

MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

FINANCIAL REPORT

30 JUNE 2005

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

CORPORATE DIRECTORY

Directors

Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Irwin Tollman
Non-Executive Director

Peter John Dempsey
Non-Executive Director

Company Secretary

Charles Roland Giles Everist

Principal Registered Office in Australia

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APPLECROSS
Western Australia 6953

Share Registry

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Level 2, Reserve Bank Building
45 St George's Terrace
PERTH
Western Australia 6000
Telephone: 08 9323 2000
Facsimile: 08 9323 2033

Auditors

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

Solicitors

Mallesons Stephen Jaques
Level 10, Central Park
152 St George's Terrace
PERTH
Western Australia 6000

Freehills

Level 22, AMP Building
140 St George's Terrace
PERTH
Western Australia 6000

Minter Ellison

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

Bankers

National Australia Bank Limited
50 St George's Terrace
PERTH
Western Australia 6000

ASX Code

MND - Fully Paid Ordinary Shares

Controlled Entities

Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Monadelphous Workforce Pty Ltd
Skystar Airport Services Pty Ltd
Monadelphous Properties Pty Ltd
Genco Pty Ltd
MBF Workforce Pty Ltd
MI & E Holdings Pty Ltd
MIE – PNG

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Monadelphous Group Limited has recorded an outstanding financial result for the year ended June 30, 2005.

Profit after tax for the year was up 95% to \$16.7 million from a 77% increase in sales revenue to \$390.6 million. Earnings before interest, tax, depreciation and amortisation were \$29.2 million, up 81% on the previous corresponding period. Earnings per share increased 90% to 21.1 cents per share (on a post share split basis).

Following approval by shareholders at a General Meeting held on May 31, 2005, the Company's shares were split in the ratio of four fully paid ordinary shares for each existing fully paid share on issue. The share split is expected to increase the liquidity of Monadelphous shares to the benefit of all shareholders. *All financial information in this annual results announcement, including historical information, is therefore provided on a post share split basis (unless stated otherwise).*

The Board has declared a final dividend of 9 cents per share fully franked, taking the full year's dividend to 19.25 cents per share fully franked. The full year dividend includes the special dividend of 5 cents per share that was paid in March 2005. The final dividend will be paid to shareholders on September 16, 2005, with the record date for entitlements being September 9, 2005.

In the interim report to shareholders, the Board flagged its intention to pay further special dividends in addition to its established policy of paying 60% to 70% of after tax profit as normal dividends. Based on forecast strong trading conditions and a healthy balance sheet, and subject to unforeseen events, the Board has confirmed its intention to pay special dividends together with its final dividends for the 2005/06 and 2006/07 financial years.

The year's exceptional performance reflects a surge in sales revenue from the execution of an increasing number of major engineering construction and industrial services contracts in a very buoyant resources sector. Record levels of resource development activity have continued to provide numerous opportunities with most customers undergoing major expansions of their operations.

The Company has continued to capitalise on its reputation as one of Australia's leading resource development contractors, rapidly expanding its capacity and capability throughout the year in response to increasing customer demand. The second half of the year continued the trend set in the first half with workload levels expected to at least continue at current levels for the 2005/06 financial year.

Engineering Construction Division Performance

The Engineering Construction division has undergone rapid expansion with revenues surging 137% to \$239 million from a number of increasingly larger construction contracts associated with some of Australia's major resource development projects.

Major construction contracts completed or substantially completed included:

- Structural, mechanical and electrical construction works for the expansion of Comalco's bauxite operations at Weipa in Queensland;
- The design and construction of coal handling facilities for Xstrata's Rolleston Coal Project in Queensland;
- Structural and mechanical works including the installation of a new iron ore rail car dumper for Rio Tinto's Dampier Port Upgrade project in Western Australia;
- Structural and mechanical works for the Burrup Fertiliser Ammonia Plant in Karratha, Western Australia; and

- Major expansion of Rio Tinto's Yandi iron ore plant in the north west of Western Australia.

Other major construction contracts won and underway include:

- Major expansion of iron ore stock yards associated with Rio Tinto's Dampier Port Upgrade project in Western Australia;
- Construction of the Sulphuric Acid Plant associated with BHP Billiton's Ravensthorpe Nickel Project in Western Australia; and
- Extension of stockpile capacity at the BHP Billiton Mitsubishi Alliance (BMA) Hay Point Coal Terminal in Queensland.

Subsequent to the end of the reporting period, the Company won further work in the iron ore industry, securing a \$65 million contract with BHP Billiton Iron Ore for construction work associated with the Rapid Growth Project 2 at the Nelson Point and Finucane Island port facilities in Port Hedland, Western Australia.

The division has rapidly grown its management structure and resources in response to the increased customer demand. It has successfully produced record growth whilst enhancing its excellent service delivery record. Most pleasing was the division's health and safety performance with the achievement of over one million man-hours lost time injury free.

Maintenance and Industrial Services Division Performance

Revenues from the Maintenance and Industrial Services division increased 26% to \$151 million with growth being experienced in most of the division's operations. The division continued to develop its revenue base by securing a number of new long-term contracts and new major customers.

In particular, the Company achieved significant growth in the Queensland market following the establishment of a long-term contract at the new Comalco Alumina Refinery in Gladstone as well as being selected as preferred contractor to provide mechanical services at Comalco's Boyne Smelter, also in Gladstone.

Other highlights of the reporting period include:

- Retention of all major contracts with contract extensions secured with Chevron at Barrow Island in Western Australia and Alcan at the Gove Alumina Refinery in the Northern Territory;
- Successful completion and close out of the general services contract associated with Woodside Energy's North West Shelf LNG4 expansion project in Karratha, Western Australia;
- Commencement of site operations for the provision of minor capital works at BHP Billiton's Worsley Alumina Refinery in the south west of Western Australia;
- The award and commencement of a long term contract for the provision of maintenance services at HIs melt steel operations in Kwinana, Western Australia;
- The selection as preferred contractor for a major maintenance shutdown contract for Incitec Pivot at their Gibson Island works in Brisbane; and
- Substantial growth of the Company's subsidiary, Skystar Airport Services, with new contracts secured with Malaysian Airlines and Value Air in Perth and establishment of operations at Brisbane airport.

In May 2005, the Company announced it had acquired Queensland based electrical and instrumentation Company MIE (Murray Instrumentation and Electrical). The acquisition is aimed at diversifying and

growing the Maintenance and Industrial Services division, as well as broadening the Company's services capability.

Management, Development and Safety

The Company continued to advance its corporate development during the year with significant progress made in the development of the Company's management structure, personnel and systems to support the rapidly growing business.

In line with the substantial increase in workload, the Company also significantly upgraded and expanded its construction plant and equipment fleet with significant capital expenditure on major heavy lift crane and other key field construction equipment.

Skilled labour shortages continue to constrain capacity and will continue to provide a major challenge for the broader construction industry. Staff recruitment and retention strategies have been a major focus for the Company during the year and will continue to be a major management issue for some time.

The Company's health and safety performance was also pleasing, with a 20% reduction in the total case injury frequency rate recorded for the year. During the year, the Company's health and safety improvement program focussed on the development of upgraded safety management systems and improvements in front line management and employee training.

Outlook

A booming market coupled with a strong competitive position continues to provide the Company with a positive outlook.

Monadelphous will continue to enjoy its broad exposure to the resources sector with record levels of investment in project developments forecast for at least the next two to three years. In particular, a vast range of major iron ore and coal development projects in Western Australia and Queensland, respectively, are expected to continue to provide the Company with significant opportunities.

Whilst forward workload projections indicate that revenues should increase for the 2005/06 financial year, revenues will be subject to timing of projects and resource constraints. Careful and selective matching of capacity with the availability and timing of projects is a key management issue in this environment.

The Company will continue to pursue growth of its recurring revenue base with further market expansion and development planned for the Maintenance and Industrial Services division. A strong core market together with the expansion into electrical and instrumentation services from the MIE acquisition will provide further revenue growth opportunities. Advancing our long-term strategies for more diversified and recurring revenue streams through acquisitions will also continue to be explored.

Managing and controlling growth remains the challenge. Skill and resource shortages make for a volatile cost environment and prudent management of the consequent commercial risks is required to ensure that costs remain under control.



John Rubino
Chairman

	2005	2004	2003	2002	2001	2000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from ordinary activities	394,497	223,415	244,891	155,622	130,820	161,188
Profit from ordinary activities before income tax expense	23,873	12,153	10,130	6,848	5,608	9,297
Income tax expense	7,215	3,625	3,060	2,075	2,218	3,716
Profit from ordinary activities after income tax expense	16,658	8,528	7,070	4,773	3,390	5,581
Basic earnings per share*	21.15c	11.13c	9.55c	6.50c	4.80c	8.40c
Interim dividends per share (fully franked)*	5.25c	2.75c**	2.00c	1.38c	1.38c	3.25c
Special dividends per share (fully franked)	5.00c	-	-	-	-	-
Final dividends per share (fully franked)*	9.00c	4.75c**	4.25c	2.13c	1.00c	6.75c
Net tangible asset backing per share*	55.09c	50.25c	45.75c	38.00c	35.00c	30.00c
Total equity and reserves	46,092	39,271	34,100	27,795	25,589	20,049
Depreciation	5,171	4,230	5,236	5,152	4,454	4,431
Return on equity (%)	36.1	21.7	20.7	17.2	13.2	27.8
EBITDA margin (%)	7.5	7.3	6.3	7.8	7.7	8.6

* Comparative figures have been restated to account for the effect of the one-to-four share split that was approved by shareholders in General Meeting on 31 May 2005. The share split took effect from 1 June 2005. The restatement has been calculated by proportionately adjusting the number of shares on issue at the relevant reporting date in line with the terms of the share split.

** The interim dividend and final dividend for the year ended 30 June 2004 have been restated as described above. The interim dividend per share as disclosed in the Financial Report for the year ended 30 June 2004 was 11 cents per share. The final dividend per share as disclosed in the Financial Report for the year ended 30 June 2004 was 19 cents per share.

Your directors submit their report for the year ended 30 June 2005.

