MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

FINANCIAL REPORT

30 JUNE 2007

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

1 - 7 Sleat Road
APPLECROSS
Western Australia 6153
Telephone: 08 9316 1255
Facsimile: 08 9316 1950
Website: **www.monadel.com.au**

Postal Address

PO Box 365
APPLECROSS
Western Australia 6953

Share Registry

Computershare Registry Services Pty Ltd
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

Jackson McDonald
Level 25, AMP Building
140 St George's Terrace
PERTH
Western Australia 6000

Freehills
250 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
Monadelphous PNG Ltd
Skystar Airport Services Holdings Pty Ltd
Skystar Airport Services NZ Pty Ltd
Ellavale Engineering Pty Limited

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I am pleased to again announce another outstanding and record financial result for Monadelphous Group Limited, for the year ended 30 June 2007.

Profit after tax was up an extraordinary 106% to $60.4 million from an 81% increase in sales revenue to $963.7 million. Earnings before interest, tax, depreciation and amortisation were $94.0 million, up 92% on the previous corresponding period. Earnings per share increased 102% to 73.6 cents per share.

The Board of Directors has declared a total final dividend of 44 cents per share fully franked consisting of an ordinary final dividend of 29 cents per share fully franked, together with a special dividend of 15 cents per share fully franked. This will take the 2006/07 total dividend payout to shareholders to 66 cents per share, following the 22 cents per share interim dividend - an increase of 100% on 2005/06.

This is the third consecutive year of special dividend payments, which in addition to ordinary interim and final dividends have resulted in a total annual payout ratio of around 90% of net profit to shareholders. As announced in the half year report, the Board will simplify the dividend payment policy for the 2007/08 financial year and beyond by increasing the interim and final dividend payout ratio from 60% to 70% of net profit to a range of 80% to 100% and ceasing the payment of special dividends. This policy will continue to be subject to ongoing strong trading conditions and any need for significant cash requirement for investment opportunities, should they arise.

The more than doubling of net profit growth in the 2006/07 financial year follows after tax profit growth rates of 76% in 2005/06 and 95% in 2004/05 and highlights a remarkable period of exponential growth for the company. This phenomenal growth, which has been largely organic, has been the result of the company's ability to leverage its strong track record of project and services delivery within the unprecedented boom in the construction and maintenance market in the resources sector.

The year has seen strong revenue increases across all of the company's operations with margins continuing to trend upwards from strong market and operational performance and continuing improvements in economies of scale. In particular, this year has seen a far greater than anticipated surge in construction activity from a large number of concurrent projects of increasing scope driven by strong customer demand conditions. Strong demand conditions are expected to continue for some time and provided the company can maintain its strong position, margins are likely to be sustained.

In an ever tightening labour market, the company has been successful in increasing capacity to meet this unprecedented demand with workforce numbers rising to 4,034 at year end, from 3,142 the previous year.

As highlighted to the market in May, with a number of existing projects ramping down in the first half and potential delays to near term project opportunities the company is expecting a softening of construction revenue in the first half of the new financial year.

Capacity constraints in the form of labour shortages are now approaching a critical state and any expectation of growth for 2007/08 should be treated with significant caution.

Whilst the pipeline of project opportunities remains very strong, project timing and capacity constraints will continue to be the major factors impacting full year revenues.

Engineering Construction

The Engineering Construction division recorded sales revenue of $657.5 million for the period, a massive increase of 127% on the previous corresponding period. A record number of major construction contracts were completed or substantially progressed during the period.

Major contracts substantially completed during the year included:

- Construction of the sulphuric acid plant associated with BHP Billiton's Ravensthorpe Nickel Project in Western Australia;

- Extension of stockpile capacity at BHP Billiton Mitsubishi Alliance (BMA) Hay Point Coal Terminal at Mackay in Queensland;

- Major expansion of iron ore facilities at BHP Billiton's Rapid Growth Project 2 (RGP2) at Nelson Point and Finucane Island in Western Australia;

- Structural and mechanical works associated with the expansion of iron ore facilities at Rio Tinto Iron Ore's Yandicoogina mine in Western Australia;

- Structural, mechanical, piping and electrical works for the Yabulu Nickel Extension Project at BHP Billiton's Yabulu Nickel Refinery at Townsville in Queensland;

- Construction of the #3 Rail Receival Station associated with the expansion of the Gladstone Port for the Central Queensland Port Authority (CQPA) in Queensland; and

- Structural and mechanical construction works associated with the Yandi Junction South East project at Rio Tinto Iron Ore's Yandicoogina mine in Western Australia.

Major contracts substantially progressed during the period included:

- Structural and mechanical construction works for Rio Tinto Iron Ore's Dampier Port Upgrade Phase B project in Western Australia;

- Structural and mechanical construction works associated with the expansion of port facilities for BHP Billiton Iron Ore's Rapid Growth Project 3 (RGP3) at Port Hedland in Western Australia;

- Structural and mechanical construction of iron ore facilities at Mining Area C associated with BHP Billiton Iron Ore's RGP3 project in the Pilbara region of Western Australia;

- Structural and mechanical works for the refurbishment of a rail car dumper associated with BHP Billiton Iron Ore's RGP3 project at Port Hedland in Western Australia; and

- Structural mechanical and piping works associated with BHP Billiton's Ravensthorpe Nickel Project in Western Australia.

In January 2007, in line with the company's strategy of expanding its services into the broader infrastructure sector, the Engineering Construction division secured its first major win in the water industry with the award of a $7 million contract for the construction of the Wyndham Water Treatment Plant in Western Australia.

Maintenance and Industrial Services

The Maintenance and Industrial Services division continued its strong growth trend with sales revenue increasing a healthy 26.4% to $262.5 million, on a like-for-like basis. Sales revenue reported for this division now excludes sales revenue from the electrical and instrumentation services business MIE and the aviation services business Skystar Airport Services, which now both operate as separate divisions.

The division has capitalised on the strong trading conditions with service volumes increasing on existing contracts as well as the award of new contracts and solid expansion of its geographical and customer base. All current term contracts were retained.

The division continued to develop business in the oil and gas sector with the award of a significant services contract with Oil Search at their oil and gas operations in Papua New Guinea. The contract, which is for an initial period of three years, is for the provision of field facilities construction services.

The company also continued to build on its successful relationship with Chevron after securing a three-year extension of the existing maintenance services contract at their oil and gas operations at Barrow and Thevenard Islands in the north-west of WA. The contract, which commenced in 2001, has been extended to 2010.

In March 2007, the division continued its push to expand its operations further into the coal market with the acquisition of the Hunter Valley coal services business Ellavale Engineering for $7.25 million. Ellavale is a leading dragline and shovel maintenance provider, servicing the New South Wales coal industry and has a client base that includes the major resource companies Rio Tinto, Xstrata and Anglo Coal.

Ellavale Engineering, which recorded annual sales revenue of around $20 million to June 2007, has been integrated into the Maintenance and Industrial Services division. Its expertise in the maintenance of specialist coal mining equipment will support the division's expansion into the Queensland coal market through the division's newly-established operations in Mackay and Townsville.

Other highlights of the reporting period include:

- Commencement of a two-year maintenance support contract with ConocoPhillips at the Darwin LNG facility in the Northern Territory;
- Successful execution of a major maintenance shutdown contract with Incitec Pivot at their Gibson Island works in Brisbane;
- The extension to the mechanical trades services contract for Alcoa's WA operations for a further three years; and
- The establishment of operations in Mackay and Townsville for further expansion into the north Queensland region.

Electrical and Instrumentation Services

The group's electrical and instrumentation services business MIE was established as a separate division this year to facilitate growth and to expand the delivery of electrical and instrumentation services on a national basis.

MIE sales revenue for the period was up 176% on the previous corresponding period to $71.8 million which included revenue associated with major works carried out through other divisions such as the BHP Billiton Yabulu Extension project, the Queensland Port Authority #3 Rail Receival project and the BMA Hay Point expansion project.

MIE continues to grow rapidly providing the group with significant multidisciplinary capability through the broader Monadelphous network of customers. The division's expansion into WA commenced late in the period with the establishment of an office in Perth.

Skystar Airport Services

The group's aviation ground handling services business, Skystar Airport Services also continued its growth trend this year with revenue increasing 29.7% from the previous year to $19.2 million.

All major contracts were retained with the exception of Malaysian Airlines at Perth International Airport. New contracts were secured with Jetstar Asia in Darwin and both Alliance Airlines and OzJet at Perth Domestic Airport.

Health and Safety

The group has a strong commitment to the health and safety of its people with a goal of zero injuries and incidents. In the challenging environment of a rapidly growing workforce, the company continued to drive down its injury rates through its health and safety improvement programs. Injury rates continued to trend lower this year with a pleasing 27% reduction in the total case injury frequency rate.

Management and Development

Monadelphous has recorded another year of remarkable organic growth and development. The significant increase in work volumes has severely extended the company's human and physical resources and tested the capability of the organisation to maintain control of a rapidly growing business. Development of people and systems to match the pace of growth of the business continue to be critical issues for sustaining growth in the long term.

The company has a significant program of development projects in progress which are all aimed at strengthening management and business systems in areas including risk management, people management, health and safety, procurement and associated information and communication systems.

Staff retention and development strategies, as well as attraction and recruitment strategies, continue to be critical focus issues for the business. Shortages in the labour market have continued to worsen and are expected to severely constrain capacity. The company will continue to invest heavily in retention schemes, national and global recruitment initiatives and training and development programs.

Whilst the company has been proactive in expanding its plant and equipment resources, restrictions in the supply of third party services and equipment are also becoming more apparent. Broadening sources of supply and developing a global supply capability will become a key focus area for the company to ensure its market competitiveness is maintained.

Market Development

The company has continued to develop its market expansion and diversification strategy during the year.

The company is targeting growth in the oil and gas and coal markets, as well as the power and water markets in the infrastructure sector. Additionally, the company is well advanced in expanding its services through the roll out of electrical and instrumentation services throughout the Monadelphous network.

Further geographical expansion in Queensland, South Australia and New South Wales will also provide growth opportunities. Office premises are being established in Adelaide to pursue a number of emerging developments in South Australia as well as to strengthen the company's long standing operations at Olympic Dam, for BHP Billiton.

