MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

FINANCIAL REPORT

30 JUNE 2008

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

Christopher Percival Michelmore
Non-Executive Director

Company Secretaries

Charles Roland Giles Everist
Philip Trueman

Principal Registered Office in Australia

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

Postal Address

PO Box 365
APPLECROSS
Western Australia 6953

Share Registry

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
PERTH
Western Australia 6000
Telephone: 1300 557 010
Facsimile: 08 9323 2033

ASX Code

MND - Fully Paid Ordinary Shares

Auditors

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

Solicitors

Jackson McDonald
Level 25, 140 St Georges Terrace
PERTH
Western Australia 6000

DLA Phillips Fox
Level 32, St Martins Tower
44 St George's Terrace
PERTH
Western Australia 6000

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

Deacons
Level 37, Bankwest Tower
108 St George's Terrace
PERTH
Western Australia 6000

Freehills
Central Plaza 1
345 Queen Street
BRISBANE
Queensland 4000

Bankers

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

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
Moway International Limited
SinoStruct Pty Ltd

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I am pleased to announce that Monadelphous Group Ltd has consolidated its strong financial performance trend over recent years with the achievement of another record profit after tax for the full year ended 30 June 2008.

The company recorded a total profit after tax of $69.6 million, up 15.1 per cent on the previous corresponding period. The result was impacted by a one off profit after tax contribution of $3.4 million from the divestment in January 2008 of the Brisbane and Perth international turnaround operations of subsidiary Skystar Airport Services Pty Ltd. The normalised profit after tax of $66.2 million was 9.5 per cent up on the previous corresponding period.

Total reported earnings per share were up 13.1 per cent to 83.2 cents, with normalised earnings up 7.5 per cent to 79.1 cents per share. The board has declared a final dividend of 43 cents per share fully franked, taking the total 2007/08 full year dividend payout to 72 cents per share fully franked, a 9.1 per cent increase on the 2006/07 reporting period.

Margins improved from continuing strong market conditions and strong operational performance, as well as the high value of completed projects during the year. Earnings before interest, tax, depreciation and amortisation were up 11.1 per cent to $104.5 million, on a normalised basis.

As forecast in Monadelphous' annual results announcement in August 2007, construction revenues softened this year due to the predicted ramping down of a number of major projects together with timing effects and delays of new projects coming to market, due principally to industry capacity constraints. As a result, sales revenue for the year was flat at $954.0 million, down 1.0 per cent from the previous corresponding period.

While Engineering Construction revenue was down 12.4 per cent to $576.0 million, the Maintenance and Industrial Services division's revenue was up 20.6 per cent to $316.7 million – now constituting a third of total group turnover.

The company continued to enjoy strong demand conditions from the resources and energy sectors with all major customers driving to expand their operations. The company's strong position in the mining and minerals processing sector and its strengthening position in the oil and gas sector have continued to provide significant opportunities for both its Engineering Construction and Maintenance and Industrial Services divisions.

A key highlight of the reporting period was the high volume of contracts won. More than $900 million of new contracts and contract extensions were secured across a number of market sectors.

A particularly significant milestone was the awarding to Monadelphous by BHP Billiton of a $290 million construction contract for structural, mechanical and piping works for the Newman Hub Project - the largest ever contract won by the company. The work is associated with the Rapid Growth Project 4 in the northwest of Western Australia.

Also significant was the company's strengthening position in the oil and gas sector with over $200 million of new contracts won during the period in this important market.

These projects provide ongoing momentum and a strong forward workload moving into the 2008/09 financial year.

Another major highlight during the reporting period was the company's strong performance in health and safety. The positive improvement trend of recent years continued in 2007/08, with a very pleasing 32 per cent reduction in injury frequency rates. The company is continuing to invest in education and training programs at all levels, as well as further developing management systems and tools to support continuous improvement in this vital area.

Strategies to Expand Capacity

The company continued to experience the impact of industry wide capacity constraints, with most projects experiencing delays due to critical shortages in professional engineering and skilled labour workforces. Sustaining growth in this capacity constrained environment will require a more innovative approach to project delivery.

In order to meet the challenges of a labour constrained environment, the company announced in its half year report that it had embarked on a number of new strategies. These strategies have now been progressed, as follows:

- Accessing overseas supply chains and developing a global supply capability will be key to meeting the future demands of customers. In its first major venture overseas, the company established a supply office in Beijing to source fabricated steel products and specialist engineering services for projects in Australia. Newly established subsidiary SinoStruct Pty Ltd successfully commenced operations in China in the second half, sourcing fabricated products from a number of centres in western China. The first fabricated products and services have since been supplied through the new operation in China to projects in Australia.

- Coupled with the China strategy, the company is maximising offshore fabrication and assembly capacity while increasing the modularisation of components to optimise the productivity of the Australian workforce.

- To help make Monadelphous an employer of choice, a ten year strategic partnership has been established with the University of Western Australia to develop an innovative engineering education and training facility – the *Monadelphous Integrated Learning Centre*. This initiative is aimed at addressing the increased demand for engineers and producing more job-ready engineering graduates which the company can potentially tap into as an additional resource for new skilled employees.

Management and Development

Twelve months ago the company anticipated that 2007/08 was to be a year of consolidation. Central to this consolidation story has been a strategic review of the business to ensure the organisational framework and priorities will support market development over the next five years.