DIRECTORS

The names and details of the directors of the company in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Calogero Giovanni Battista Rubino Chairman
Appointed 18 January 1991
Resigned as Managing Director on 30 May 2003 and continued as Chairman
39 years experience in the construction and engineering services industry

Robert Velletri Managing Director
Appointed 26 August 1992
Mechanical Engineer, Corporate Member of the Institution of Engineers Australia
Appointed as Managing Director on 30 May 2003
26 years experience in the construction and engineering services industry

Irwin Tollman Non-Executive Director
Appointed 26 August 1992
Chartered Accountant, Member Institute of Chartered Accountants in Australia
14 years experience in the construction and engineering services industry
Retired as Executive Director on 25 July 2003 and continued as a Non-Executive Director

Peter John Dempsey Non-Executive Director
Appointed 30 May 2003
Civil Engineer, Fellow of the Institution of Engineers Australia
32 years experience in the construction industry

No director has held a directorship of any public company for the past three years.

COMPANY SECRETARY

Charles Roland Giles Everist Company Secretary and Chief Financial Officer
Chartered Accountant, Member Institute of Chartered Accountants in England and Wales
11 years experience in the resources, construction and engineering services industries

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Monadelphous Group Limited were:

	Ordinary Shares	Options over Ordinary Shares
C. G. B. Rubino	8,004,000	Nil
R. Velletri	1,400,000	1,000,000
I. Tollman	756,152	Nil
P. J. Dempsey	48,000	Nil

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	21.15
Diluted Earnings Per Share	20.64

DIVIDENDS PAID OR PROPOSED

	Cents	\$'000
Final dividends proposed		
• on ordinary shares	9.00	7,190
Dividends paid in the year:		
<i>Current year interim plus special</i>		
• on ordinary shares *	10.25	8,115
<i>Final for 2004 shown as recommended in the 2004 report</i>		
• on ordinary shares *	4.75	3,721

* Figures have been restated to account for the effect of the one-to-four share split that was approved by shareholders in General Meeting on 31 May 2005. The share split took effect from 1 June 2005. The restatement has been calculated by proportionately adjusting the dividends per share in line with the terms of the share split.

CORPORATE INFORMATION

Corporate structure

Monadelphous Group Limited is a company limited by shares that is incorporated and domiciled in Australia. Monadelphous Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year (refer note 11(b) in the financial report).

The registered office of Monadelphous Group Limited is located at:

1 - 4 Sleat Road
 Applecross, Western Australia, 6153

Nature of operations and principal activities

Engineering Construction

Providing larger-scale multi-disciplinary project management and construction services, including:

- structural, mechanical, tankage and piping construction
- design and construct

Maintenance and Industrial Services

Providing comprehensive, single-source support services to operating facilities, including:

- maintenance of above and below ground mining and mineral processing facilities and mobile plant
- maintenance of oil and gas production and processing facilities
- shutdown planning, management and execution
- specialist concrete and structural repairs
- mill reline services
- labour and equipment hire
- airport ground handling services

The Monadelphous Group operates from major offices in Perth and Brisbane with a network of regional offices and workshop facilities in Kalgoorlie, Darwin, Gove, Roxby Downs, Gladstone, Mt Isa and Muswellbrook.

The consolidated entity's revenue is earned predominantly from the mining and resources sector.

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

Employees

The consolidated entity employed 1,740 employees as of 30 June 2005 (2004: 1,539 employees).

OPERATING AND FINANCIAL REVIEW

Review

A review of operations of the consolidated entity during the financial year, the results of those operations, the changes in the state of affairs and the likely developments in the operations of the consolidated entity are set out in the Chairman's Report.

Operating results for the year

Operating results for the year were:

	2005	2004
	\$'000	\$'000
Revenue from services	390,564	220,760
Profit from ordinary activities after income tax	16,658	8,528

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the chief entity or the consolidated entity during the financial year.

On 3 May 2005, Monadelphous Group Limited announced that it had acquired 100% of the voting share capital of MI & E Holdings Pty Ltd, an unlisted Australian Company specialising in the provision of electrical and instrumentation services. MI & E Holdings is a leading instrumentation and electrical supplier to heavy industry throughout Australia, New Zealand and South East Asia.

On 31 May 2005, shareholders in General Meeting voted to approve the directors recommendation of a one-to-four share split. The share split took effect from 1 June 2005.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There are no matters or circumstances that have arisen since the end of the financial year 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.

Subsequent to the end of the reporting period, the Company won further work in the iron ore industry, securing a \$65 million contract with BHP Billiton Iron Ore for construction work associated with the Rapid Growth Project 2 at the Nelson Point and Finucane Island port facilities in Port Hedland, Western Australia.

On 22 August 2005, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2005 financial year. The total amount of the dividend is \$7,189,957, which represents a fully franked dividend of 9 cents per share. This dividend has not been provided for in the 30 June 2005 Financial Report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Other than as referred to in this report, further information as to likely developments in the operations of the consolidated entity would, in the opinion of the directors, be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Monadelphous Group Limited is subject to a range of environmental regulations.

During the financial year Monadelphous Group Limited met all reporting requirements under any relevant legislation. There were no incidents which required reporting.

The company aims to continually improve its environmental performance.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 6,430,000 unissued ordinary shares under options as follows:

- 1,580,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$0.42. The options expire on 31 January 2006.
- 150,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$0.71. The options expire between 31 January 2006 and 31 January 2007.
- 200,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$1.14. The options expire between 31 January 2006 and 31 January 2008.
- 4,500,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$1.95. The options expire between 31 January 2007 and 31 January 2009.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

Shares issued as a result of the exercise of options

During the financial year, employees and directors have exercised the option to acquire 1,004,000* fully paid ordinary shares at a weighted average exercise price of \$0.49*. No options have been exercised since the end of the financial year.

Shares issued as a result of the exercise of options (cont'd)

* Figures have been restated to account for the effect of the one-to-four share split that was approved by shareholders in General Meeting on 31 May 2005. The share split took effect from 1 June 2005. The restatement has been calculated by proportionately adjusting the number of shares issued and the weighted average exercise price in line with the terms of the share split.

Shares forfeited as a result of the failure to exercise options

Since the end of the financial year no shares have been forfeited as a result of the failure to exercise options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums in respect of a contract insuring all the directors of Monadelphous Group Limited against a liability incurred in their role as directors of the company, except where:

- (a) the liability arises out of conduct involving a wilful breach of duty; or
- (b) there has been a contravention of Sections 182 or 183 of the Corporations Act 2001.

The total amount of insurance contract premiums paid was \$61,699 (2004: \$40,951).

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

During or since the financial year, no director has had any interest in a contract or proposed contract with the company being an interest the nature of which has been declared by the director in accordance with Section 300(11)(d) of the Corporations Act 2001.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for the directors and executives of Monadelphous Group Limited.

Remuneration philosophy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the company embodies the principles of providing competitive rewards to attract high calibre executives, and the linking of executive rewards to shareholder value, in its remuneration framework.

Remuneration committee

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors and the executive management team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and the executive management team on a periodic basis. This assessment is made with reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive management remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 20 November 2003 when shareholders approved an aggregate remuneration of \$100,000 in the 'not to exceed sum' paid to non-executive directors.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Non-executive directors have long been encouraged by the board to hold shares in the company (purchased by the director on-market). It is considered good governance for directors to have a stake in the company.

The remuneration of non-executive directors for the period ending 30 June 2005 is detailed in Table 1 on page 12 of this report.

Executive director and executive management remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- Align the interests of executives with those of shareholders;
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration Committee considers market levels of remuneration for comparable executive roles when making its recommendations to the Board.

Remuneration consists of a fixed remuneration element and variable remuneration elements in the form of Short Term and Long Term Incentives.

The proportion of fixed remuneration and variable remuneration is established for each member of the executive management team by the Remuneration Committee. Tables 1 and 2 on page 12 of this report detail the variable component (%) of the executive directors and the five most highly remunerated members of the executive management team.

Fixed remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of company-wide, business unit and individual performance, relevant comparative remuneration in the market and internally, and where appropriate, external advice on policies and practices.

Structure

Executive team members are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

The fixed remuneration component of the executive directors and the five most highly remunerated members of the executive management team is detailed in Tables 1 and 2 on page 12 of this report.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the company's operational targets with the remuneration received by the executives charged with meeting those targets. The total STI is set at a level so as to remunerate the senior manager for achieving the operational targets and such that the cost to the company is reasonable in the circumstances.

Structure

On an annual basis, after consideration of performance against KPIs, an overall performance rating for the company and each individual Business Unit is approved by the Remuneration Committee. The individual performance of each executive is also rated and all three are taken into account when determining the amount, if any, of the short-term incentive payment made to each executive.

The aggregate of annual STI payments available for executives across the company is subject to the approval of the Remuneration Committee. Payments made are usually delivered as a cash bonus.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to retain and reward the members of the executive management team in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure

LTI grants to executives are delivered at the discretion of the Remuneration Committee in the form of options.

Options granted as part of director and executive remuneration for the year ended 30 June 2005 are detailed in Note 26 (e) on page 56 of the Financial Statements. All executives are eligible to participate in the Monadelphous Group Limited Option Plan.

Company Performance

A review of the company's performance over the last six years has been provided on page 4 of this report.