Acquisition opportunities which support the achievement of these market growth strategies will continue to be pursued.

Outlook

The company has achieved tremendous growth in the 2006/07 financial year setting new financial performance benchmarks which will be very difficult to repeat in the 2007/08 financial year.

The year's exceptional performance has been driven by an extraordinary increase in engineering construction revenue from a wave of significantly large construction contracts won in the past two years and maintaining this level of construction workload in the short term will be very challenging.

Whilst the construction pipeline remains strong, the quality and timing of projects together with capacity utilisation are all critical factors impacting short term construction revenue flows.

With a number of construction contracts ramping down in the first half and delays on near term project opportunities, the company is expecting a drop off in revenue in the first half of 2007/08.

The market for maintenance services will continue to expand as new resource development operations come on stream providing the company with ongoing opportunities for recurring revenue growth.

Iron ore expansions in the north west of Western Australia have provided significant and ongoing opportunities for the company over recent years. Rolling major expansions by BHP Billiton and Rio Tinto as well as new developments from new and emerging producers are expected to provide the company with continuing opportunities for some years.

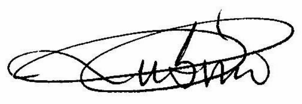
A plethora of other planned resource developments in the mineral processing, coal and oil and gas industries also continue to present a long pipeline of opportunities for the company.

The company has stretched its resources to cope with the sustained exponential growth achieved over the past few years and it is acutely aware of the risk of damaging its strong delivery reputation and threatening its prominent position in the market especially given the very tight labour market.

As such, the company is viewing the 2007/08 financial year as a year of consolidation. The company will focus on consolidating and strengthening its position and build a new platform for launching the next phase of growth.

The management of the company remains focussed on the long-term. The company will continue to target organic growth in its core markets together with diversification of its revenue base.

I take this opportunity to thank all of our management and staff once again for another terrific performance. We have many loyal and dedicated people who embody the core values of the company. They are reliable and trustworthy team players focussed on achievement and they should all be congratulated for another exceptional year.



John Rubino
Chairman
20 August 2007

	2007 $'000	2006 $'000	2005 $'000	2004 $'000	2003 $'000	2002 $'000
Revenue	968,419	534,273	391,727	223,415	244,891	155,622
Profit before income tax expense	86,835	42,196	23,860	12,153	10,130	6,848
Income tax expense	26,417	12,800	7,202	3,625	3,060	2,075
Profit from ordinary activities after income tax expense	60,418	29,396	16,658	8,528	7,070	4,773
Basic earnings per share	73.56c	36.48c	21.15c	11.13c	9.55c	6.50c
Interim dividends per share (fully franked)	22.00c	9.00c	5.25c	2.75c	2.00c	1.38c
Special dividends per share (fully franked)	15.00c	9.00c	5.00c	-	-	-
Final dividends per share (fully franked)	29.00c	15.00c	9.00c	4.75c	4.25c	2.13c
Net tangible asset backing per share	104.99c	73.34c	54.90c	50.25c	45.75c	38.00c
Total equity and reserves	90,481	62,134	46,171	39,271	34,100	27,795
Depreciation	10,390	7,510	5,171	4,230	5,236	5,152
Return on equity (%)	66.8	47.3	36.1	21.7	20.7	17.2
EBITDA margin (%)	9.8	9.2	7.4	7.3	6.3	7.8

Where necessary comparative figures have been restated to account for the effect of the one-to-four share split that was approved by shareholders in the 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.

Note: The 2005 comparatives have been restated based on AIFRS. The 2002-2004 comparatives are based on AGAAP.

Your directors submit their report for the year ended 30 June 2007.

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 41 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 28 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 16 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 34 years experience in the construction industry

No director has held a directorship of any other 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 13 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	4,004,000	Nil
R. Velletri	1,550,000	450,000
I. Tollman	667,586	Nil
P. J. Dempsey	68,000	Nil

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	73.56
Diluted Earnings Per Share	71.13

DIVIDENDS PAID OR DECLARED

	Cents	$'000
Final dividends declared		
▪ on ordinary shares	29.00	24,085
Special dividends declared		
▪ on ordinary shares	15.00	12,458
Dividends paid during the year:		
Current year interim		
▪ on ordinary shares	22.00	18,212
Final for 2006		
▪ on ordinary shares	15.00	12,235
Special for 2006		
▪ on ordinary shares	9.00	7,341

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 27 in the financial report).

The registered office of Monadelphous Group Limited is located at:

1 - 7 Sleat Road
Applecross, Western Australia, 6153

Nature of operations and principal activities

Engineering Construction

Provides large-scale multi-disciplinary project management and construction services, including:
- Fabrication and installation of structural steel, tankage, mechanical and process equipment and piping
- Multi-disciplined construction packages including civil and electrical disciplines
- Plant commissioning
- Demolition and remediation works
- Turnkey design and construct services

Maintenance and Industrial Services

Offering mechanical and electrical engineering services in the following areas:
- Fixed and mobile plant maintenance
- Minor capital works
- Shutdown planning, management and execution
- Specialist concrete and structural maintenance
- Mill reline services
- Labour and equipment hire

Electrical and Instrumentation Services

Provides specialist instrumentation and electrical services.

Skystar Airport Services

Provides 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, Singleton, Mackay and Muswellbrook.

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

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

Employees

The consolidated entity employed 4,034 employees as of 30 June 2007 (2006: 3,142 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:

	2007 **$'000**	2006 $'000
Revenue from services	**963,717**	531,963
Profit after income tax	**60,418**	29,396

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 30 March 2007, Monadelphous Group Limited acquired 100% of the voting share capital of Ellavale Engineering Pty Ltd, an unlisted Australian Company. Ellavale Engineering Pty Ltd is the leading dragline and shovel maintenance provider servicing the New South Wales coal industry.

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.

On 20 August 2007, the directors of Monadelphous Group Limited declared a final dividend and special dividend on ordinary shares in respect of the 2007 financial year. The total amount of the dividend is $36,543,114 which represents a fully franked final dividend of 29 cents per share and a fully franked special dividend of 15 cents per share. This dividend has not been provided for in the 30 June 2007 Financial Statements.

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 3,885,000 unissued ordinary shares under options as follows:

- 100,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $1.14. The options expire on 31 January 2008.
- 3,195,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $1.95. The options expire between 31 January 2008 and 31 January 2009.
- 400,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $4.71. The options expire between 31 January 2008 and 31 January 2010.
- 190,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $9.06. The options expire between 31 January 2009 and 31 January 2011.

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 1,215,000 fully paid ordinary shares at a weighted average exercise price of $1.81. No options have been exercised since the end of the financial year.

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.

Share issues during the year

The acquisition of Ellavale Engineering Pty Ltd was funded by cash and the issue of 269,124 shares at a price of $10.22 per share. The cash payment of $6.766m and $78,000 of direct legal and professional expenses were partially offset by the cash balance of $3.923m in Ellavale Engineering Pty Ltd at the date of acquisition. At 30 June 2007, $250,000 of deferred cash consideration remains payable.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the end of 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 $53,644 (2006: $53,161).

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

During or since the end of 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 21 November 2006 when shareholders approved an aggregate remuneration of $200,000 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 2007 is detailed in Table 1 on page 14 of this report.

Senior manager and executive remuneration

Objective

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

Senior manager and executive director remuneration (cont'd)

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 14 of this report detail the variable component (%) of the executive directors and the members of the executive management team of the company.

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 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 5 most highly remunerated members of the executive management team of the company is detailed in Tables 1 and 2 on page 14 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 executives 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.

Senior manager and executive director remuneration (cont'd)

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 2007 are detailed in Note 25 (e) on page 65 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 6 of this report.

Table 1: Director Remuneration for the year ended 30 June 2007

		Short Term Benefits			Post Employment		Share Based Payments	Other	Total	Total Perform-ance Related
		Salary & Fees	Non Monetary	Cash STI	Superannu ation	Retirement Benefits	Options LTI			%
C. G. B. Rubino*	2007	202,200	7,131	-	-	-	-	-	209,331	-
	2006	234,596	6,915	-	12,199	-	-	-	253,710	-
R. Velletri*	2007	421,070	11,294	100,000	12,687	-	48,475	-	593,526	25.02%
	2006	366,890	10,302	50,000	12,199	-	68,040	-	507,431	23.26%
I. Tollman**	2007	30,000	386	-	-	-	-	-	30,386	-
	2006	30,000	425	-	-	-	-	-	30,425	-
P. J. Dempsey**	2007	50,000	643	-	-	-	-	-	50,643	-
	2006	50,000	708	-	-	-	-	-	50,708	-

* Denotes Executive Director
** Denotes Non-Executive Director

Table 2: Remuneration of the 5 named Executives who received the highest remuneration for the year ended 30 June 2007

		Short Term Benefits			Post Employment		Share Based Payments	Other	Total	Total Perform-ance Related
		Salary & Fees	Non Monetary	Cash STI	Superannu ation	Retirement Benefits	Options LTI			%
D. Foti	2007	329,242	8,825	80,000	12,666	-	25,853	-	456,586	23.18%
	2006	277,128	7,766	80,000	12,120	-	36,014	-	413,028	28.09%
A. Erdash	2007	278,938	7,412	35,000	12,666	-	18,158	-	352,174	15.09%
	2006	246,566	6,868	20,000	12,120	-	27,359	-	312,913	15.13%
D. Mutch	2007	248,895	6,571	25,000	12,687	-	16,158	-	309,311	13.31%
	2006	224,443	6,231	20,000	12,096	-	24,050	-	286,820	15.36%
M. Jansen	2007	263,870	6,940	35,000	12,666	-	16,158	6,590	341,224	14.99%
	2006	223,063	5,876	20,000	12,139	-	24,050	2,879	288,007	15.29%
G. Everist	2007	262,748	6,965	35,000	12,687	-	19,228	-	336,628	16.11%
	2006	225,166	6,247	20,000	12,120	-	24,850	-	288,383	15.55%

Options Granted as Part of Remuneration

During the year, no options were granted as equity compensation benefits to directors and senior executives.

Value of options exercised during the year

	Number of options exercised during the year	Value of options exercised during the year
C.G.B. Rubino	-	-
R. Velletri	150,000	$292,500
I. Tollman	-	-
P. J. Dempsey	-	-
D. Foti	80,000	$156,000
A. Erdash	150,000	$168,100
D. Mutch	50,000	$97,500
M. Jansen	50,000	$97,500
G. Everist	100,000	$154,250
	580,000	$965,850

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.

