Research and Development tax incentives refund**

During the period, the Company reversed a one-off provision made in the 2019 financial year relating to Notices of Amended Assessments received from the Australian Taxation Office (ATO) for research and development tax incentives previously claimed which were determined to be ineligible. At the time, Monadelphous applied for a review of these findings. In December 2020, the Company was notified that, upon review, the original findings had been set aside, and the Company was in fact eligible for the incentives. The impact of the review decision was a \$6,040,000 reduction to income tax expense for the period, and a \$411,000 reduction in interest expense for the interest originally applied by the ATO.

The Company has commenced the process to obtain a refund for the amounts paid to the ATO.

**4. DIVIDENDS PAID AND PROPOSED**

(a) Fully franked dividends declared and paid during the half-year	12,303	21,688
(b) Dividends proposed and not yet recognised as a liability	22,723	20,767

**5. PROPERTY, PLANT AND EQUIPMENT**

During the half-year the consolidated entity acquired assets with a cost of \$8,764,872 (2019: \$10,918,371), including assets purchased by means of hire purchase contracts of \$4,535,916 (2019: \$5,824,939). Assets with a written down value of \$2,362,837 (2019: \$822,801) were disposed of during the period.

**6. LEASE LIABILITIES**

	31 December 2020 \$'000	30 June 2020 \$'000
<b>CURRENT</b>		
Hire purchase lease liabilities	13,654	12,535
Other lease liabilities	6,395	6,198
	<u>20,049</u>	<u>18,733</u>
<b>NON-CURRENT</b>		
Hire purchase lease liabilities	27,481	29,791
Other lease liabilities	48,037	39,845
	<u>75,518</u>	<u>69,636</u>

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**7. ISSUED CAPITAL**

	Notes	31 December 2020 \$'000	30 June 2020 \$'000
Ordinary shares – Issued and fully paid	7(a)	133,002	132,576
Reserved shares	7(b)	(1,269)	(1,269)
		<u>131,733</u>	<u>131,307</u>

**(a) Movement in ordinary shares**

	31 December 2020		31 December 2019	
	Number of Shares	\$'000	Number of Shares	\$'000
Beginning of the period	94,489,833	132,576	94,294,487	129,992
Dividend reinvestment plan	39,523	426	100,502	1,545
Conversion of performance rights	151,646	-	-	-
End of the period	<u>94,681,002</u>	<u>133,002</u>	<u>94,394,989</u>	<u>131,537</u>

**(b) Movement in reserved shares**

	31 December 2020		31 December 2019	
	Number of Shares	\$'000	Number of Shares	\$'000
Beginning of the period	9,604	(1,269)	92,375	(1,269)
Conversion of performance rights	(9,604)	-	(82,771)	-
Acquisition of reserved shares	-	-	-	-
End of the period	<u>-</u>	<u>(1,269)</u>	<u>9,604</u>	<u>(1,269)</u>

92,375 of the Group's own equity instruments had been acquired for later use in employee share-based payment arrangements (reserved shares) and have been deducted from equity. 9,604 restricted shares (2019: 82,771 restricted shares) were utilised on conversion of performance rights during the period.

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**8. 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 2020 the Engineering Construction division contributed revenue of \$460.3 million (2019: \$273.4 million) and the Maintenance and Industrial Services division contributed revenue of \$491.5 million (2019: \$584.5 million). Included in the Engineering Construction division revenue is \$4.0 million (2019: \$5.9 million) of inter-entity revenue and \$105.7 million (2019: \$75.2 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.

**9. CONTINGENT ASSETS AND LIABILITIES**

**Contingent assets and liabilities**

There have been no changes in contingent assets and liabilities since the date of the last annual report.

**Guarantees**

	<b>31 December 2020</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Guarantees given to various clients for satisfactory contract performance	<b>251,175</b>	<b>229,388</b>

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**10. 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 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 2020 or 30 June 2020.

**11. CAPITAL COMMITMENTS**

The group has capital commitments related to the acquisition of plant and equipment of \$5,049,928 at 31 December 2020 (2019: \$10,774,457).

**12. EVENTS AFTER BALANCE DATE**

**Dividends declared**

On 22 February 2021, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is \$22,723,440 which represents a fully franked interim dividend of 24 cents per share. This dividend has not been provided for in the 31 December 2020 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 2020 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.

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS**  
**31 DECEMBER 2020**

**13. SHARE BASED PAYMENT**

**Performance Rights**

No Performance Rights were granted during the period.

For the half-year ended 31 December 2020, the Group has recognised \$512,374 of share-based payment expense in the Income Statement (2019: \$1,152,715) relating to performance rights issued under the Combined Reward Plan.

**Options**

During the period, 2,950,000 options were granted by Monadelphous Group Limited under the Employee Option Plan at an exercise price of \$9.30. A further 300,000 options have been offered to the Company's Managing Director, with the issue of these options being subject to shareholder approval. The exercise price of the options granted under the Employee Option Plan was calculated as the average closing market price of the shares for the five trading days up to and including 4 November 2020. 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	3.66%
Volatility	40.0%
Risk-free interest rate	0.1275%
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.

The weighted average fair value of options granted in the period was \$2.06.

For the half-year ended 31 December 2020, the Group has recognised \$385,793 of share-based payment expense in the Income Statement (2019: \$344,974) relating to options issued under the Employee Option Plan.