Table 1: Director Remuneration for the year ended 30 June 2005

		Primary Benefits			Post Employment		Equity Options LTI	Other	Total
		Salary & Fees	Non Monetary	Cash STI	Superannuat ion	Retirement Benefits			
C. G. B. Rubino*	2005	289,999	-	-	11,562	-	-	-	301,561
	2004	289,999	-	-	11,000	-	-	-	300,999
R. Velletri*	2005	317,697	-	10,000	11,562	-	46,878	-	386,137
	2004	297,596	-	-	11,000	-	35,865	-	344,461
I. Tollman**	2005	27,500	-	-	-	-	-	-	27,500
	2004	22,917	-	-	-	-	4,198	-	27,115
P. J. Dempsey**	2005	45,000	-	-	-	-	-	-	45,000
	2004	40,000	-	-	-	-	-	-	40,000

* Denotes Executive Director

** Denotes Non-Executive Director

Table 2: Remuneration of the five named executive officers who receive the highest remuneration for the year ended 30 June 2005

		Primary Benefits			Post Employment		Equity Options LTI	Other	Total
		Salary & Fees	Non Monetary	Cash STI	Superannuat ion	Retirement Benefits			
D. Foti	2005	247,429	-	20,000	11,562	-	24,270	-	303,261
	2004	229,149	-	-	11,000	-	17,933	-	258,082
D. J. Mutch	2005	210,133	-	8,000	11,562	-	19,285	-	248,980
	2004	197,960	-	-	11,000	-	17,933	-	226,893
A. Erdash	2005	228,822	-	8,000	11,562	-	22,513	-	270,897
	2004	211,705	-	-	11,000	-	19,695	-	242,400
M. Jansen	2005	200,508	-	8,000	11,562	-	19,285	-	239,355
	2004	184,479	-	-	11,000	-	17,933	-	213,412
G. Everist	2005	201,686	-	8,000	11,562	-	14,367	-	235,615
	2004	183,919	-	-	11,000	-	2,524	-	197,443

Table 3: Options granted as part of remuneration for the year ended 30 June 2005 (in accordance with LTI plan)

	Grant Date	Grant Number	Vest	Value per option at grant date	Exercised Number	% of remuneration
R. Velletri	31/01/2005	600,000	31/01/2009	\$1.16	-	6.46%
D. Foti	31/01/2005	320,000	31/01/2009	\$1.16	-	4.38%
D. J. Mutch	31/01/2005	200,000	31/01/2009	\$1.16	-	3.34%
A. Erdash	31/01/2005	200,000	31/01/2009	\$1.16	-	3.07%
M. Jansen	31/01/2005	200,000	31/01/2009	\$1.16	-	3.47%
G. Everist	31/01/2005	200,000	31/01/2009	\$1.16	-	3.53%

Notes

The terms 'directors' and 'officers' have been treated as mutually exclusive for the purpose of this disclosure. Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity. The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

From 1 July 2003, options granted as part of director and executive emoluments have been valued using a Binomial option-pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

Fair values of options

The fair value of each option issued during the current and previous years is estimated on the date of grant using a Binomial option-pricing model. For 2003 the Black-Scholes option-pricing model was utilised. The following weighted average assumptions were used for grants made in January 2005, 2004 and 2003:

	2005	2004	2003
Dividend yield	5.50%	5.73%	N/A
Expected volatility	20.00%	18.61%	46.8%
Historical volatility	20.00%	18.61%	46.8%
Risk-free interest rate	5.12%	5.65%	5.8%
Expected life of option	25% - 2 years	25% - 2 years	25% - 2 years
	25% - 3 years	25% - 3 years	25% - 3 years
	50% - 4 years	50% - 4 years	50% - 4 years

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. 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.

Fair values of options (cont'd)

The resulting weighted average fair values for these options vesting after 1 July 2004 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option
2,370,000	31/01/2002	31/01/2006	\$0.16
200,000	13/01/2003	31/01/2007	\$0.16
200,000	29/01/2004	31/01/2008	\$0.09
4,500,000	31/01/2005	31/01/2009	\$0.26

Currently, the fair values of options are not recognised as expenses in the financial statements. However, should these grants be expensed, they would be amortised over the vesting periods resulting in an increase in employee benefits expense of \$301,603 for the 2005 financial year (2004: \$125,047). Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (ie, options that do not vest).

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Meetings of Committees		
		Audit	Remuneration	Nomination
Number of meetings held:	11	2	1	1
Number of meetings attended:				
C. G. B. Rubino	11	2	1	1
R. Velletri	11	-	1	1
I. Tollman	11	2	1	-
P. J. Dempsey	11	2	-	1

COMMITTEE MEMBERSHIP

As at the date of this report, the company had an Audit Committee, a Remuneration Committee and a Nomination Committee.

Members acting on the committees of the board during the year were:

Audit	Remuneration	Nomination
P. J. Dempsey (c)	C. G. B. Rubino (c)	C. G. B. Rubino (c)
C. G. B. Rubino	R. Velletri	R. Velletri
I. Tollman	I. Tollman	P. J. Dempsey

Note:

(c) Designates the chairman of the committee.

ROUNDING

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

TAX CONSOLIDATION

Effective 1 July 2003, for the purposes of income taxation, Monadelphous Group Limited and its 100% owned controlled entities formed a tax consolidated group. The head entity of the tax consolidated group is Monadelphous Group Limited. Members of the tax consolidated group have not entered into a tax sharing agreement and as a result the head entity of the tax consolidated group recognises all income tax expense, future tax benefits and current and deferred tax liabilities of the group.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Monadelphous Group Limited support and have adhered to the principles of Corporate Governance.

The company's Corporate Governance Statement is contained in the additional Australian Stock Exchange information section of this annual report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the following declaration from the auditor of Monadelphous Group Limited.



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

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

GPO Box M939
Perth WA 6843

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

In relation to our audit of the financial report of Monadelphous Group Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'Ernst & Young', written over a horizontal line.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', written over a horizontal line.

G H Meyerowitz
Partner
22 August 2005

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

- Tax compliance services \$92,500
- Accounting advice \$20,000

Signed in accordance with a resolution of the directors



C. G. B. Rubino
Chairman
Perth, 22 August 2005

Independent audit report to members of Monadelphous Group Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Monadelphous Group Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Monadelphous Group Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Monadelphous Group Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young

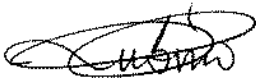


G H Meyerowitz
Partner
Perth
22 August 2005

In accordance with a resolution of the directors of Monadelphous Group Limited, I state that:

- 1) In the opinion of the directors:
 - (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and 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.
- 2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the period ended 30 June 2005.
- 3) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 11 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



C. G. B. Rubino
Chairman
Perth, 22 August 2005

MONADELPHOUS GROUP LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
YEAR ENDED 30 JUNE 2005

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	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
REVENUES FROM OPERATING ACTIVITIES	2	390,564	220,760	-	-
Cost of services rendered	3(a)	354,425	199,250	-	-
GROSS PROFIT		36,139	21,510	-	-
Other revenue from ordinary activities	2	3,933	2,655	20,000	16,080
Borrowing costs	3(a)	1,081	482	-	-
Business development and tender costs		3,591	3,166	-	-
Occupancy costs		540	473	-	-
Administrative costs		12,280	7,891	430	556
Share of net profits of joint venture accounted for using the equity method	8	1,293	-	-	-
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		23,873	12,153	19,570	15,524
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	7,215	3,625	7,215	3,625
NET PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	18(c)	16,658	8,528	12,355	11,899
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED		16,658	8,528	12,355	11,899
Basic earnings per share (cents per share)	24	21.15	11.13		
Diluted earnings per share (cents per share)	24	20.64	10.88		
Franked dividends per share (cents per share)	5	19.25	7.50		

MONADELPHOUS GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
YEAR ENDED 30 JUNE 2005

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	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CURRENT ASSETS					
Cash assets		22,237	15,864	22,294	15,853
Receivables	6	51,283	45,164	1	-
Inventories	9	4,771	1,141	-	-
Other	10	118	486	-	-
TOTAL CURRENT ASSETS		78,409	62,655	22,295	15,853
NON-CURRENT ASSETS					
Receivables	6	-	-	123,435	88,652
Other financial assets	11	-	332	9,310	5,699
Property, plant and equipment	12	31,940	19,567	-	-
Deferred tax assets	4	4,836	3,548	4,836	3,548
Goodwill	7	2,079	-	-	-
Investments accounted for using the equity method	8	341	-	-	-
TOTAL NON-CURRENT ASSETS		39,196	23,447	137,581	97,899
TOTAL ASSETS		117,605	86,102	159,876	113,752
CURRENT LIABILITIES					
Payables	13	35,417	28,084	588	244
Interest bearing liabilities	14	5,717	2,786	-	-
Current tax liabilities	4	3,517	1,271	3,517	1,271
Provisions	15	13,158	9,158	-	-
TOTAL CURRENT LIABILITIES		57,809	41,299	4,105	1,515
NON-CURRENT LIABILITIES					
Interest bearing liabilities	14	11,805	4,472	-	-
Non-interest bearing liabilities	16	-	-	125,644	84,988
Provisions	15	1,202	723	-	-
Deferred tax liabilities	4	697	337	697	337
TOTAL NON-CURRENT LIABILITIES		13,704	5,532	126,341	85,325
TOTAL LIABILITIES		71,513	46,831	130,446	86,840
NET ASSETS		46,092	39,271	29,430	26,912
EQUITY					
Contributed equity	17	20,303	18,304	20,303	18,304
Reserves	18	1,293	1,293	3,907	3,907
Retained profits	18	24,496	19,674	5,220	4,701
TOTAL EQUITY		46,092	39,271	29,430	26,912

MONADELPHOUS GROUP LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2005

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	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		384,354	197,295	-	-
Payments to suppliers and employees		(336,953)	(174,886)	-	(1,313)
Interest received		1,163	738	-	50
Borrowing costs		(1,081)	(482)	-	-
Other income		236	245	732	-
Goods and services tax paid		(17,352)	(12,255)	-	-
Income tax paid		(6,385)	(4,079)	(6,385)	(4,079)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	19(a)	23,982	6,576	(5,653)	(5,342)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments		-	596	-	596
Proceeds from sale of property, plant and equipment		2,534	1,076	-	-
Purchase of property, plant and equipment		(3,597)	(2,002)	-	-
Purchase of investments		-	(506)	-	(506)
Payment for controlled entities	19(e)	(328)	-	(328)	-
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(1,391)	(836)	(328)	90
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from controlled entities		-	-	23,762	8,381
Dividend paid		(11,836)	(5,434)	(11,836)	(5,434)
Proceeds from issue of shares		496	2,077	496	2,077
Repayment of borrowings		(84)	(75)	-	-
Payment of finance leases		(4,794)	(2,538)	-	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(16,218)	(5,970)	12,422	5,024
NET (DECREASE)/INCREASE IN CASH HELD		6,373	(230)	6,441	(228)
Opening cash brought forward		15,864	16,094	15,853	16,081
CLOSING CASH CARRIED FORWARD	19(b)	22,237	15,864	22,294	15,853

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention.

b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Monadelphous Group Limited (the parent entity) and all entities, which Monadelphous Group Limited controlled from time to time during the year and at the reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

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

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

d) Foreign currency transaction

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

e) Cash and cash equivalents

Cash on hand and in banks is stated at nominal value. Cash is available at call.

For the purpose of the statement of cash flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**f) Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

g) Inventories

Construction work-in-progress is stated at cost plus profit recognised to date less progress billings. Costs include all costs directly related to specific contracts and an allocation of overhead costs attributable to contract activity in general.

h) Investments

All non-current investments are carried at the lower of cost and recoverable amount.

i) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount the expected net cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

j) Property, plant and equipment*Cost*

All classes of property, plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a reducing balance method on all plant and equipment acquired before 1 July 1996 and straight line basis for all acquisitions on or after 1 July 1996, and a straight line basis on all property other than freehold land.