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 granted in the Equity Based Compensation Scheme

The fair value of each option issued during the current and previous year is estimated on the date of grant using a Binomial option-pricing model. The following weighted average assumptions were used for grants made in January 2007 and 2006:

	2007	2006
Dividend yield	4.00%	4.00%
Expected volatility	35.00%	35.00%
Historical volatility	35.00%	35.00%
Risk-free interest rate	6.10%	5.20%
Expected life of option	25% - 2 years	25% - 2 years
	25% - 3 years	25% - 3 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.

The resulting weighted average fair values for these options vesting after 1 July 2007 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option
100,000	29/01/2004	31/01/2008	$0.09
3,195,000	31/01/2005	31/01/2009	$0.29
400,000	19/01/2006	31/01/2010	$1.31
190,000	31/01/2007	31/01/2011	$2.16

The share based payments expensed in the 2007 financial year was $571,042 (2006: $524,191).

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 was as follows:

		Meetings of Committees		
	Directors' Meetings	**Audit**	**Remuneration**	**Nomination**
Number of meetings held:	12	2	2	1
Number of meetings attended:				
C. G. B. Rubino	12	2	2	1
R. Velletri	12	-	2	1
I. Tollman	12	2	2	-
P. J. Dempsey	12	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.

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 detailed on page 77 of this report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

ERNST & YOUNG

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

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

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 2007, 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.

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
Perth
20 August 2007

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 $186,379 for the provision of non-audit services.

Signed in accordance with a resolution of the directors.

C. G. B. Rubino
Chairman
Perth, 20 August 2007

ERNST & YOUNG

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

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

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

We have audited the accompanying financial report of Monadelphous Group Limited and the entities it controlled during the year, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report comprising the financial statements and notes complies with International Financial Reporting Standards.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. 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.

Auditor's Opinion

In our opinion:

1. 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 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) other mandatory financial reporting requirements in Australia.

2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
Perth
20 August 2007

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 2007 and of their performance for the year ended on that date; and

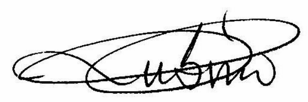
(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(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 2007.

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 27 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, 20 August 2007

MONADELPHOUS GROUP LIMITED
INCOME STATEMENT
YEAR ENDED 30 JUNE 2007

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
Continuing Operations					
REVENUE	3(a)	**968,419**	534,273	**58,819**	26,626
Cost of services rendered		**(858,718)**	(477,245)	**-**	-
GROSS PROFIT		**109,701**	57,028	**58,819**	26,626
Other income	3(b)	**1,576**	1,524	**449**	149
Business development and tender expenses		**(5,443)**	(3,719)	**-**	-
Occupancy expenses		**(867)**	(692)	**-**	-
Administrative expenses		**(17,865)**	(12,012)	**(238)**	(467)
Finance costs	3(c)	**(1,526)**	(1,560)	**-**	-
Share of net profits of joint ventures accounted for using the equity method	12	**1,259**	1,627	**-**	-
PROFIT BEFORE INCOME TAX		**86,835**	42,196	**59,030**	26,308
Income tax (expense)/benefit	4	**(26,417)**	(12,800)	**(1,623)**	(550)
PROFIT FOR THE YEAR		**60,418**	29,396	**57,407**	25,758
PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	17(e)	**60,418**	29,396	**57,407**	25,758
Basic earnings per share (cents per share)	23	**73.56**	36.48		
Diluted earnings per share (cents per share)	23	**71.13**	35.25		
Dividends per share (cents per share)	5	**66.00**	33.00		

MONADELPHOUS GROUP LIMITED
BALANCE SHEET
AS AT 30 JUNE 2007

	Notes	Consolidated		Monadelphous Group Limited	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
ASSETS					
Current assets					
Cash and cash equivalents	18(b)	**101,364**	61,650	**93,578**	56,581
Trade and other receivables	6	**95,793**	81,639	**114**	-
Inventories	7	**13,075**	16,402	**-**	-
Other	8	**179**	-	**-**	-
Total current assets		**210,411**	159,691	**93,692**	56,581
Non-current assets					
Trade and other receivables	6	**-**	-	**279,681**	164,192
Other financial assets	9	**-**	-	**33,284**	23,440
Property, plant and equipment	10	**62,240**	47,541	**-**	-
Deferred tax assets	4	**10,646**	6,645	**1**	53
Goodwill	11	**3,285**	2,311	**-**	-
Investments accounted for using the equity method	12	**107**	-	**-**	-
Total non-current assets		**76,278**	56,497	**312,966**	187,685
TOTAL ASSETS		**286,689**	216,188	**406,658**	244,266
LIABILITIES					
Current liabilities					
Trade and other payables	13	**115,892**	95,401	**313,838**	182,791
Interest bearing loans and borrowings	14	**10,557**	8,092	**-**	-
Income tax payable		**14,970**	8,697	**14,793**	8,592
Provisions	15	**35,776**	21,707	**-**	-
Total current liabilities		**177,195**	133,897	**328,631**	191,383
Non-current liabilities					
Interest bearing loans and borrowings	14	**16,929**	18,279	**-**	-
Provisions	15	**2,034**	1,873	**-**	-
Deferred tax liabilities	4	**50**	5	**-**	-
Total non-current liabilities		**19,013**	20,157	**-**	-
TOTAL LIABILITIES		**196,208**	154,054	**328,631**	191,383
NET ASSETS		**90,481**	62,134	**78,027**	52,883
EQUITY					
Contributed equity	16	**26,017**	21,063	**26,017**	21,063
Reserves	17	**1,321**	1,728	**1,315**	4,651
Retained earnings	17	**63,143**	39,343	**50,695**	27,169
TOTAL EQUITY		**90,481**	62,134	**78,027**	52,883

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

Attributable to equity holders

CONSOLIDATED	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
At 1 July 2006	21,063	1,728	39,343	62,134
Currency translation differences	-	192	-	192
Total income/(expense) for the period recognised directly in equity	-	192	-	192
Profit for the period	-	-	60,418	60,418
Total income/(expense) for the period	-	192	60,418	60,610
Cost of share-based payment	-	571	-	571
Issue of share capital	4,954	-	-	4,954
Equity dividends	-	-	(37,788)	(37,788)
Transferred from asset revaluation reserve	-	(492)	492	-
Transferred from capital profits reserve	-	(678)	678	-
At 30 June 2007	26,017	1,321	63,143	90,481

Attributable to equity holders

CONSOLIDATED	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
At 1 July 2005	20,303	1,390	24,478	46,171
Currency translation differences	-	(186)	-	(186)
Total income/(expense) for the period recognised directly in equity	-	(186)	-	(186)
Profit for the period	-	-	29,396	29,396
Total income/(expense) for the period	-	(186)	29,396	29,210
Cost of share-based payment	-	524	-	524
Issue of share capital	760	-	-	760
Equity dividends	-	-	(14,531)	(14,531)
At 30 June 2006	21,063	1,728	39,343	62,134

MONADELPHOUS GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

Attributable to equity holders

PARENT	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
At 1 July 2006	21,063	4,651	27,169	52,883
Profit for the period	-	-	57,407	57,407
Total income/(expense) for the period	-	-	57,407	57,407
Cost of share-based payment	-	571	-	571
Issue of share capital	4,954	-	-	4,954
Equity dividends	-	-	(37,788)	(37,788)
Transferred from asset revaluation reserve	-	(3,907)	3,907	-
At 30 June 2007	26,017	1,315	50,695	78,027

Attributable to equity holders

PARENT	Issued Capital $'000	Reserves $'000	Retained Earnings $'000	Total $'000
At 1 July 2005	20,303	4,127	15,942	40,372
Profit for the period	-	-	25,758	25,758
Total income/(expense) for the period	-	-	25,758	25,758
Cost of share-based payment	-	524	-	524
Issue of share capital	760	-	-	760
Equity dividends	-	-	(14,531)	(14,531)
At 30 June 2006	21,063	4,651	27,169	52,883

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**1,025,855**	535,537	**-**	-
Payments to suppliers and employees		**(856,080)**	(426,373)	**-**	-
Interest received		**4,589**	2,310	**4,494**	1,626
Borrowing costs		**(1,526)**	(1,560)	**-**	-
Other income		**772**	381	**449**	149
Goods and services tax paid		**(51,311)**	(33,136)	**-**	-
Income tax paid		**(25,991)**	(10,319)	**(25,592)**	(10,319)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	18(a)	**96,308**	66,840	**(20,649)**	(8,544)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		**1,067**	1,565	**-**	-
Purchase of property, plant and equipment		**(9,196)**	(7,476)	**-**	-
Acquisition of subsidiary		**(2,843)**	(455)	**(6,766)**	(455)
Cost incurred on acquisition of subsidiary		**(78)**	-	**(78)**	-
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(11,050)**	(6,366)	**(6,844)**	(455)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from controlled entities		**-**	-	**100,074**	57,057
Dividend paid		**(37,788)**	(14,531)	**(37,788)**	(14,531)
Proceeds from issue of shares		**2,204**	760	**2,204**	760
Proceeds from/(repayment) of borrowings		**360**	(90)	**-**	-
Payment of finance leases		**(9,932)**	(7,117)	**-**	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(45,156)**	(20,978)	**64,490**	43,286
NET INCREASE IN CASH AND CASH EQUIVALENTS		**40,102**	39,496	**36,997**	34,287
Net foreign exchange differences		**(388)**	(83)	**-**	-
Cash and cash equivalents at beginning of period		**61,650**	22,237	**56,581**	22,294
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18(b)	**101,364**	61,650	**93,578**	56,581

1. CORPORATE INFORMATION

The financial report of Monadelphous Group Limited (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of directors on 20 August 2007.

Monadelphous Group Limited is a company limited by shares incorporated in Australia whose shares are traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standards. The financial report has also been prepared in accordance with the historical cost convention.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2007. These standards will have no material impact on the Group's financial statements.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Monadelphous Group Limited and its subsidiaries as at 30 June each year ('the Group').