Major depreciation periods are:

	2005	2004
• Buildings	40 years	40 years
• Plant and equipment	3 to 15 years	3 to 15 years

k) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the consolidated entity are capitalised at the present value of the minimum lease payments. All leases are hire purchase agreements and are disclosed as property, plant and equipment under hire purchase. An interest bearing liability of equal value is also recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements; whichever is the shorter.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

l) Joint ventures

Interest in joint venture partnerships is carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

m) Intangibles

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight-line basis over the period during which benefits are expected to be received. This is taken as being 5 years.

n) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

o) Interest bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

p) Provisions

Provisions are recognised when the consolidated entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

q) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of Services (other than contracts)

Where the contract outcome can be reliably measured:

- control of a right to be compensated for the services has been attained and the stage of completion can be reliably measured.

Where the contract outcome cannot be reliably measured:

- revenue is recognised only to the extent that costs have been incurred.

Interest

Control of a right to receive the interest payment.

Dividends

Control of a right to receive the dividend payment.

s) Taxes

Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Monadelphous Group Limited elected to form a tax consolidated group for income tax purposes with effect from 1 July 2003. The Australian Tax Office has been formally notified of this decision. Monadelphous Group Limited as the head entity recognises all of the tax expense, deferred tax assets and liabilities of the tax consolidated group.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

t) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and compensated absences.

Liabilities arising in respect of wages and salaries, certain compensated absences and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on the remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefits expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, and compensated absences; and
- other types of employee benefits

are charged against profits on a net basis in their respective categories.

The value of the Equity Based Compensation scheme described in note 25 is not being charged as an employee benefit expense.

u) Construction contracts

When accounting for construction contracts, the contracts are either combined or disaggregated if this is deemed necessary to reflect the substance of the agreement.

Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. Stage of completion is agreed with the customer on a work certified to date basis, as a percentage of the overall contract.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred plus a percentage of fee earned during the financial year.

v) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

w) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

A one-to-four share split was approved by shareholders in General Meeting on 31 May 2005. The share split took effect from 1 June 2005. The necessary restatements have been calculated by proportionately adjusting the number of shares and options on issue at the relevant reporting date, and the exercise price of the options, in line with the terms of the share split.

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
2. REVENUES FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Revenue from services		390,564	220,760	-	-
Other revenue from ordinary activities					
Proceeds on disposal of non-current assets					
- Land and buildings		1,412	257	-	-
- Plant and equipment		1,122	819	-	-
Interest received					
- Wholly owned controlled entity		-	-	-	50
- Other		1,163	738	-	-
Dividend received		-	-	20,000	15,434
- Wholly owned controlled entity					
Other income		236	245	-	-
Proceeds from disposal of listed investments		-	596	-	596
Total revenues from non-operating activities		3,933	2,655	20,000	16,080
Total revenues from ordinary activities		394,497	223,415	20,000	16,080
3. EXPENSES AND LOSSES/(GAINS)					
(a) Expenses					
Cost of services rendered		354,425	199,250	-	-
Depreciation of non-current assets					
- Buildings		235	257	-	-
- Plant and equipment		4,936	3,973	-	-
Total depreciation of non-current assets		5,171	4,230	-	-
Borrowing costs expensed					
- Hire purchase charges		1,072	467	-	-
- Interest expense					
- Other persons/corporations		9	15	-	-
Total borrowing costs expensed		1,081	482	-	-

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
3. EXPENSES AND LOSSES/(GAINS)					
(cont'd)					
Bad and doubtful debts					
- Trade debtors		292	1,116	-	-
Operating lease rental					
- Minimum lease payments		1,979	1,584	-	-
Employee benefits expensed		3,527	(199)	-	-
Diminution in the value of investments		-	174	-	174
Write down in the value of investments		332	-	332	-
Amortisation of goodwill		189	-	-	-
(b) Losses/(Gains)					
Net gain on disposal of property, plant and equipment					
- Land and buildings		(668)	(10)	-	-
- Plant and equipment		(669)	(613)	-	-
Net gain on disposal of listed investment		-	(296)	-	(296)
4. INCOME TAX					
The prima facie tax on operating profit is different to the income tax provided in the financial statements as follows:					
Prima facie tax on profit from ordinary activities at 30%		7,162	3,646	5,871	4,657
Add/(less) tax effect of permanent differences:					
- Dividends received from subsidiary		-	-	(6,000)	(4,630)
- Other items (net)		34	23	-	-
- Exempt income		(9)	(4)	-	-
- Transfer of tax consolidation balances to head entity		-	-	7,344	3,598
- (Over)/under provision of previous year		28	(40)	-	-
Income tax expense attributable to ordinary activities		7,215	3,625	7,215	3,625
Deferred tax assets and liabilities					
Current tax payable		3,517	1,271	3,517	1,271
Future income tax benefit – non-current		4,836	3,548	4,836	3,548
Provision for deferred income tax – non-current		697	337	697	337

4. INCOME TAX (cont'd)

Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, Monadelphous Group Limited and its 100% owned controlled entities formed a tax consolidated group. The head entity of the tax consolidated group is Monadelphous Group Limited. Members of the tax consolidated group have not entered into a tax sharing agreement. As a result, the head entity of the tax consolidated group recognises all income tax expense, future tax benefits and current and deferred tax liabilities of the group.

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES					
(a) Dividends paid during the year					
<i>(i) Current year interim plus special</i>					
Franked dividends (10.25 cents per share) (2004: 2.75 cents per share)		8,115	2,150	8,115	2,150
<i>(ii) Previous year final</i>					
Franked dividends (4.75 cents per share) (2004: 4.25 cents per share)		3,721	3,284	3,721	3,284
(b) Dividends proposed and not recognised as a liability					
Franked dividends (9.00 cents per share) (2004: 4.75 cents per share)		7,190	3,721	7,190	3,721
(c) Franking credit balance					
The amount of franking credits available for the subsequent financial year are:					
- franking account balance as at the end of the financial year		11,802	10,143	11,802	10,143
- franking credits that will arise from the payment of income tax payable as at the end of the financial year		3,517	1,271	3,517	1,271
- franking credits that will arise from the receipt of dividends from subsidiary companies		-	-	-	-
- franking debits that will arise from the payment of dividends as at the end of the financial year		(3,081)	(1,595)	(3,081)	(1,595)
		12,238	9,819	12,238	9,819

The tax rate at which paid dividends have been franked is 30% (2004: 30%). Dividends payable will be franked at the rate of 30% (2004: 30%).

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
6. RECEIVABLES					
CURRENT					
Trade debtors	6(a)	51,977	40,760	-	-
Less allowance for doubtful debts		(1,148)	(987)	-	-
		50,829	39,773	-	-
Other debtors	6(a)	454	5,391	1	-
		51,283	45,164	1	-
NON-CURRENT					
Amounts other than trade debts, receivable from related parties					
Wholly owned group					
- controlled entities	6(a),28	-	-	123,435	88,652
(a) Terms and conditions					
Terms and conditions relating to the above financial instruments					
(i) Credit sales are normally on 30 day terms					
(ii) Other debtors are non-interest bearing and have repayment terms between 30 days and 60 days					
(iii) Details of the terms and conditions of related party receivables are set out in note 28					
7. GOODWILL					
At cost		2,268			
Accumulated amortisation		(189)	-	-	-
		2,079	-	-	-

Balance Date

8. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

(a) Interest in Joint Venture Partnership

MBFjv	30 June
FMSJV	31 December

The percentage ownership interest in each of the joint ventures has not been disclosed due to the commercial sensitivity thereof.

(i) Principal activities

MBFjv Provision of maintenance services for Olympic Dam copper uranium mine and processing plant facilities at Roxby Downs, South Australia.

FMSJV Provision of certain asset management support services for an alumina refinery at Gladstone, Queensland.

Consolidated

2005	2004
\$'000	\$'000

(ii) Share of the joint venture partnerships' profits

Share of the joint venture partnerships':

- revenues	19,351	-
- expenses	(18,058)	-
- net profits	1,293	-

(iii) Carrying amount of investments in joint venture partnerships

Balance at the beginning of the financial year

- share of joint venture partnerships' net profits for the financial year	1,293	-
- distributions received from joint venture partnerships	(952)	-
- share of joint venture partnerships' reserve increments/(decrements)	-	-

Balance at the end of the financial year

341	-
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(iv) Share of joint venture partnerships' assets and liabilities

Current assets	3,940	-
Non-current assets	-	-
Current liabilities	(3,905)	-
Non-current liabilities	-	-
Net assets	35	-

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
10. OTHER (CURRENT)					
Prepayments		118	486	-	-
11. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Shares					
- listed at cost	11(a)	-	506	-	506
Allowance for diminution		-	(174)	-	(174)
		-	332	-	332
Controlled entities at cost	11(b)	-	-	9,310	5,367
		-	332	9,310	5,699
(a) Quoted market value of shares listed on a prescribed stock exchange at balance date: Listed shares		-	332	-	332

There would be no capital gains tax payable if these assets were sold at their market values at the reporting date. Listed shares are readily saleable with no fixed terms.

(b) Particulars relating to controlled entities:

Chief Entity	Country of Incorporation	Percentage held by consolidated entity		Parent Entity Investment	
		2005 %	2004 %	2005 \$'000	2004 \$'000
Chief Entity:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
*Monadelphous Engineering Associates Pty Ltd	Australia	100	100	3,187	3,187
*Skystar Airport Services Pty Ltd	Australia	100	100	-	-
*Monadelphous Properties Pty Ltd	Australia	100	100	1,788	1,788
*Monadelphous Engineering Pty Ltd	Australia	100	100	-	-
*Genco Pty Ltd	Australia	100	100	342	342
*Monadelphous Workforce Pty Ltd	Australia	100	100	50	50
*MBF Workforce Pty Ltd	Australia	100	100	-	-
*MI & E Holdings Pty Ltd	Australia	100	-	3,943	-
MIE-PNG	Papua New Guinea	100	-	-	-
				9,310	5,367

11. OTHER FINANCIAL ASSETS (NON-CURRENT) (cont'd)

* Pursuant to a Class Order 98/1418, relief has been granted to these controlled entities of Monadelphous Group Limited from the Corporations Act 2001 requirements for preparation, audit and publication of accounts. As a condition of the Class Order, Monadelphous Group Limited and the controlled entities subject to the Class Order, entered into a deed of indemnity on 12 April 1995, 3 July 2001 and 30 June 2005. The effect of the deed is that Monadelphous Group Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities. The controlled entities have also given a similar guarantee in the event that Monadelphous Group Limited is wound up. The Statements of Financial Performance and Position of the Closed Group are not materially different from the consolidated entity.

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
12. PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
- At cost	12(c)	1,610	1,909	-	-
Building on freehold land					
- At cost		6,146	6,620	-	-
- Accumulated depreciation		(2,222)	(2,263)	-	-
	12(c)	3,924	4,357	-	-
Leasehold improvements					
- At cost		46	-	-	-
- Accumulated amortisation		(5)	-	-	-
	12(c)	41	-	-	-
Total land and buildings	12(a)	5,575	6,266	-	-
Plant and equipment					
- At cost		29,698	29,047	-	-
- Accumulated depreciation		(22,758)	(23,550)	-	-
	12(c)	6,940	5,497	-	-
Plant and equipment under hire purchase					
- At cost		24,433	10,316	-	-
- Accumulated amortisation		(5,008)	(2,512)	-	-
	12(c)	19,425	7,804	-	-
Total plant and equipment		26,365	13,301	-	-
Total property, plant and equipment		31,940	19,567	-	-

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
12. PROPERTY, PLANT AND EQUIPMENT (cont'd)					

(a) Recent valuations

As at 30 June 2005, based on current market conditions, the directors have valued interests in land and buildings as follows:

Freehold land	2,500	2,500	-	-
Buildings	6,500	6,500	-	-

These valuations have been based upon independent valuations previously obtained. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the valuation date.

These interests are recorded in the accounts at cost. If these assets were sold at balance date at the valuation amounts, the capital gains tax payable would be approximately \$410,000 (2004: \$410,000) for the consolidated entity.

(b) Assets pledged as security

Assets under hire purchase are pledged as security for the associated hire purchase liabilities.

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Assets pledged as security		19,425	7,804	-	-

(c) Reconciliations

Reconciliations of the carrying amounts of freehold land and buildings on freehold land, plant and equipment, leasehold improvements and plant and equipment under hire purchase at the beginning and end of the current and previous financial year.

Freehold land

Carrying amount at the beginning of the year	1,909	1,995	-	-
Disposals	(299)	(86)	-	-
	1,610	1,909	-	-

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	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
12. PROPERTY, PLANT AND EQUIPMENT (cont'd)					
<i>Buildings on freehold land</i>					
Carrying amount at the beginning of the year		4,357	4,640	-	-
Additions		242	72	-	-
Disposals		(445)	(110)	-	-
Depreciation expense		(230)	(245)	-	-
		3,924	4,357	-	-
<i>Plant and equipment</i>					
Carrying amount at the beginning of the year		5,497	5,589	-	-
Additions		2,746	1,930	-	-
Additions through acquisitions		610	-	-	-
Assets transferred		421	512	-	-
Disposals		(453)	(205)	-	-
Depreciation expense		(1,881)	(2,329)	-	-
		6,940	5,497	-	-
<i>Leasehold improvements</i>					
Carrying amount at the beginning of the year		-	64	-	-
Disposals		-	(52)	-	-
Additions		46	-	-	-
Depreciation expense		(5)	(12)	-	-
		41	-	-	-
<i>Plant and equipment under hire purchase</i>					
Carrying amount at the beginning of the year		7,804	7,423	-	-
Additions		15,097	2,537	-	-
Assets transferred		(421)	(512)	-	-
Depreciation expense		(3,055)	(1,644)	-	-
		19,425	7,804	-	-

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
13. PAYABLES (CURRENT)					
Trade creditors	13(a)	18,561	13,260	-	-
Advances on construction work in progress	9	12,215	12,037	-	-
Sundry creditors and accruals	13(a)	4,641	2,787	588	244
		35,417	28,084	588	244

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

- (i) Trade liabilities are non-interest bearing and are normally settled on 30 day terms
- (ii) Sundry creditors and accruals are non interest bearing and have an average term of 45 days

14. INTEREST BEARING LIABILITIES**CURRENT**

Hire purchase liability – secured	14(a),20	5,626	2,693	-	-
Bank loan – secured	14(a)	91	93	-	-
		5,717	2,786	-	-

NON-CURRENT

Hire purchase liability – secured	14(a),20	11,805	4,390	-	-
Bank loan – secured	14(a)	-	82	-	-
		11,805	4,472	-	-

(a) Terms and conditions

- (i) The bank loan is repayable monthly with the final instalment due in June 2006. Interest is charged at the bank's fixed rate. The bank loan is secured by way of a registered first mortgage over land and a building of a controlled entity, with an interlocking debenture from the parent entity and controlled entities.
- (ii) Hire purchase agreements have an average term of 3 years. The average discount rate implicit in the hire purchase is 6.62%. The hire purchase liability is secured by a charge over the hire purchase assets.

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
15. PROVISIONS					
CURRENT					
Employee benefits	25	6,874	3,826	-	-
Workers' compensation	15(a)	5,854	4,902	-	-
Public liability	15(b)	430	430	-	-
		13,158	9,158	-	-

(a) Workers' compensation

It is customary for all entities within the Construction and Engineering industry to be covered by workers' compensation insurance. Payments under these policies are calculated differently depending on which state of Australia the entity is operating in. Premiums are generally calculated based on actual wages paid and claims experience. Wages are estimated at the beginning of each reporting period. Final payments are made when each policy is closed out based on the difference between actual wages and the original estimated amount. The amount of each payment varies depending on the number of incidents recorded during each period and the severity thereof. The policies are closed out after a four-year period through negotiation with the relevant insurance company. The provision has been created to cover the expected costs associated with closing out each insurance policy and is adjusted accordingly based on the actual payroll incurred and the severity of incidents that have occurred during each period.

(b) Public liability

A public liability provision has been created as a result of the liquidation of the consolidated entity's previous workers' compensation insurance company. The provision has been recognised to cover the expected loss resulting from claims for which there is currently no insurance cover. The provision is assessed at the end of each reporting period after consultation with the consolidated entity's solicitors.

	Notes	Consolidated	Monadelphous Group Limited
		2005 \$'000	2005 \$'000
(c) Movements in provisions			
<i>(i) Workers compensation</i>			
Carrying amount at the beginning of the year		4,902	-
Additional provision		2,683	-
Amounts utilised during the year		(1,731)	-
		5,854	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
30 JUNE 2005

	Notes	Consolidated 2005 \$'000	Monadelphous Group Limited 2005 \$'000
15. PROVISIONS (cont'd)			
(ii) <i>Public liability</i>			
Carrying amount at the beginning of the year		430	-
Additional provision		-	-
Amounts utilised during the year		-	-
Carrying amount at the end of the financial year		430	-

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
NON-CURRENT					
Employee benefits	25	1,202	723	-	-

**16. NON INTEREST BEARING
LIABILITIES**

Amounts payable to controlled entities	28	-	-	125,644	84,988
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17. CONTRIBUTED EQUITY

Issued and paid up capital

Ordinary shares fully paid		20,303	18,304	20,303	18,304
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(a) Movements in shares on issue

		2005		2004	
		Number of shares	\$'000	Number of shares	\$'000
Beginning of the financial year		78,164,408	18,304	74,556,408	16,227
Issued during the year					
- Exercise of employee options		1,004,000	496	3,608,000	2,077
- Acquisition consideration		720,000	1,503	-	-
End of the financial year		79,888,408	20,303	78,164,408	18,304

A one-to-four share split was approved by shareholders in General Meeting on 31 May 2005. The share split took effect from 1 June 2005. The necessary restatements have been calculated by proportionately adjusting the number of shares and options on issue at the relevant reporting date, and the exercise price of the options, in line with the terms of the share split. The number of shares on issue as at 30 June 2004, as stated in the 30 June 2004 Financial Report, was 19,541,102.

17. CONTRIBUTED EQUITY (cont'd)

(b) Share options

Options over ordinary shares

During the financial year, 4,500,000 options were issued over ordinary shares. 25% of these options are exercisable between 1 January 2007 and 31 January 2007 at an exercise price of \$1.95. A further 25% of the options are exercisable between 1 January 2008 and 31 January 2008 at the same exercise price, with the balance of 50% of these options exercisable between 1 January 2009 and 31 January 2009 at the exercise price of \$1.95.

At the end of the year there were 6,430,000 (2004: 2,934,000) unissued ordinary shares in respect of which options were outstanding (Note 25).

(c) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
18. RESERVES AND RETAINED PROFITS					
Capital profits reserve	18(a)	678	678	-	-
Asset revaluation reserve	18(b)	615	615	3,907	3,907
		1,293	1,293	3,907	3,907
Retained profits	18(c)	24,496	19,674	5,220	4,701
(a) Capital profits reserve					
<i>(i) Nature and purpose of reserve</i>					
The capital profits reserve is used to accumulate realised capital profits. The reserve can be used to pay dividends or issue bonus shares.					
<i>(ii) Movements in reserve</i>					
Balance at end of year		678	678	-	-

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
18. RESERVES AND RETAINED PROFITS					
(cont'd)					
(b) Asset revaluation					
<i>(i) Nature and purpose of reserve</i>					
The asset revaluation reserve was used to record increments and decrements in the value of non-current assets. The reserve can be used to pay dividends in limited circumstances.					
<i>(ii) Movements in reserve</i>					
Balance at end of year		615	615	3,907	3,907
(c) Retained profits					
Balance at the beginning of the year		19,674	16,580	4,701	(1,764)
Net profit attributable to members of Monadelphous Group Limited		16,658	8,528	12,355	11,899
Total available for appropriation		36,332	25,108	17,056	10,135
Dividends paid		(11,836)	(5,434)	(11,836)	(5,434)
Balance at end of year		24,496	19,674	5,220	4,701