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

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for part of the reporting period during which Monadelphous Group Limited has control.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

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

d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

e) Significant accounting judgements, estimates and assumptions

Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on judgements, estimates and assumptions of future events. The key judgements, estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of certain assets and liabilities within the next accounting period are:

Impairment of goodwill and intangibles with indefinite useful lives:
The group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 11.

Share-based payment transactions:
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in note 24.

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

f) Foreign currency translation

Both the functional and presentation currencies of Monadelphous Group Limited, its Australian subsidiaries and its Papua New Guinea subsidiary (MIE-PNG) are Australian dollars (A$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the New Zealand subsidiary (Skystar Airport Services NZ Pty Ltd) is New Zealand dollars (NZ$).

As at the reporting date the assets and liabilities of this overseas subsidiary are translated into the presentation currency of Monadelphous Group Limited at the rate of exchange ruling at the balance sheet date and its income statement is translated at the weighted average exchange rates for the period.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

g) Cash and cash equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and in banks, net of outstanding bank overdrafts.

h) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

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

i) Inventories

Construction work-in-progress is stated at the aggregate of contract costs incurred to date plus profits recognised to date less recognised losses and progress billings. Costs include all costs directly related to specific contracts.

j) Investments and other financial assets

Investments in controlled entities are held at cost.

k) Property, plant and equipment

All classes of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a diminishing 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:

	2007	2006
▪ Buildings	40 years	40 years
▪ Plant and equipment	3 to 15 years	3 to 15 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment
The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

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

k) Property, plant and equipment (cont'd)

Derecognition and disposal
An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

l) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists or when annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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 to the Group substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. The financed asset is stated at the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. An interest bearing liability of equal value is also recognised at inception. Minimum lease payments are apportioned between the finance charge and the reduction of the lease liability.

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

m) Leases (cont'd)

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The minimum lease payments of operating leases are recognised as an expense on a straight line basis over the lease term.

n) Joint ventures

Interest in joint venture entities are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report. Under the equity method, the Group's share of the results of the joint venture entity is recognised in the income statement, and the share of movements in reserves is recognised in the balance sheet.

o) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination, is, from the acquisition date, allocated to each of the Group's cash-generating units or groups of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised in the income statement.

When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

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

p) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

q) Interest bearing loans and borrowings

Interest bearing liabilities are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing liabilities are subsequently measured at amortised cost using the effective interest method.

Gains or losses are recognised in the income statement when the liabilities are derecognised.

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank facilities may be drawn at any time.

r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

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

s) Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Monadelphous Group Limited provides benefits to employees through the Equity Based Compensation Scheme.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Monadelphous Group Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

When the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of an original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

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

t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are recognised directly in equity as a deduction, net of tax, from the proceeds.

u) Revenue recognition

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

Rendering of Services
Where the contract outcome can be reliably measured:
- refer to the accounting policy for construction contracts for method of revenue recognition.

Where the contract outcome cannot be reliably measured:
- contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised only to the extent that costs have been incurred.

Dividends
Revenue is recognised when the Group's right to receive the dividend payment is established.

Interest income
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

v) Construction contracts

When accounting for construction contracts, the contracts are either combined or segmented 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 fees earned during the financial year. The percentage of fee earned during the financial year is based on the stage of completion of the contract.

Where a loss is expected to occur from a construction contract the excess of the total expected contract costs over expected contract revenue is recognised as an expense immediately.

w) Taxation

Income tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

w) Taxation (cont'd)

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

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

w) Taxation (cont'd)

Goods and services tax (GST)

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

- when 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.

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

Cash flows are included in the Cash Flow Statement 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.

x) 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, including annual leave, long service leave, vesting sick leave and rostered days off.

Liabilities arising in respect of wages and salaries, certain compensated absences and any other employee benefits 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.

Defined contribution superannuation plans
Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

y) Earnings per share

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

Diluted EPS is calculated as net profit attributable to members of the parent, 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.

	Notes	Consolidated		Monadelphous Group Limited	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
3. REVENUES AND EXPENSES					
(a) Revenue					
Rendering of services		**963,717**	531,963	**-**	-
Dividends		**-**	-	**54,212**	25,000
Finance revenue		**4,702**	2,310	**4,607**	1,626
		968,419	534,273	**58,819**	26,626
(b) Other income					
Net gains on disposal of property, plant and equipment		**804**	1,143	**-**	-
Other income		**772**	381	**449**	149
		1,576	1,524	**449**	149
(c) Finance costs					
Bank loans and overdrafts		**20**	5	**-**	-
Finance charges payable under finance leases and hire purchase contracts		**1,506**	1,555	**-**	-
		1,526	1,560	**-**	-
(d) Depreciation and foreign exchange differences included in the income statement					
Depreciation expense		**10,390**	7,510	**-**	-
Net foreign exchange differences		**581**	(104)	**-**	-
(e) Employee benefits expense					
Employee benefits expense		**34,248**	15,784	**-**	-
Defined contribution plan expense		**18,845**	11,511	**-**	-
Share based payment expense		**571**	524	**571**	524
Termination benefit expense		**-**	-	**-**	-
		53,664	27,819	**571**	524
(f) Lease payments and other expenses included in the income statement					
Minimum lease payments – operating lease		**6,457**	2,944	**-**	-
Bad and doubtful debts		**822**	634	**-**	-

4. INCOME TAX

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
The major components of income tax expense are:					
Income statement					
Current income tax					
Current income tax charge		**31,118**	15,553	**1,566**	603
Adjustments in respect of current income tax of previous years		**(27)**	(54)	**5**	-
Deferred income tax					
Relating to origination and reversal of temporary differences		**(4,674)**	(2,699)	**52**	(53)
Income tax expense /(benefit) reported in the income statement		**26,417**	12,800	**1,623**	550
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:					
Accounting profit before income tax		**86,835**	42,196	**59,030**	26,308
At the Group's statutory income tax rate of 30% (2006: 30%)		**26,066**	12,664	**17,709**	7,892
- Dividends received from subsidiary		**-**	-	**(16,264)**	(7,500)
- Other items (net)		**378**	196	**173**	158
- Exempt income		**-**	(6)	**-**	-
- (Over)/under provision of previous year		**(27)**	(54)	**5**	-
Income tax expense/(benefit) reported in the income statement		**26,417**	12,800	**1,623**	550

4. INCOME TAX (cont'd)

	Notes	Balance Sheet		Income Statement	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
Deferred income tax					
Deferred income tax at 30 June relates to the following:					
CONSOLIDATED					
Deferred tax liabilities					
Accelerated depreciation for tax purposes		**(2,209)**	(967)	**405**	381
Other		**-**	(176)	**(176)**	140
		(2,209)	(1,143)		
CONSOLIDATED					
Deferred tax assets					
Provisions		**12,804**	7,783	**(4,902)**	(3,220)
Other		**1**	-	**(1)**	-
Gross deferred income tax assets		**12,805**	7,783		
Deferred tax income/(expense)				**(4,674)**	(2,699)
PARENT					
Deferred tax assets					
Accruals		**1**	53	**52**	(53)
Gross deferred income tax assets		**1**	53		
Deferred tax income/(expense)				**52**	(53)

At 30 June 2007, there is no recognised or unrecognised deferred income tax liability (2006: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture, as the Group has no liability for additional taxation should such amounts be remitted.

Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, Monadelphous Group Limited and its 100% owned Australian resided 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 entered into a tax funding agreement. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. Allocations under the tax funding agreement are made at the end of each half-year. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head entity, Monadelphous Group Limited. The group has applied the key taxpayer within group method in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

	Notes	Consolidated		Monadelphous Group Limited	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
5. DIVIDENDS PAID AND PROPOSED					
(a) Declared and paid during the year:					
(i) Current year interim					
Franked dividends (22 cents per share) (2006: 9 cents per share)		**18,212**	7,341	**18,212**	7,341
(ii) Previous year final plus special					
Franked dividends (24 cents per share) (2006: 9 cents per share final)		**19,576**	7,190	**19,576**	7,190
(b) Dividends proposed and not recognised as a liability as at 30 June					
Current year final plus special					
Franked dividends (44 cents per share) (2006: 24 cents per share)		**36,543**	19,576	**36,543**	19,576
(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		**25,269**	15,872	**25,269**	15,872
- franking credits that will arise from the payment of income tax payable as at the end of the financial year		**14,793**	8,592	**14,793**	8,592
- 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		**-**	-	**-**	-
		40,062	24,464	**40,062**	24,464
The amount of franking credits available for future reporting periods:					
- impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period		**(15,661)**	(8,390)	**(15,661)**	(8,390)
		24,401	16,074	**24,401**	16,074

The tax rate at which paid dividends have been franked is 30% (2006: 30%). Dividends payable will be franked at the rate of 30% (2006: 30%).

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
6. TRADE AND OTHER RECEIVABLES					
CURRENT					
Trade receivables	6(a)	**96,034**	82,620	**-**	-
Less allowance for doubtful debts		**(2,424)**	(1,577)	**-**	-
		93,610	81,043	**-**	-
Other debtors	6(a)	**2,183**	596	**114**	-
		95,793	81,639	**114**	-
NON-CURRENT					
Amounts other than trade debts, receivable from related parties					
Wholly owned group					
- controlled entities – interest bearing	6(a),27	**-**	-	**5,299**	-
- controlled entities – non-interest bearing	6(a),27	**-**	-	**274,382**	164,192
		-	-	**279,681**	164,192

(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 27

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
7. INVENTORIES					
Construction work in progress					
Cost incurred to date plus profit recognised		**869,726**	475,614	-	-
Consideration received and receivable as progress billings		**(921,038)**	(500,436)	-	-
Retentions		**2**	350	-	-
		(51,310)	(24,472)	-	-
Amounts due to customers	7(a),13	**64,385**	40,874	-	-
Amounts due from customers		**13,075**	16,402	-	-

(a) Advances received for construction work not yet commenced are recognised as a current liability in trade and other payables. Refer note 13.