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
19. STATEMENT OF CASH FLOWS					
(a) Reconciliation of net profit after tax to the net cash flows from operations					
Profit from ordinary activities after tax		16,658	8,528	12,355	11,899
Non cash items					
Depreciation of non-current assets		5,171	4,230	-	-
Charges to provisions		4,480	402	-	-
Write down in the value of investments		331	174	331	174
Profit on sale of property, plant and equipment		(1,337)	(623)	-	-
Profit on sale of investments		-	(296)	-	(296)
Dividends received from subsidiary		-	-	(20,000)	(15,434)
Amortisation of goodwill		189	-	-	-
Changes in assets and liabilities					
(Increase)/decrease in receivables		(6,119)	(22,222)	1	-
(Increase)/decrease in prepayments		368	(181)	-	-
(Increase)/decrease in inventories		(3,630)	7,989	-	-
(Increase) in deferred tax assets		(1,288)	(69)	(1,288)	(3,494)
(Increase) in investment in joint ventures		(342)	-	-	-
Increase in payables		6,897	9,029	344	201
Increase/(decrease) in tax provision		2,245	(722)	2,245	1,271
Increase in deferred tax liability		359	337	359	337
Net cash flows from/(used in) operating activities		23,982	6,576	(5,653)	(5,342)
(b) Reconciliation of cash					
Cash balances comprises					
- Cash at bank		22,237	15,864	22,294	15,853

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
19. STATEMENT OF CASH FLOWS (cont'd)					
(c) Financing facilities available					
At balance date the following financing facilities had been negotiated and were available					
Total facilities:					
- Bank guarantee and insurance bond		42,544	34,704	42,544	34,704
- Bank overdraft		5,200	1,800	5,200	1,800
- Revolving credit		33,591	15,860	33,591	15,860
		81,335	52,364	81,335	52,364
Facilities used at balance date:					
- Bank guarantee and insurance bond		18,183	16,366	18,183	16,366
- Revolving credit		17,522	7,258	17,522	7,258
		35,705	23,624	35,705	23,624
Facilities unused at balance date:					
- Bank guarantee and insurance bond		24,361	18,338	24,361	18,338
- Bank overdraft		5,200	1,800	5,200	1,800
- Revolving credit		16,069	8,602	16,069	8,602
		45,630	28,740	45,630	28,740

(d) Non-cash financing and investing activities

Hire purchase transactions:

During the year the consolidated entity acquired plant and equipment by means of hire purchase agreements with an aggregate fair market value of \$15,142,476 (2004: \$2,536,613).

19. STATEMENT OF CASH FLOWS (cont'd)

(e) Acquisition of controlled entity

On 3 May 2005, Monadelphous Group Limited announced that it had acquired 100% of the voting share capital of MI & E Holdings Pty Ltd, an unlisted Australian company specialising in the provision of electrical and instrumentation services. The components of the acquisition cost were:

	\$'000
Consideration	
- shares issued	1,503
- cash paid	1,915
- cash deferred	500
Acquisition costs	<u>25</u>
	<u><u>3,943</u></u>

By 30 June 2005, the deferred cash liability had not been paid and is payable subject to MI & E achieving certain financial targets.

Details of the acquisition are as follows:

	\$'000
Fair value of net assets acquired:	
- cash	1,587
- trade debtors	2,972
- inventories	46
- other	62
- property, plant and equipment	610
- payables	(1,634)
- employee provision	(627)
- other loans	<u>(1,341)</u>
	<u>1,675</u>
- fair value of net tangible assets	1,675
- goodwill arising on acquisition	<u>2,268</u>
	<u><u>3,943</u></u>
Net cash effect	
- Cash consideration paid	1,915
- Cash included in net assets acquired	<u>(1,587)</u>
- Cash paid for purchase of controlled entity as reflected in the consolidated statement of cash flows	<u><u>328</u></u>

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
20. EXPENDITURE COMMITMENTS					
(a) Hire purchase commitments					
Payable:					
- Not later than one year		6,616	3,046	-	-
- Later than one year but not later than five years		12,563	4,592	-	-
Minimum lease payments		19,179	7,638	-	-
Less future finance charges		(1,748)	(555)	-	-
		17,431	7,083	-	-
Current liability	14	5,626	2,693	-	-
Non-current liability	14	11,805	4,390	-	-
		17,431	7,083	-	-

(b) Operating leases (non-cancellable)

Minimum lease payments

- Not later than one year		2,231	1,777	-	-
- Later than one year but not later than five years		5,158	1,988	-	-
- Aggregate lease expenditure contracted for at balance date but not provided for		7,389	3,765	-	-

(c) Operating leases have an average lease term of 3 years, and an average commercial implicit interest rate. Assets, which are the subject of operating leases, include motor vehicles and properties.

21. CONTINGENT LIABILITIES

Guarantees given to various clients for satisfactory contract performance

		18,183	16,366	18,183	16,366
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Monadelphous Group Limited and all controlled entities marked * in Note 11 have entered into a deed of cross guarantee pursuant to the ASIC Class Order made on 12 April 1995, 3 July 2001 and 30 June 2005 whereby they covenant with a trustee for the benefit of each creditor, that they guarantee to each creditor payment in full of any debt in the event of any entity, including Monadelphous Group Limited, being wound up.

	Notes	Consolidated	
		2005	2004
		\$'000	\$'000
22. SEGMENT INFORMATION			
Revenue is derived by the consolidated entity from construction and engineering services to the resources and petrochemical industries.			
The consolidated entity operates predominantly within the one business segment in one geographical segment, namely in Australia.			
23. ECONOMIC DEPENDENCY			
The consolidated entity does not have any economic dependency with any one client or group of clients.			
24. EARNINGS PER SHARE			
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:			
Net profit after income tax		<u>16,658</u>	<u>8,528</u>
Earnings used in calculation of basic and diluted earnings per share		<u>16,658</u>	<u>8,528</u>
		2005	2004
		No.	No.
No. of Shares			
Weighted average number of ordinary shares on issue used in the calculation of basic EPS		78,772,452	76,726,628
Effect of dilutive securities			
Share options		<u>1,945,849</u>	<u>1,689,748</u>
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share		<u>80,718,301</u>	<u>78,416,376</u>
Conversions, calls, subscriptions or issues after 30 June 2005:			
Since the end of the financial year, holders of nil employee options have exercised the rights of conversion to acquire ordinary shares.			

	Notes	Consolidated		Monadelphous Group Limited	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
25. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS					
Employee benefits					
The aggregate employee benefits liability is comprised of:					
Accrued wages, salaries and oncosts		650	814	-	-
Provisions (current)	15	6,874	3,826	-	-
Provisions (non-current)	15	1,202	723	-	-
		8,726	5,363	-	-

Equity Based Compensation Scheme

An Equity Based Compensation Scheme has been established where eligible directors and employees of the consolidated entity are issued with options over the ordinary shares of Monadelphous Group Limited. The options, issued for nil consideration, are issued in accordance with the guidelines established by the Remuneration Committee of Monadelphous Group Limited. The options issued carry various terms and exercising conditions. There are currently 1 director and 53 employees participating in these schemes.

Information with respect to the number of options granted under the Equity Based Compensation Scheme is as follows:

		2005		2004	
		Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the year	25(a)	2,934,000	\$0.51	7,090,000	\$0.57
- Granted	25(b)	4,500,000	\$1.95	200,000	\$1.14
- Forfeited		-	-	(748,000)	\$0.60
- Exercised	25(c)	(1,004,000)	\$0.49	(3,608,000)	\$0.58
Balance at the end of the year	25(d)	6,430,000	\$1.52	2,934,000	\$0.51

25. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont'd)

(a) Options held at the beginning of the reporting period:

The following table summarises information about options held by directors and employees as at 1 July 2004:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price
164,000	01/07/2000	01/07/2004	31/07/2004	\$0.77
790,000	31/01/2002	01/01/2005	31/01/2005	\$0.42
1,580,000	31/01/2002	01/01/2006	31/01/2006	\$0.42
50,000	13/01/2003	01/01/2005	31/01/2005	\$0.71
50,000	13/01/2003	01/01/2006	31/01/2006	\$0.71
100,000	13/01/2003	01/01/2007	31/01/2007	\$0.71
50,000	29/01/2004	01/01/2006	31/01/2006	\$1.14
50,000	29/01/2004	01/01/2007	31/01/2007	\$1.14
100,000	29/01/2004	01/01/2008	31/01/2008	\$1.14

(b) Options granted during the reporting period:

The following table summarises information about options granted by Monadelphous Group Limited to directors and employees during the year:

	2005	2004
Grant date	31/01/2005	29/01/2004
Vesting date	25% - 01/01/2007	25% - 01/01/2006
	25% - 01/01/2008	25% - 01/01/2007
	50% - 01/01/2009	50% - 01/01/2008

	2005	2004
Expiry date	25% - 31/01/2007	25% - 31/01/2006
	25% - 31/01/2008	25% - 31/01/2007
	50% - 31/01/2009	50% - 31/01/2008
Weighted average exercise price	\$1.95	\$1.14

(c) Options exercised

i) The following table summarises information about options exercised by directors and employees during the year ended 30 June 2005:

Number of Options	Grant date	Exercise date	Expiry date	Weighted average exercise price	Proceeds from shares issued	Number of shares issued	Issue date	Fair value of shares issued
164,000	01/07/2000	31/07/2004	31/07/2004	\$0.77	\$126,690	164,000	31/07/2004	\$1.56
790,000	31/01/2002	31/01/2005	31/01/2005	\$0.42	\$333,775	790,000	31/01/2005	\$2.09
50,000	13/01/2003	31/01/2005	31/01/2005	\$0.71	\$35,300	50,000	31/01/2005	\$2.09

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
30 JUNE 2005

ii) The following table summarises information about options exercised by directors and employees during the year ended 30 June 2004:

Number of Options	Grant date	Exercise date	Expiry date	Weighted average exercise price	Proceeds from shares issued	Number of shares issued	Issue date	Fair value of shares issued
1,200,000	24/11/1998	24/11/2003	24/01/2003	\$0.61	\$727,050	1,200,000	24/11/2003	\$1.16
360,000	24/11/1998	24/11/2003	24/11/2003	\$0.61	\$218,115	360,000	21/11/2003	\$1.22
240,000	24/11/1998	16/10/2003	24/11/2003	\$0.61	\$145,410	240,000	16/10/2003	\$1.13
600,000	24/11/1998	11/11/2003	24/11/2003	\$0.61	\$363,525	600,000	11/11/2003	\$1.23
248,000	01/07/1999	31/07/2003	31/07/2003	\$0.78	\$193,440	248,000	31/07/2003	\$0.96
70,000	01/07/2000	31/07/2003	31/07/2003	\$0.77	\$54,075	70,000	31/07/2003	\$0.96
890,000	31/01/2002	30/01/2004	31/01/2006	\$0.42	\$376,025	890,000	31/01/2004	\$1.17

Fair value of shares issued during the reporting period is estimated to be the market price of shares of Monadelphous Group Limited on the ASX as at close of trading on their respective issue dates.

(d) Options held as at the end of the reporting period:

The following table summarises information about options held by the employees as at 30 June 2005:

Number of Options	Grant date	Vesting date	Expiry date	Weighted average exercise price
1,580,000	31/01/2002	01/01/2006	31/01/2006	\$0.42
50,000	13/01/2003	01/01/2006	31/01/2006	\$0.71
100,000	13/01/2003	01/01/2007	31/01/2007	\$0.71
50,000	29/01/2004	01/01/2006	31/01/2006	\$1.14
50,000	29/01/2004	01/01/2007	31/01/2007	\$1.14
100,000	29/01/2004	01/01/2008	31/01/2008	\$1.14
1,125,000	31/01/2005	01/01/2007	31/01/2007	\$1.95
1,125,000	31/01/2005	01/01/2008	31/01/2008	\$1.95
2,250,000	31/01/2005	01/01/2009	31/01/2009	\$1.95

Superannuation Commitments

Employees and the employer contribute to a number of complying accumulation funds at varying percentages of salaries and wages. The consolidated entity's contributions are not legally enforceable other than those payable in terms of ratified award obligations required by the Occupational Superannuation Act. The assets of the fund are sufficient to satisfy all benefits that would have vested under the plan in the event of termination of the plan and voluntary or compulsory termination of employment of each employee.

26. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

C. G. B. Rubino	Chairman
R. Velletri	Managing Director
I. Tollman	Director (Non-Executive)
P. J. Dempsey	Director (Non-Executive)

(ii) Specified Executives

D. Foti	General Manager, Engineering Construction Western Region
D. J. Mutch	General Manager, Engineering Construction Eastern Region
A. Erdash	General Manager, Maintenance & Industrial Services Western Region
M. Jansen	General Manager, Maintenance & Industrial Services Eastern Region
G. Everist	Chief Financial Officer and Company Secretary

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

The Remuneration Committee of the Board of Directors of Monadelphous Group Limited is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. All directors and executives have the opportunity to qualify for participation in the Employee Share Option Plan which currently provides incentives where specified criteria are met.

26. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(ii) Remuneration of Specified Directors and Specified Executives

		Primary			Post Employment		Equity	Other	Total
		Salary & Fees	Cash Bonuses STI	Non Monetary Benefits	Superannuation	Retirement Benefits	Options LTI		
Specified Directors									
<i>C. G. B. Rubino</i>									
	2005	289,999	Nil	Nil	11,562	Nil	Nil	Nil	301,561
	2004	289,999	Nil	Nil	11,000	Nil	Nil	Nil	300,999
<i>R. Velletri</i>									
	2005	317,697	10,000	Nil	11,562	Nil	46,878	Nil	386,137
	2004	297,596	Nil	Nil	11,000	Nil	35,865	Nil	344,461
<i>I. Tollman</i>									
	2005	27,500	Nil	Nil	Nil	Nil	Nil	Nil	27,500
	2004	22,917	Nil	Nil	Nil	Nil	4,198	Nil	27,115
<i>P. J. Dempsey</i>									
	2005	45,000	Nil	Nil	Nil	Nil	Nil	Nil	45,000
	2004	40,000	Nil	Nil	Nil	Nil	Nil	Nil	40,000
Total Remuneration: Specified Directors									
	2005	680,196	10,000	Nil	23,124	Nil	46,878	Nil	760,198
	2004	650,512	Nil	Nil	22,000	Nil	40,063	Nil	712,575

26. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

Specified Executives		Primary			Post Employment		Equity	Other	Total
		Salary & Fees	Cash Bonuses STI	Non Monetary Benefits	Superannuation	Retirement Benefits	Options LTI		
D. Foti									
	2005	247,429	20,000	Nil	11,562	Nil	24,270	Nil	303,261
	2004	229,149	Nil	Nil	11,000	Nil	17,933	Nil	258,082
D. J. Mutch									
	2005	210,133	8,000	Nil	11,562	Nil	19,285	Nil	248,980
	2004	197,960	Nil	Nil	11,000	Nil	17,933	Nil	226,893
A. Erdash									
	2005	228,822	8,000	Nil	11,562	Nil	22,513	Nil	270,897
	2004	211,705	Nil	Nil	11,000	Nil	19,695	Nil	242,400
M. Jansen									
	2005	200,508	8,000	Nil	11,562	Nil	19,285	Nil	239,355
	2004	184,479	Nil	Nil	11,000	Nil	17,933	Nil	213,412
G. Everist									
	2005	201,686	8,000	Nil	11,562	Nil	14,367	Nil	235,615
	2004	183,919	Nil	Nil	11,000	Nil	2,524	Nil	197,443
Total Remuneration: Specified Executives									
	2005	1,088,578	52,000	Nil	57,810	Nil	99,720	Nil	1,298,108
	2004	1,007,212	Nil	Nil	55,000	Nil	76,018	Nil	1,138,230

(c) Remuneration options: Granted and vested during the year

During the financial year, options were granted as equity compensation benefits to certain and specified executives as disclosed below. The options were issued for nil consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price of \$1.95. The options may only be exercised over a period commencing two years after grant date and expire four years after grant date. The options granted vest over a four year period based on the conditions stipulated in the Employee Option Plan.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont'd)
30 JUNE 2005
26. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

	Vested Number	Granted Number	Grant date	Terms & Conditions for Each Grant			
				Value per option at grant date (\$)	Exercise Price per share (\$)	First Exercise Date	Last Exercise Date
Specified Directors							
R. Velletri	200,000						
		150,000	31/01/05	\$1.16	1.95	01/01/2007	31/01/2007
		150,000	31/01/05	\$1.16	1.95	01/01/2008	31/01/2008
		300,000	31/01/05	\$1.16	1.95	01/01/2009	31/01/2009
Specified Executives							
D. Foti	100,000						
		80,000	31/01/05	\$1.16	1.95	01/01/2007	31/01/2007
		80,000	31/01/05	\$1.16	1.95	01/01/2008	31/01/2008
		160,000	31/01/05	\$1.16	1.95	01/01/2009	31/01/2009
D. Mutch	100,000						
		50,000	31/01/05	\$1.16	1.95	01/01/2007	31/01/2007
		50,000	31/01/05	\$1.16	1.95	01/01/2008	31/01/2008
		100,000	31/01/05	\$1.16	1.95	01/01/2009	31/01/2009
A. Erdash	100,000						
		50,000	31/01/05	\$1.16	1.95	01/01/2007	31/01/2007
		50,000	31/01/05	\$1.16	1.95	01/01/2008	31/01/2008
		100,000	31/01/05	\$1.16	1.95	01/01/2009	31/01/2009
M. Jansen	100,000						
		50,000	31/01/05	\$1.16	1.95	01/01/2007	31/01/2007
		50,000	31/01/05	\$1.16	1.95	01/01/2008	31/01/2008
		100,000	31/01/05	\$1.16	1.95	01/01/2009	31/01/2009
G. Everist							
		50,000	31/01/05	\$1.16	1.95	01/01/2007	31/01/2007
		50,000	31/01/05	\$1.16	1.95	01/01/2008	31/01/2008
		100,000	31/01/05	\$1.16	1.95	01/01/2009	31/01/2009
Total	600,000	1,720,000					

26. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(d) Shares issued on exercise of remuneration options

	Shares issued Number	Paid \$ per share	Unpaid \$ per share
Specified Directors			
R. Velletri	200,000	0.42	-
Specified Executives			
D. Foti	100,000	0.42	-
D. Mutch	100,000	0.42	-
M. Jansen	100,000	0.42	-
A. Erdash	100,000	0.56	-
Total	600,000		

(e) Option holdings of specified directors and specified executives

	Balance at beginning of period 1 July 2004	Granted as Remuner- ation	Options Exercised	Net Change Other	Balance at end of period 30 June 2005	Vested at 30 June 2005		
						Total	Not exercisable	Exercisable
Specified Directors								
C. G. B. Rubino	-	-	-	-	-	-	-	-
R. Velletri	600,000	600,000	(200,000)	-	1,000,000	-	-	-
I. Tollman	-	-	-	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-	-	-	-
Specified Executives								
D. Foti	300,000	320,000	(100,000)	-	520,000	-	-	-
D. J. Mutch	300,000	200,000	(100,000)	-	400,000	-	-	-
A. Erdash	350,000	200,000	(100,000)	-	450,000	-	-	-
M. Jansen	300,000	200,000	(100,000)	-	400,000	-	-	-
G. Everist	200,000	200,000	-	-	400,000	-	-	-
Total	2,050,000	1,720,000	(600,000)	-	3,170,000	-	-	-

26. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(f) Shareholdings of specified directors and specified executives

<i>Shares held in Monadelphous Group Limited</i>	Balance 1 July 2004	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2005
Specified Directors					
C. G. B. Rubino	8,004,000	-	-	-	8,004,000
R. Velletri	1,400,000	-	200,000	(200,000)	1,400,000
I. Tollman	756,152	-	-	-	756,152
P. J. Dempsey	24,000	-	-	24,000	48,000
Specified Executives					
D. Foti	1,054,816	-	100,000	-	1,154,816
D. J. Mutch	265,600	-	100,000	(253,600)	112,000
A. Erdash	40,000	-	100,000	(8,000)	132,000
M. Jansen	374,444	-	100,000	(118,200)	356,244
G. Everist	-	-	-	-	-
Total	11,919,012	-	600,000	(555,800)	11,963,212

(g) Loans to specified directors and specified executives

(i) *Details of aggregates of loans to specified directors and specified executives are as follows:*

No directors or executives had any loans during the reporting period.

(h) Other transactions and balances with specified directors and specified executives

There were no other transactions and balances with specified directors and specified executives.

Notes	Consolidated		Monadelphous Group Limited	
	2005	2004	2005	2004

27. AUDITORS' REMUNERATION

Amounts received or due and receivable by Ernst & Young Australia for:

- An audit or review of the financial report of the entity and any other entity in the consolidated entity	110,200	95,400	7,500	5,000
- Other services in relation to the entity and any other entity in the consolidated entity	112,500	135,445	-	-
	222,700	230,845	7,500	5,000

28. RELATED PARTY DISCLOSURES

Wholly-owned group transactions

Loans

During the year, funds have been advanced between entities within the consolidated entity for the purposes of working capital requirements only. The aggregate of amounts due from wholly owned controlled entities at balance date is \$123,435,110 (2004: \$88,652,299). All loans are interest free and have no fixed repayment date.