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Monadelphous Group Limited 2007 $'000	Monadelphous Group Limited 2006 $'000
8. OTHER (CURRENT)					
Prepayments		**179**	-	**-**	-
9. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Investments in controlled entities	27	-	-	**33,284**	23,440

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
10. PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
- At cost	10(b)	**2,710**	1,605	**-**	-
Building on freehold land					
- At cost		**8,917**	6,489	**-**	-
- Accumulated depreciation		**(2,539)**	(2,285)	**-**	-
	10(b)	**6,378**	4,204	**-**	-
Leasehold improvements					
- At cost		**430**	430	**-**	-
- Accumulated amortisation		**(79)**	(36)	**-**	-
	10(b)	**351**	394	**-**	-
Total land and buildings		**9,439**	6,203	**-**	-
Plant and equipment					
- At cost		**47,877**	37,106	**-**	-
- Accumulated depreciation		**(28,609)**	(25,449)	**-**	-
	10(b)	**19,268**	11,657	**-**	-
Plant and equipment under hire purchase					
- At cost		**45,307**	36,918	**-**	-
- Accumulated amortisation		**(11,774)**	(7,237)	**-**	-
	10(b)	**33,533**	29,681	**-**	-
Total plant and equipment		**52,801**	41,338	**-**	-
Total property, plant and equipment		**62,240**	47,541	**-**	-

10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Assets pledged as security

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

	Notes	Consolidated		Monadelphous Group Limited	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Assets pledged as security		**33,533**	29,681	-	**-**

(b) Reconciliations

Reconciliations of the carrying amounts of freehold land, 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.

	Notes	Consolidated		Monadelphous Group Limited	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Freehold land					
Carrying amount at the beginning of the year		**1,605**	1,610	**-**	**-**
Disposals		**-**	(5)	**-**	**-**
Additions through acquisitions		**1,105**	-	-	-
		2,710	1,605	-	-
Buildings on freehold land					
Carrying amount at the beginning of the year		**4,204**	3,924	**-**	-
Additions		**663**	714	**-**	-
Additions through acquisitions		**1,770**	-	**-**	-
Disposals		**(4)**	(196)	**-**	-
Depreciation expense		**(255)**	(238)	**-**	-
		6,378	4,204	**-**	-
Plant and equipment					
Carrying amount at the beginning of the year		**11,657**	6,940	**-**	-
Additions		**8,533**	6,762	**-**	-
Additions through acquisitions		**2,708**	-	**-**	-
Assets transferred		**992**	1,238	**-**	-
Disposals		**(259)**	(219)	**-**	-
Depreciation expense		**(4,363)**	(3,063)	**-**	-
Exchange adjustment		**-**	(1)	**-**	-
		19,268	11,657	**-**	-

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Monadelphous Group Limited 2007 $'000	Monadelphous Group Limited 2006 $'000
10. PROPERTY, PLANT AND EQUIPMENT (cont'd)					
Leasehold improvements					
Carrying amount at the beginning of the year		**394**	41	**-**	-
Additions		**-**	384	**-**	-
Depreciation expense		**(43)**	(31)	**-**	-
		351	394	-	-
Plant and equipment under hire purchase					
Carrying amount at the beginning of the year		**29,681**	19,425	-	-
Additions		**10,208**	15,672	-	-
Additions through acquisitions		**365**	-	-	-
Assets transferred		**(992)**	(1,238)	-	-
Depreciation expense		**(5,729)**	(4,178)	-	-
		33,533	29,681	-	-

11. GOODWILL

	Consolidated 2007 $'000	Consolidated 2006 $'000	Monadelphous Group Limited 2007 $'000	Monadelphous Group Limited 2006 $'000
Opening balance	**2,311**	2,311	-	**-**
Acquisition of subsidiary	**974**	-	-	**-**
Closing balance	**3,285**	2,311	-	**-**

(a) Impairment Testing of Goodwill

Goodwill acquired through a business combination has been allocated to cash generating units ("CGU") for impairment testing purposes. The cash generating units are the entities MI & E Holdings Pty Ltd (goodwill of $2.311m) and Ellavale Engineering Pty Ltd (goodwill of $0.974m). The recoverable amount of each cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five year period.

The discount rate applied to the cash flow projections is 10% for both MI & E Holdings Pty Ltd and Ellavale Engineering Pty Ltd (2006: MI & E Holdings Pty Ltd 10%). The growth rate used to extrapolate the cash flows of the entities is based on the entity's budgeted cash flows.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Balance Date
(a) Interest in Joint Venture Partnership	
FMSJV	31 December

The percentage ownership interest in the joint venture is 50%. FMSJV has a balance date of 31 December because it coincides with the other joint venture party's reporting date.

(i) Principal activities

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

	Consolidated	
	2007	2006
	$'000	$'000
(ii) Share of the joint venture partnerships' profits		
Share of the joint venture partnerships':		
- revenues	**18,687**	24,410
- expenses	**(17,428)**	(22,783)
- net profit	**1,259**	1,627
(iii) Share of joint venture partnerships' assets and liabilities		
Current assets	**1,236**	1,085
Non-current assets	**-**	-
Current liabilities	**(1,129)**	(1,085)
Non-current liabilities	**-**	-
Net assets	**107**	-

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
13. TRADE AND OTHER PAYABLES					
CURRENT					
Trade creditors	13(a)	**29,169**	40,949	**7**	-
Advances on construction work in progress					
– Amounts due to customers	7	**64,385**	40,874	**-**	-
Sundry creditors and accruals	13(a)	**22,338**	13,578	**355**	109
Amounts payable to controlled entities	27	**-**	-	**313,476**	182,682
		115,892	95,401	**313,838**	182,791

(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

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
14. INTEREST BEARING LOANS AND BORROWINGS					
CURRENT					
Hire purchase liability – secured	14(a),20	**10,475**	8,091	**-**	-
Bank loan – secured	14(a)	**82**	1	**-**	-
		10,557	8,092	**-**	-
NON-CURRENT					
Hire purchase liability – secured	14(a),20	**16,651**	18,279	**-**	-
Bank loan – secured	14(a)	**278**	-	**-**	-
		16,929	18,279	**-**	-

(a) Terms and conditions

(i) The bank loan is repayable monthly. 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 6.93%. The hire purchase liability is secured by a charge over the hire purchase assets.

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
15. PROVISIONS					
CURRENT					
Employee benefits		**23,660**	13,656	**-**	-
Workers' compensation	15(a)	**12,116**	7,951	**-**	-
Public liability	15(b)	**-**	100	**-**	-
		35,776	21,707	**-**	-

(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.

15. PROVISIONS (cont'd)

(b) Public liability

A public liability provision was created as a result of the liquidation of the consolidated entity's previous public liability insurance company. The provision was 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. Based on such discussions, no provision is required at 30 June 2007.

	Notes	Consolidated	Monadelphous Group Limited
		2007	2007
		$'000	$'000
(c) Movements in provisions			
(i) Employee benefits			
Carrying amount at the beginning of the year		**13,656**	**-**
Additional provision		**34,087**	**-**
Amounts utilised during the year		**(24,083)**	**-**
Carrying amount at the end of the financial year		**23,660**	**-**
(ii) Workers compensation			
Carrying amount at the beginning of the year		**7,951**	**-**
Additional provision		**7,361**	**-**
Amounts utilised during the year		**(3,196)**	**-**
Carrying amount at the end of the financial year		**12,116**	**-**
(iii) Public liability			
Carrying amount at the beginning of the year		**100**	**-**
Additional provision		**-**	**-**
Amounts utilised during the year		**(100)**	**-**
Carrying amount at the end of the financial year		**-**	**-**

	Notes	Consolidated		Monadelphous Group Limited	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
15. PROVISIONS (cont'd)					
NON-CURRENT					
Employee benefits – long service leave		**2,034**	1,873	**-**	-

	Notes	Consolidated	Monadelphous Group Limited
		2007 $'000	**2007 $'000**
(d) Movements in provisions			
(i) Employee benefits – long service leave			
Carrying amount at the beginning of the year		**1,873**	**-**
Additional provision		**161**	**-**
Amounts utilised during the year		**-**	**-**
Carrying amount at the end of the financial year		**2,034**	**-**

	Notes	Consolidated		Monadelphous Group Limited	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
16. CONTRIBUTED EQUITY					
Issued and paid up capital					
Ordinary shares		**26,017**	21,063	**26,017**	21,063

Effective 1 July 1998, the Corporations Legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent entity does not have authorised capital nor par value in respect of its issued shares.

(a) Movements in shares on issue

	Notes	**2007** Number of shares	**2007** $'000	2006 Number of shares	2006 $'000
Beginning of the financial year		**81,568,408**	**21,063**	79,888,408	20,303
Issued during the year					
- Exercise of employee options		**1,215,000**	**2,204**	1,680,000	760
- Acquisition consideration	29	**269,124**	**2,750**	-	-
End of the financial year		**83,052,532**	**26,017**	81,568,408	21,063

16. CONTRIBUTED EQUITY (cont'd)

(b) Share options

Options over ordinary shares

During the financial year, 190,000 options were issued over ordinary shares. 25% of these options are exercisable between 1 January 2009 and 31 January 2009 at an exercise price of $9.06. A further 25% of the options are exercisable between 1 January 2010 and 31 January 2010 at the same exercise price, with the balance of 50% of these options exercisable between 1 January 2011 and 31 January 2011 at the exercise price of $9.06.

At the end of the year there were 3,885,000 (2006: 4,930,000) unissued ordinary shares in respect of which options were outstanding (Note 24).

(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	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
17. RESERVES AND RETAINED EARNINGS					
Capital profits reserve	17(a)	**-**	678	**-**	-
Asset revaluation reserve	17(b)	**-**	492	**-**	3,907
Foreign currency translation reserve	17(c)	**6**	(186)	**-**	-
Share-based payment reserve	17(d)	**1,315**	744	**1,315**	744
		1,321	1,728	**1,315**	4,651
Retained earnings	17(e)	**63,143**	39,343	**50,695**	27,169

(a) Capital profits reserve

(i) Nature and purpose of reserve

The capital profits reserve is used to accumulate realised capital profits. The reserve can be used to pay dividends or issue bonus shares.

(ii) Movements in reserve				
Balance at beginning of year	**678**	678	**-**	-
Transferred to retained earnings	**(678)**	-	**-**	-
Balance at end of year	**-**	678	**-**	-

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
17. RESERVES AND RETAINED EARNINGS (cont'd)					
(b) Asset revaluation reserve					
(i) Nature and purpose of reserve					
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.					
(ii) Movements in reserve					
Balance at beginning of year		**492**	492	**3,907**	3,907
Transferred to retained earnings		**(492)**	-	**(3,907)**	-
Balance at end of year		**-**	492	**-**	3,907
(c) Foreign currency translation reserve					
(i) Nature and purpose of reserve					
The foreign currency translation reserve is used to record exchange differences arising from translation of the financial statements of foreign subsidiaries.					
(ii) Movements in reserve					
Balance at beginning of year		**(186)**	-	**-**	-
Currency translation differences		**192**	(186)	**-**	-
Balance at end of year		**6**	(186)	**-**	-
(d) Share-based payment reserve					
(i) Nature and purpose of reserve					
The share based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 24 for further details of these plans.					
(ii) Movements in reserve					
Balance at beginning of year		**744**	220	**744**	220
Share based payments expense		**571**	524	**571**	524
Balance at end of year		**1,315**	744	**1,315**	744

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
17. RESERVES AND RETAINED EARNINGS (cont'd)					
(e) Retained earnings					
Balance at the beginning of the year		**39,343**	24,478	**27,169**	15,942
Transferred from capital profits reserve		**678**	-	**-**	-
Transferred from asset revaluation reserve		**492**	-	**3,907**	-
Net profit attributable to members of Monadelphous Group Limited		**60,418**	29,396	**57,407**	25,758
Total available for appropriation		**100,931**	53,874	**88,483**	41,700
Dividends paid		**(37,788)**	(14,531)	**(37,788)**	(14,531)
Balance at end of year		**63,143**	39,343	**50,695**	27,169
18. CASH FLOW STATEMENT					
(a) Reconciliation of net profit after tax to the net cash flows from operations					
Net profit		**60,418**	29,396	**57,407**	25,758
Non cash items					
Depreciation of non-current assets		**10,390**	7,510	**-**	-
Net profit on sale of property, plant and equipment		**(804)**	(1,143)	**-**	-
Dividends received from subsidiary		**-**	-	**(54,212)**	(25,000)
Share-based payment expense		**571**	524	**571**	524
Unrealised foreign exchange gain		**581**	(104)	**-**	-
Changes in assets and liabilities					
(Increase)/decrease in receivables		**(11,845)**	(30,356)	**(114)**	1
(Increase)/decrease in prepayments		**(130)**	118	**-**	-
(Increase)/decrease in inventories		**3,729**	(11,631)	**-**	-
(Increase)/decrease in deferred tax assets		**(3,882)**	(3,220)	**52**	(53)
(Increase)/decrease in investment in joint ventures		**(107)**	341	**-**	-
Increase/(decrease) in payables		**19,252**	60,484	**(30,554)**	(14,849)
Charges to provisions		**13,823**	9,220	**-**	-
Increase in current tax liability		**5,104**	5,180	**6,201**	5,075
Increase/(decrease) in deferred tax liabilities		**(792)**	521	**-**	-
Net cash flows from/(used in) operating activities		**96,308**	66,840	**(20,649)**	(8,544)

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
18. CASH FLOW STATEMENT (cont'd)					
(b) For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:					
Cash balances comprises					
- Cash at bank		**64,851**	35,370	**57,065**	30,301
- Short term deposits		**36,513**	26,280	**36,513**	26,280
		101,364	61,650	**93,578**	56,581
(c) Financing facilities available					
At balance date the following financing facilities had been negotiated and were available					
Total facilities:					
- Bank guarantee and insurance bonds		**145,000**	72,544	**145,000**	72,544
- Revolving credit		**54,593**	49,485	**54,593**	49,485
		199,593	122,029	**199,593**	122,029
Facilities used at balance date:					
- Bank guarantee and insurance bonds		**70,240**	58,683	**70,240**	58,683
- Revolving credit		**27,486**	26,371	**27,486**	26,371
		97,726	85,054	**97,726**	85,054
Facilities unused at balance date:					
- Bank guarantee and insurance bonds		**74,760**	13,861	**74,760**	13,861
- Revolving credit		**27,107**	23,114	**27,107**	23,114
		101,867	36,975	**101,867**	36,975

(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 $10,208,111 (2006: $15,672,466).

19. CHANGE IN COMPOSITION OF ENTITY

On 30 March 2007, Monadelphous Group Limited acquired Ellavale Engineering Pty Ltd with a share capital of $10,000 (see note 29).

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
20. COMMITMENTS AND CONTINGENCIES					
(a) Hire purchase commitments					
Payable:					
- Not later than one year		**11,966**	9,615	**-**	-
- Later than one year but not later than five years		**17,717**	19,327	**-**	-
Minimum lease payments		**29,683**	28,942	**-**	-
Less future finance charges		**(2,557)**	(2,572)	**-**	-
Present value of minimum lease payments		**27,126**	26,370	**-**	-
Current liability	14	**10,475**	8,091	**-**	-
Non-current liability	14	**16,651**	18,279	**-**	-
		27,126	26,370	**-**	-

Hire purchase agreements have an average term of 3 years.

(b) Operating lease commitments				
Minimum lease payments				
- Not later than one year	**7,931**	5,544	**-**	-
- Later than one year but not later than five years	**9,747**	7,201	**-**	-
- Aggregate lease expenditure contracted for at balance date but not provided for	**17,678**	12,745	**-**	-

Operating leases have an average lease term of 3 years. Assets which are the subject of operating leases include motor vehicles, cranes and properties.

(c) Capital commitments

The consolidated group has capital commitments of $2,405,625 at 30 June 2007 (2006: $4,922,912).

(d) Guarantees

Guarantees given to various clients for satisfactory contract performance	**70,240**	58,683	**70,240**	58,683

20. COMMITMENTS & CONTINGENCIES (cont'd)

Monadelphous Group Limited and all controlled entities marked * in Note 27 have entered into a deed of cross guarantee pursuant to the ASIC Class Order made on 12 April 1995, 3 July 2001, 30 June 2005 and 29 June 2007 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.

Effective 6 June 2007, Skystar Airport Services Pty Ltd was removed from the deed.

(e) Contingent liabilities

There are no contingent liabilities.

21. SEGMENT INFORMATION

Revenue is derived by the consolidated entity from the provision of engineering services to the resources, energy and infrastructure industry sector. For the year ended 30 June 2007, the Engineering Construction division contributed revenue of $657.5 million, Maintenance and Industrial Services division contributed revenue of $262.5 million, Electrical and Instrumentation Services contributed revenue of $71.8 million and Skystar Airport Services contributed revenue of $19.2 million. Included in these amounts is $47.3 million of inter-entity revenue, which is eliminated on consolidation. The Electrical and Instrumentation Services division and Skystar Airport Services are not considered material for segment reporting.

The directors do not believe that it is practicable to provide further analysis of the results by reporting division for the following reasons:

- The significant divisions perform similar services for the same industry sector;
- The divisions utilise a centralised pool of engineering assets and shared services; and
- The migrant nature of employees between divisions.

The aforementioned points do not support the creation of reportable segments within the business. The two significant divisions are exposed to similar risks and rewards from operations and are only segmented to facilitate appropriate management structures.

The consolidated entity operates predominately within the one business segment in one geographical segment, namely Australia.

22. ECONOMIC DEPENDENCY

The consolidated entity does not have any economic dependency with any one client or group of clients.

23. EARNINGS PER SHARE

	2007 $'000	2006 $'000
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net profit attributable to ordinary equity holders of the parent	**60,418**	29,396
Earnings used in calculation of basic and diluted earnings per share	**60,418**	29,396

23. EARNINGS PER SHARE (cont'd)

	2007 No.	2006 No.
No. of Shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	**82,136,294**	80,578,819
Effect of dilutive securities		
Share options	**2,801,589**	2,816,335
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**84,937,883**	83,395,154

Conversions, calls, subscriptions or issues after 30 June 2007:

Since the end of the financial year, holders of nil employee options have exercised the rights of conversion to acquire ordinary shares.

24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Share-based Payment Plan (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 is currently 1 director and 64 employees participating in this scheme.

Information with respect to the number and weighted average exercise prices of and movements in options granted under the Equity Based Compensation Scheme is as follows:

	2007		2006	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at the beginning of the year	**4,930,000**	**$2.14**	6,430,000	$1.52
- Granted during the year	**190,000**	**$9.06**	440,000	$4.71
- Forfeited during the year	**(20,000)**	**$4.71**	(260,000)	$2.16
- Exercised during the year	**(1,215,000)**	**$1.81**	(1,680,000)	$0.45
Balance at the end of the year	**3,885,000**	**$2.56**	4,930,000	$2.14
- Exercisable during the next year	**1,265,000**	**$2.10**	1,215,000	$1.81

The weighted average share price at the date of exercise of options was $9.36 (2006: $5.75).

The fair value of each option issued during the current and previous year is estimated on the date of grant using a Binomial option-pricing model. The following weighted average assumptions were used for grants made in January 2007 and 2006:

	2007	**2006**
Dividend yield	4.00%	4.00%
Expected volatility	35.00%	35.00%
Historical volatility	35.00%	35.00%
Risk-free interest rate	6.10%	5.20%
Expected life of option	25% - 2 years	25% - 2 years
	25% - 3 years	25% - 3 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. No other features of options granted were incorporated into the measurement of fair value.

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

The resulting weighted average fair values for options outstanding at 30 June 2007 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option
100,000	29/01/2004	31/01/2008	$0.09
3,195,000	31/01/2005	31/01/2009	$0.29
400,000	19/01/2006	31/01/2010	$1.31
190,000	31/01/2007	31/01/2011	$2.16

The share based payments expensed for the 2007 financial year was $571,042 (2005: $524,191).

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:

	2007	2006
Grant date	31/01/2007	19/01/2006
Vesting date	25% - 01/01/2009	25% - 01/01/2008
	25% - 01/01/2010	25% - 01/01/2009
	50% - 01/01/2011	50% - 01/01/2010

	2007	2006
Expiry date	25% - 31/01/2009	25% - 31/01/2008
	25% - 31/01/2010	25% - 31/01/2009
	50% - 31/01/2011	50% - 31/01/2010
Weighted average exercise price	$9.06	$4.71

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 2007:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price
100,000	29/01/2004	01/01/2008	31/01/2008	$1.14
1,065,000	31/01/2005	01/01/2008	31/01/2008	$1.95
2,130,000	31/01/2005	01/01/2009	31/01/2009	$1.95
100,000	19/01/2006	01/01/2008	31/01/2008	$4.71
100,000	19/01/2006	01/01/2009	31/01/2009	$4.71
200,000	19/01/2006	01/01/2010	31/01/2010	$4.71
47,500	31/01/2007	01/01/2009	31/01/2009	$9.06
47,500	31/01/2007	01/01/2010	31/01/2010	$9.06
95,000	31/01/2007	01/01/2011	31/01/2011	$9.06

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

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.