The aggregate amount payable by the parent entity to wholly-owned controlled entities at the balance date is \$125,643,720 (2004: \$84,987,892). The amounts are interest free and have no fixed repayment date.

Ultimate parent

Monadelphous Group Limited is the ultimate Australian holding company.

29. SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since the end of the financial year 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.

Subsequent to the end of the reporting period, the Company won further work in the iron ore industry, securing a \$65 million contract with BHP Billiton Iron Ore for construction work associated with the Rapid Growth Project 2 at the Nelson Point and Finucane Island port facilities in Port Hedland, Western Australia.

On 22 August 2005, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2005 financial year. The total amount of the dividend is \$7,189,957, which represents a fully franked dividend of 9 cents per share. This dividend has not been provided for in the 30 June 2005 Financial Statements.

30. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date, are as follows:

Fixed Interest Rate Maturing in:

FINANCIAL INSTRUMENT	FLOATING INTEREST RATE		1 YEAR OR LESS		OVER 1 TO 5 YEARS		MORE THAN 5 YEARS		NON-INTEREST BEARING		TOTAL		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 %	2004 %
(i) FINANCIAL ASSETS														
Cash assets	22,237	15,864	-	-	-	-	-	-	-	-	22,237	15,864	5.00	4.75
Listed shares	-	-	-	-	-	-	-	-	-	332	-	332	N/A	N/A
Other debtors	-	-	-	-	-	-	-	-	454	5,391	454	5,391	N/A	N/A
Receivables – trade	-	-	-	-	-	-	-	-	50,829	39,773	50,829	39,773	N/A	N/A
Total Financial Assets	22,237	15,864	-	-	-	-	-	-	51,283	45,496	73,520	61,360		
(ii) FINANCIAL LIABILITIES														
Payables	-	-	-	-	-	-	-	-	35,417	28,084	35,417	28,084	N/A	N/A
Interest bearing liabilities	-	-	91	93	-	82	-	-	-	-	91	175	6.79	6.79
Hire Purchase liability	-	-	5,626	2,693	11,805	4,390	-	-	-	-	17,431	7,083	6.62	6.39
Total Financial Liabilities	-	-	5,717	2,786	11,805	4,472	-	-	35,417	28,084	52,939	35,342		

30. FINANCIAL INSTRUMENTS (cont'd)

(b) Net fair values of financial assets and liabilities

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date, are as follows:

	CARRYING AMOUNT		AGGREGATE NET FAIR VALUE	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(i) FINANCIAL ASSETS				
Cash	22,237	15,864	22,237	15,864
Listed shares	-	332	-	332
Other debtors	454	5,391	454	5,391
Receivables – trade	50,829	39,773	50,829	39,773
Total Financial Assets	73,520	61,360	73,520	61,360
(ii) FINANCIAL LIABILITIES				
Payables	35,417	28,084	35,417	28,084
Interest bearing liabilities	91	175	91	175
Hire Purchase liability	17,431	7,083	17,431	7,083
Total Financial Liabilities	52,939	35,342	52,939	35,342

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Recognised financial instruments

Cash and cash equivalent: The carrying amount approximates fair value because of their short-term maturity.

Receivables, payables and interest bearing liabilities: The carrying amount approximates fair value.

Listed Shares: Fair value is the current quoted market bid price, adjusted for transaction costs necessary to realise the asset or settle the liability.

(c) Credit risk exposures

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount, net of any provision for doubtful debts, of those assets as indicated in the Statement of Financial Position.

Concentration of credit risk

The consolidated entity minimises concentrations of credit risk in relation to accounts receivable by undertaking transactions with a large number of customers within the resources and petrochemical industries. However, all of the customers are concentrated in Australia.

31. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Monadelphous Group Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004, the company allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, Monadelphous Group Limited established a project team to address each of the areas in order of priority. An AIFRS steering committee was established to oversee the progress of the project and make necessary decisions. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Monadelphous Group Limited's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Monadelphous Group Limited prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

The project team is continuing its assessment of the impact of AASB 112 Income Taxes, and this assessment will be completed by December 2005.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimate of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project team; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Adjustments to equity as presented under AGAAP

To date, the following transition adjustments have been identified:

	Notes	Consolidated		Monadelphous Group Limited	
		30 June 2005 **	1 July 2004 *	30 June 2005**	1 July 2004 *
		\$'000	\$'000	\$'000	\$'000
Adjustments to retained earnings (net of tax)					
Write-back of goodwill amortisation	(i)	189	-	-	-
Recognition of share-based payment expense	(ii)	(202)	(18)	(202)	(18)
Adjustments to other reserves (net of tax)					
Employee equity benefits reserve	(ii)	202	18	202	18

* This column represents the adjustments as at the date of transition to AIFRS

** This column represents the adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005

- (i) Under AASB 3 Business Combinations, goodwill would not be permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the group amortises goodwill over 5 years.
- (ii) Under AASB 2 Share Based Payments, the company would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share based payment costs are not recognised under AGAAP.

31. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (cont'd)

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS (cont'd)

- (iii) Under AASB 112 Income Taxes, the Group, as at the date of acquisition, must recognise the tax effect of fair value adjustments in a business combination, which in turn would effect the amount of goodwill recognised. Such deferred taxes are not recognised under AGAAP. The project team is continuing its assessment of the impact of AASB 112 Income Taxes, and this assessment will be completed by December 2005. Management do not believe that this adjustment will be material.
- (iv) AASB 112 Income Taxes requires the Group to use a balance sheet liability method, rather than the current income statement method, which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a deferred tax liability in relation to revalued assets. Under AGAAP, the tax effects of asset revaluations are not recognised and on transition to AIFRS, there will be an increase in the deferred tax liability of \$123,000 as at 1 July 2004. The project team is continuing its assessment of the impact of AASB 112 Income Taxes, and this assessment will be completed by December 2005.
- (v) Under AASB 136 Impairment of Assets, the Group's assets including goodwill would be tested for impairment as part of the cash generating unit to which they belong, and any impairment losses recognised in the income statement. The project team is continuing its assessment of the impact of AASB 136 Impairment of Assets, and this assessment will be completed by December 2005.

Management has decided to apply the exemption provided in AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards which permits entities not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. Monadelphous Group Limited is in the process of determining the impact that adopting the standards would have on the financial statements of the Group.

(b) Adjustments to net profit as presented under AGAAP

To date, the following transition adjustments have been identified:

	Notes	Consolidated	Monadelphous Group Limited
Write-back of goodwill amortisation	(i)	189	-
Share-based payment expense	(ii)	(184)	(184)

- (i) Under AASB 3 Business Combinations, goodwill is not permitted to be amortised but instead is subject to annual impairment testing. Currently, the group amortises goodwill over its useful life of 5 years. Under the new policy, amortisation would no longer be charged, but goodwill would be written down to the extent it is impaired.
- (ii) Under AASB 2 Share Based Payments, the company would recognise the fair value of options issued to employees as remuneration as an expense on a pro-rata basis in the income statement. Share-based payment costs are not recognised under AGAAP. This would result in a decrease in profit from AGAAP to AIFRS.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Monadelphous Group Limited (Monadelphous) is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Monadelphous on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement changed with the introduction of the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. Monadelphous' Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations which are as follows:

Principle 1:	Lay solid foundations for management and oversight
Principle 2:	Structure the board to add value
Principle 3:	Promote ethical and responsible decision making
Principle 4:	Safeguard integrity in financial reporting
Principle 5:	Make timely and balanced disclosure
Principle 6:	Respect the rights of shareholders
Principle 7:	Recognise and manage risk
Principle 8:	Encourage enhanced performance
Principle 9:	Remunerate fairly and responsibly
Principle 10:	Recognise the legitimate interests of stakeholders

Monadelphous' corporate governance practices were formalised throughout the year ended 30 June 2004 and comply in all material respects with the Council's best practice recommendations.

For further information on corporate governance policies adopted by Monadelphous Group Limited refer to our website:

www.monadel.com.au

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on page 5. Directors of Monadelphous are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, Mr P. J. Dempsey is considered to be an independent director.

CORPORATE GOVERNANCE STATEMENT (cont'd)

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The Board believes that while the Chairman is not independent and a majority of the directors are not independent, the current composition of the Board and its combined skills and capability, best serve the interests of the shareholders.

The term in office held by each director in office at the date of this report is as follows:

C. G. B. Rubino	15 years	(Executive Director)
R. Velletri	13 years	(Executive Director)
I. Tollman	13 years	(Non-Executive Director)
P. J. Dempsey	2 years	(Non-Executive Director)

Nomination Committee

The Board has established a nomination committee which will meet half-yearly, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The nomination committee comprises of two executive directors and one non-executive director. Members of the nomination committee throughout the year were:

C. G. B. Rubino (Chairman)
R. Velletri
P. J. Dempsey

For details of directors' attendance at meetings of the nomination committee, refer to page 14 of the Directors' Report.

Audit Committee

The Board has established an audit committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The audit committee comprises of two non-executive directors and one executive director. The members of the audit committee during the year were:

P. J. Dempsey (Chairman)
C. G. B. Rubino
I. Tollman

Qualifications of audit committee members

P. J. Dempsey has over 30 years experience in the management of risks associated with the industry in which we operate.

CORPORATE GOVERNANCE STATEMENT (cont'd)

C. G. B. Rubino has significant experience in the management of Monadelphous having served as the managing director of Monadelphous for 13 years.

I. Tollman has significant experience in the management of Monadelphous having served as the finance director of Monadelphous for 11 years.

For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to page 14 of the Directors' Report.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the nomination committee conducted performance evaluations which involved an assessment of the Board's and each key executive's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which the Board and executives are assessed is aligned with the financial and non-financial objectives of Monadelphous. Directors whose performance is consistently unsatisfactory may be asked to retire.

Remuneration

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the remuneration committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives
- Attraction of quality management to the company
- Performance incentives which allow executives to share the rewards of the success of Monadelphous.

For details on the amount of remuneration and all monetary and non-monetary components for each of the five (non-director) executives during the year and for all directors, refer to page 12 of the Directors' Report. In relation to the issuing of options, discretion is exercised by the Board, having regard to the overall performance of Monadelphous and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive team. The Board has established a remuneration committee, comprising two executive directors and one non-executive director. Members of the remuneration committee throughout the year were:

C. G. B. Rubino (Chairman)
R. Velletri
I. Tollman

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to page 14 of the Directors' Report.