25. KEY MANAGEMENT PERSONNEL

(a) Details of Specified Key Management Personnel

(i) Directors

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

(ii) Executives

D. Foti	Executive General Manager, Engineering Construction
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 Key Management Personnel

(i) Remuneration Policy

This policy 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.

25. KEY MANAGEMENT PERSONNEL (cont'd)

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 21 November 2006 when shareholders approved an aggregate remuneration of $200,000 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.

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 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.

25. KEY MANAGEMENT PERSONNEL (cont'd)

The proportion of fixed remuneration and variable remuneration is established for each member of the executive management team by the Remuneration Committee.

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 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.

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 executives 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.

25. KEY MANAGEMENT PERSONNEL (cont'd)

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 2007 are detailed in Note 25 (e). All executives are eligible to participate in the Monadelphous Group Limited Option Plan.

(ii) Compensation of Key Management Personnel

		Short Term Benefits			**Post Employment**		**Share Based Payments**	**Other**	**Total**	**Total Performance Related**
Directors		Salary & Fees	Cash Bonuses STI	Non Monetary Benefits	Superannuation	Retirement Benefits	Options LTI			%
C. G. B. Rubino										
	2007	202,200	-	7,131	-	-	-	-	209,331	-
	2006	234,596	-	6,915	12,199	-	-	-	253,710	-
R. Velletri										
	2007	421,070	100,000	11,294	12,687	-	48,475	-	593,526	25.02%
	2006	366,890	50,000	10,302	12,199	-	68,040	-	507,431	23.26%
I. Tollman										
	2007	30,000	-	386	-	-	-	-	30,386	-
	2006	30,000	-	425	-	-	-	-	30,425	-
P. J. Dempsey										
	2007	50,000	-	643	-	-	-	-	50,643	-
	2006	50,000	-	708	-	-	-	-	50,708	-
Total Remuneration: Directors										
	2007	703,270	100,000	19,454	12,687	-	48,475	-	883,886	
	2006	681,486	50,000	18,350	24,398	-	68,040	-	842,274	

25. KEY MANAGEMENT PERSONNEL (cont'd)

		Short Term Benefits			Post Employment		Share Based Payments	Other	Total	Total Performance Related
Executives		Salary & Fees	Cash Bonuses STI	Non Monetary Benefits	Super-annuation	Retirement Benefits	Options LTI			%
D. Foti										
	2007	329,242	80,000	8,825	12,666	-	25,853	-	456,586	23.18%
	2006	277,128	80,000	7,766	12,120	-	36,014	-	413,028	28.09%
A. Erdash										
	2007	278,938	35,000	7,412	12,666	-	18,158	-	352,174	15.09%
	2006	246,566	20,000	6,868	12,120	-	27,359	-	312,913	15.13%
M. Jansen										
	2007	263,870	35,000	6,940	12,666	-	16,158	6,590	341,224	14.99%
	2006	223,063	20,000	5,876	12,139	-	24,050	2,879	288,007	15.29%
G. Everist										
	2007	262,748	35,000	6,965	12,687	-	19,228	-	336,628	16.11%
	2006	225,166	20,000	6,247	12,120	-	24,850	-	288,383	15.55%
Total Remuneration: Executives										
	2007	1,134,798	185,000	30,142	50,685	-	79,397	6,590	1,486,612	
	2006	971,923	140,000	26,757	48,499	-	112,273	2,879	1,302,331	
Total Remuneration: Directors and Executives										
	2007	1,838,068	285,000	49,596	63,372	-	127,872	6,590	2,370,498	
	2006	1,653,409	190,000	45,107	72,897	-	180,313	2,879	2,144,605	

(iii) Compensation by category: Key Management Personnel

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Short Term Benefits	**2,172,664**	1,888,516	**-**	-
Post Employment	**63,372**	72,897	**-**	-
Share Based Payments	**127,872**	180,313	**-**	-
Other	**6,590**	2,879	**-**	-
	2,370,498	2,144,605	**-**	-

25. KEY MANAGEMENT PERSONNEL (cont'd)

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

During the financial year ended 30 June 2007, no options were granted as equity compensation benefits to key management personnel neither were any options granted during the financial year ended 30 June 2006.

All options that vested during the year were exercised and are disclosed in Note 25(d).

(d) Shares issued on exercise of compensation options

30 June 2007	Shares issued Number	Paid $ per share	Unpaid $ per share
Directors			
R. Velletri	150,000	$1.95	-
Executives			
D. Foti	80,000	$1.95	-
M. Jansen	50,000	$1.95	-
A. Erdash	150,000	$1.12	-
G. Everist	100,000	$1.54	-
Total	530,000		

30 June 2006	Shares issued Number	Paid $ per share	Unpaid $ per share
Directors			
R. Velletri	400,000	0.42	-
Executives			
D. Foti	200,000	0.42	-
M. Jansen	200,000	0.42	-
A. Erdash	150,000	0.52	-
G.Everist	50,000	1.14	
Total	1,000,000		

25. KEY MANAGEMENT PERSONNEL (cont'd)

(e) Option holdings of key management personnel

	Balance at beginning of period 1 July 2006	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of period 30 June 2007
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	600,000	-	(150,000)	-	450,000
I. Tollman	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
Executives					
D. Foti	320,000	-	(80,000)	-	240,000
A. Erdash	300,000	-	(150,000)	-	150,000
M. Jansen	200,000	-	(50,000)	-	150,000
G. Everist	350,000	-	(100,000)	-	250,000
Total	1,770,000	-	(530,000)	-	1,240,000

	Balance at beginning of period 1 July 2005	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of period 30 June 2006
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	1,000,000	-	(400,000)	-	600,000
I. Tollman	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
Executives					
D. Foti	520,000	-	(200,000)	-	320,000
A. Erdash	450,000	-	(150,000)	-	300,000
M. Jansen	400,000	-	(200,000)	-	200,000
G. Everist	400,000	-	(50,000)	-	350,000
Total	2,770,000	-	(1,000,000)	-	1,770,000

25. KEY MANAGEMENT PERSONNEL (cont'd)

(f) Shareholdings of key management personnel

Shares held in Monadelphous Group Limited	Balance 1 July 2006	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2007
Directors					
C. G. B. Rubino	4,004,000	-	-	-	4,004,000
R. Velletri	1,400,000	-	150,000	-	1,550,000
I. Tollman	706,152	-	-	(38,566)	667,586
P. J. Dempsey	58,000	-	-	10,000	68,000
Executives					
D. Foti	326,816	-	80,000	-	406,816
A. Erdash	232,000	-	150,000	(138,069)	243,931
M. Jansen	426,244	-	50,000	(150,000)	326,244
G. Everist	60,000	-	100,000	9,869	169,869
Total	7,213,212	-	530,000	(306,766)	7,436,446

Shares held in Monadelphous Group Limited	Balance 1 July 2005	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2006
Directors					
C. G. B. Rubino	8,004,000	-	-	(4,000,000)	4,004,000
R. Velletri	1,400,000	-	400,000	(400,000)	1,400,000
I. Tollman	756,152	-	-	(50,000)	706,152
P. J. Dempsey	48,000	-	-	10,000	58,000
Executives					
D. Foti	1,154,816	-	200,000	(1,028,000)	326,816
A. Erdash	132,000	-	150,000	(50,000)	232,000
M. Jansen	356,244	-	200,000	(130,000)	426,244
G. Everist	-	-	50,000	10,000	60,000
Total	11,851,212	-	1,000,000	(5,638,000)	7,213,212

(g) Loans to key management personnel

(i) Details of aggregates of loans to key management personnel are as follows:

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

(h) Other transactions and balances with key management personnel

There were no other transactions and balances with key management personnel.

	Notes	Consolidated		Monadelphous Group Limited	
		2007	2006	**2007**	2006
		$	$	**$**	$
26. AUDITORS' REMUNERATION					
The auditor of Monadelphous Group Limited is Ernst & Young.					
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		**166,430**	142,670	**7,500**	7,500
- Other services in relation to the entity and any other entity in the consolidated entity					
- tax compliance		**186,379**	177,286	**5,178**	78,432
		352,809	319,956	**12,678**	85,932

27. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Monadelphous Group Limited and subsidiaries:

Name	Country of Incorporation	Percentage held by consolidated entity		Parent Entity Investment	
		2007	2006	**2007**	2006
		%	%	**$'000**	$'000
Parent:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
*Monadelphous Engineering Associates Pty Ltd	Australia	100	100	**13,664**	13,664
Skystar Airport Services Pty Ltd	Australia	100	100	**423**	423
*Monadelphous Properties Pty Ltd	Australia	100	100	**1,941**	1,941
*Monadelphous Engineering Pty Ltd	Australia	100	100	**1,969**	1,969
*Genco Pty Ltd	Australia	100	100	**342**	342
*Monadelphous Workforce Pty Ltd	Australia	100	100	**370**	370
*MBF Workforce Pty Ltd	Australia	100	100	**215**	215
*MI & E Holdings Pty Ltd	Australia	100	100	**4,516**	4,516
*Ellavale Engineering Pty Ltd	Australia	100	-	**9,844**	-
Monadelphous PNG Ltd	Papua New Guinea	100	100	**-**	-
Skystar Airport Services Holdings Pty Ltd	Australia	100	100	**-**	-
Skystar Airport Services NZ Pty Ltd	New Zealand	100	100	**-**	-
				33,284	23,440

* Controlled entities subject to the Class Order

Pursuant to 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, 30 June 2005 and 29 June 2007. 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.

Effective 6 June 2007, Skystar Airport Services Pty Ltd was removed from the deed.

The consolidated income statement and balance sheet of the entities that are members of the "Closed Group" are as follows:

	CLOSED GROUP	
	2007	2006
	$'000	$'000
Consolidated Income Statement		
Profit before income tax	**85,709**	41,950
Income tax expense	**(25,935)**	(12,721)
Net profit after tax for the period	**59,774**	29,229
Retained earnings at the beginning of the period	**39,176**	24,478
Adjust for Skystar Airport Services Pty Ltd accumulated losses	**638**	-
Transferred from capital profits reserve	**678**	-
Transferred from asset revaluation reserve	**492**	-
Dividends paid	**(37,788)**	(14,531)
Retained earnings at the end of the period	**62,970**	39,176

27. RELATED PARTY DISCLOSURES (cont'd)

	CLOSED GROUP	
	2007	2006
	$'000	$'000
Consolidated Balance Sheet		
ASSETS		
Current assets		
Cash and cash equivalents	**97,596**	59,721
Trade and other receivables	**92,021**	81,693
Inventories	**11,772**	16,251
Other	**45**	-
Total current assets	**201,434**	157,665
Non-current assets		
Trade and other receivables	**5,147**	1,605
Other financial assets	**463**	-
Property, plant and equipment	**55,746**	46,852
Deferred tax assets	**10,006**	6,612
Goodwill	**3,285**	2,311
Investments accounted for using the equity method	**107**	-
Total non-current assets	**74,754**	57,380
TOTAL ASSETS	**276,188**	215,045
LIABILITIES		
Current liabilities		
Trade and other payables	**107,527**	94,396
Interest bearing loans and borrowings	**10,557**	8,092
Income tax payable	**14,793**	8,592
Provisions	**34,200**	21,660
Total current liabilities	**167,077**	132,740
Non-current liabilities		
Interest bearing loans and borrowings	**16,929**	18,279
Provisions	**1,880**	1,873
Deferred tax liabilities	**-**	-
Total non-current liabilities	**18,809**	20,152
TOTAL LIABILITIES	**185,886**	152,892
NET ASSETS	**90,302**	62,153
EQUITY		
Contributed equity	**26,017**	21,063
Reserves	**1,315**	1,914
Retained earnings	**62,970**	39,176
TOTAL EQUITY	**90,302**	62,153

27. RELATED PARTY DISCLOSURES (cont'd)

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 $279,681,427 (2006: $164,192,390). Loans to Monadelphous PNG Limited and Skystar Airport Services NZ Pty Ltd totalling $5,299,633 are interest bearing and repayable over 4 years. Other loans to wholly owned controlled entities totalling $274,381,794 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 $313,475,627 (2006: $182,681,722). The amounts are interest free and repayable on demand.

Ultimate parent

Monadelphous Group Limited is the ultimate holding company.

28. EVENTS AFTER THE BALANCE SHEET 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.

29. BUSINESS COMBINATION

Acquisition of Ellavale Engineering Pty Ltd

On 30 March 2007, Monadelphous Group Limited acquired 100% of the voting shares of Ellavale Engineering Pty Limited, an unlisted public company specialising in dragline and shovel maintenance, servicing the New South Wales coal industry.

The total cost of the combination was $9,843,982 and comprised an issue of equity instruments, the payment of cash, deferred cash consideration and costs directly attributable to the combination. The Group issued 269,124 ordinary shares with a fair value of $10.22 each, based on the quoted price of the shares of Monadelphous Group Limited at the date of exchange.

29. BUSINESS COMBINATION (cont'd)

The fair value of the identifiable assets and liabilities of Ellavale Engineering Pty Ltd at the date of acquisition were:

	CONSOLIDATED	
	Recognised on acquisition $'000	Carrying value $'000
Property, plant & equipment	5,948	3,812
Deferred tax asset	119	119
Cash and cash equivalents	3,923	3,923
Trade and other receivables	2,309	2,309
Inventories	402	402
Other	49	49
	12,750	10,614
Trade and other payables	987	987
Income tax payable	1,169	1,169
Interest bearing liabilities	480	480
Provisions	407	407
Deferred tax liabilities	837	196
	3,880	3,239
Fair Value of identifiable net assets	8,870	
Goodwill arising on acquisition	974	
	9,844	
Cost of Combination:		
Shares issued, at fair value	2,750	
Cash paid	6,766	
Cash deferred	250	
Costs associated with the acquisition	78	
Total cost of combination	9,844	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	3,923	
Cash Paid	(6,766)	
Net cash outflow	(2,843)	

From the date of acquisition, Ellavale Engineering Pty Ltd has contributed $144,384 to the net profit of the Group.

If the combination had taken place at the beginning of the year, the profit for the Group would have been $63.1m and revenue from continuing operations would have been $980.2m.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL INSTRUMENTS DISCLOSURE

The Group's principal financial instruments comprise bank loans, finance leases and hire purchase contracts, and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments be undertaken. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(a) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 30 June 2007	<1year $'000	>1-<2 years $'000	>2-<3 years $'000	>3-<4 years $'000	>4-<5 years $'000	>5 years $'000	Total $'000	Weighted average effective interest rate %
CONSOLIDATED								
FINANCIAL ASSETS								
Floating rate								
Cash assets	101,364	-	-	-	-	-	101,364	5.80
Weighted average effective interest rate	5.80						5.80	
FINANCIAL LIABILITIES								
Fixed rate								
Interest bearing liabilities								
Bank loan	82	82	82	82	32	-	360	7.00
Hire Purchase liability	10,475	9,767	6,884	-	-	-	27,126	6.93
Weighted average effective interest rate	6.93	6.93	6.93	7.00	7.00		6.93	

Year ended 30 June 2006	<1year $'000	>1-<2 years $'000	>2-<3 years $'000	>3-<4 years $'000	>4-<5 years $'000	>5 years $'000	Total $'000	Weighted average effective interest rate %
CONSOLIDATED								
FINANCIAL ASSETS								
Floating rate								
Cash assets	61,650	-	-	-	-	-	61,650	5.64
Weighted average effective interest rate	5.64						5.64	
FINANCIAL LIABILITIES								
Fixed rate								
Interest bearing liabilities								
Bank loan	1	-	-	-	-	-	1	6.79
Hire Purchase liability	8,091	8,147	10,132	-	-	-	26,370	6.71
Weighted average effective interest rate	6.71	6.71	6.71				6.71	

Year ended 30 June 2007	<1year $'000	>1-<2 years $'000	>2-<3 years $'000	>3-<4 years $'000	>4-<5 years $'000	>5 years $'000	Total $'000	Weighted average Effective interest rate %
PARENT								
FINANCIAL ASSETS								
Floating rate								
Cash assets	93,578	-	-	-	-	-	93,578	5.80
Amounts receivable from controlled entities	-	-	-	5,299	-	-	5,299	9.85
Weighted average effective interest rate	5.80			9.85			6.02	

Year ended 30 June 2006	<1year $'000	>1-<2 years $'000	>2-<3 years $'000	>3-<4 years $'000	>4-<5 years $'000	>5 years $'000	Total $'000	Weighted average Effective interest rate %
PARENT								
FINANCIAL ASSETS								
Floating rate								
Cash assets	56,581	-	-	-	-	-	56,581	5.49
Weighted average effective interest rate	5.49						5.49	

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL INSTRUMENTS DISCLOSURE (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:

CONSOLIDATED	**CARRYING AMOUNT**		**AGGREGATE NET FAIR VALUE**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
FINANCIAL ASSETS				
Cash	**101,364**	61,650	**101,364**	61,650
Other debtors	**2,183**	596	**2,183**	596
Receivables – trade	**93,610**	81,043	**93,610**	81,043
Total Financial Assets	**197,157**	143,289	**197,157**	143,289
FINANCIAL LIABILITIES				
Payables	**115,892**	95,401	**115,892**	95,401
Interest bearing liabilities	**360**	1	**360**	1
Hire Purchase liability	**27,126**	26,370	**27,126**	26,370
Total Financial Liabilities	**143,378**	121,772	**143,378**	121,772

PARENT	**CARRYING AMOUNT**		**AGGREGATE NET FAIR VALUE**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
FINANCIAL ASSETS				
Cash	**93,578**	56,581	**93,578**	56,581
Other debtors	**114**	-	**114**	-
Receivables – trade	**-**	-	**-**	-
Amounts receivable from controlled entities	**279,681**	164,192	**279,681**	164,192
Total Financial Assets	**373,373**	220,773	**373,373**	220,773
FINANCIAL LIABILITIES				
Payables	**362**	109	**362**	109
Interest bearing liabilities	**-**	-	**-**	-
Hire Purchase liability	**-**	-	**-**	-
Amounts payable to controlled entities	**313,476**	182,682	**313,476**	182,682
Total Financial Liabilities	**313,838**	182,791	**313,838**	182,791

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL INSTRUMENTS DISCLOSURES (cont'd)

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.

(c) Foreign currency risk

As a result of operations in New Zealand and Papua New Guinea, the Group's balance sheet can be affected by movements in the NZ$/A$ and PNGK/A$ exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

(d) Credit risk exposures

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group. The Group minimises concentrations of credit risk in relation to accounts receivable by undertaking transactions with a large number of customers within the resources, energy and infrastructure industries.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

With respect to credit risk arising from the other financial assets of the Group, which comprises cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group only trades with recognised third parties, there is no requirement for collateral.

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.

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 reviewed during the year ended 30 June 2007 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 7. 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 and Mr I. Tollman are considered to be independent directors.

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	17 years	(Executive Director)
R. Velletri	15 years	(Executive Director)
I. Tollman	15 years	(Non-Executive Director)
P. J. Dempsey	4 years	(Non-Executive Director)

Audit Committee

The Board has 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 31 years experience in the management of risks associated with the industry in which we operate.

C. G. B. Rubino has significant experience in the management of Monadelphous having served as the managing director of Monadelphous for 15 years.

I. Tollman has significant experience in the management of Monadelphous having served as the finance director of Monadelphous for 13 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 16 of the Directors' Report.

CORPORATE GOVERNANCE STATEMENT (cont'd)

Nomination Committee

The Board has a nomination committee which operates under a charter and meets at least annually. The nomination committee is responsible for ensuring 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 16 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 performance against 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.

Remuneration Committee

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 16 of the Directors' Report.

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.

CORPORATE GOVERNANCE STATEMENT (cont'd)

For details on the amount of remuneration and all monetary and non-monetary components for the five executives during the year and for all directors, refer to page 14 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.