Flowing from the comprehensive review, a number of key changes have been made to Monadelphous' divisional management structures which have redirected their focus to better support business growth objectives.

Across all divisions there is a clear mandate to maximise growth in core markets, diversify into new markets and utilise acquisitions to support strategic development.

The board believes Monadelphous is on the right track to grow the business and expand capabilities and capacity in order to achieve the company's long term growth objectives.

The Engineering Construction division has expanded its management structure. A customer market sector based structure has been established with key people appointed to focus on separate markets for:

- iron ore;
- mineral processing;
- oil and gas; and
- water

A new business development unit to focus on emerging markets has also been established.

The Maintenance and Industrial Services division has continued to develop its regional structure expanding its footprint further into New South Wales, and northern Queensland, with new bases opened in Townsville and Mackay. The geographic markets expansion continued with a major office also being established in Adelaide to pursue the growing opportunities in the resources sector in South Australia.

The organisational plan will also see the development of a focussed central Business Services Group to more efficiently and effectively provide functional support services to the operations.

Planning for future office accommodation and associated infrastructure has also received considerable attention this year. In July 2008, the company signed a 12 year lease agreement for new premises to accommodate its Applecross head office and all other Perth based operations which are currently spread over four locations. The new premises, which are currently under construction, are located in Victoria Park on the doorstep of Perth city. They are due to be available for occupation early in 2010.

The company continued to focus on its most important strategy in 2007/08 – its people recruitment and retention drive.

With skills shortages continuing to plague the industry, the company has initiated proactive strategies aimed at attraction and retention of key people. Overseas and graduate recruitment, up skilling and staff development programs continue to take priority.

Ongoing development of innovative strategies around recruitment and retention will take an even higher priority in the coming year.

Engineering Construction

After a major surge in construction revenue from a large wave of major contracts in 2006/07, the Engineering Construction division recorded sales revenue of $576.0 million in 2007/08, a decrease of 12.4 per cent on the previous corresponding period.

As previously reported, the lower revenue reflects the unusual number of large projects ramping down, together with timing effects from delays on new projects coming on stream.

The division substantially completed a number of large projects associated with iron ore expansions in the north west of Western Australia during the year, including:

- Structural and mechanical construction works for Rio Tinto Iron Ore's Dampier Port Upgrade Phase B project.
- 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.
- Structural and mechanical construction of iron ore facilities at Mining Area C associated with BHP Billiton's Iron Ore's RGP3.
- Structural and mechanical works for the refurbishment of a rail car dumper associated with BHP Billiton Iron Ore's RGP3.
- Structural, mechanical and piping works for the Finucane Island Stockyard Upgrade associated with BHP Billiton Iron Ore's Rapid Growth Project 4 (RGP4).
- Upgrade of the Yandi Sample Station for BHP Billiton Iron Ore's RGP4.

Other significant milestone contracts during the period included: the completion of structural, mechanical and piping works associated with BHP Billiton's Ravensthorpe Nickel Project in the south-east of Western Australia; and completion of the Wyndham Water Treatment Plant in the far northern Kimberley region for WA's Water Corporation – the company's first water industry project.

The division announced around $700 million of new major construction contracts during the period from a broader base of resource and infrastructure sectors including iron ore, coal, gold, oil and gas, and water.

Major projects in progress at the end of the period included:

- Construction of the Bargara waste water treatment plant upgrade for the Burnett Shire Council in Queensland.

- Structural, mechanical and piping works associated with the Newmont/Anglo Boddington Gold Mine Project in Western Australia.

- Structural, mechanical and electrical works associated with the Dalrymple Bay Coal Terminal (DBCT) expansion in Queensland.

- Structural, mechanical and piping works associated with Rio Tinto Iron Ore's Cape Lambert Upgrade 80MTPA Project in Western Australia.

- Structural, mechanical and piping works associated with Oxiana's Prominent Hill Gold Mine Project in South Australia.

- Construction of the onshore gas treatment plant associated with ENI's Blacktip Development Project in the Northern Territory.

- Construction of the Lake Cathie Sewerage Treatment Plant for the Macquarie Shire in New South Wales.

- Structural, mechanical and piping works at the Newman Hub associated with BHP Billiton Iron Ore's RGP4 in Western Australia.

Maintenance and Industrial Services

The Maintenance and Industrial Services division continued its growth trend recording sales revenue of $316.7 million, an increase of 20.6 per cent on the previous corresponding period. The division continued to capitalise on healthy market conditions with a solid performance across the board.

The year featured the award of over $200 million worth of new long term contracts and contract extensions. In particular the division was successful in winning work with new major customers in the oil and gas and coal sectors.

Highlights of the period included:

- Three year contract for the provision of capital works and turnaround management for new oil and gas customer BP Australia at their Kwinana Refinery, near Perth in Western Australia.

- Five year services contract for the provision of mechanical, electrical and instrumentation services for capital improvement projects at BP Bulwer Island Refinery in Queensland.

- Contract for an initial period of 12 months for the provision of mechanical, structural and electrical maintenance services for Anglo Coal's Dawson mine in Queensland.

- An initial maintenance services contract at BHP Billiton's Ravensthorpe Nickel Project in Western Australia.

- Three year contract for the provision of mechanical and electrical minor capital works at BHP Billiton's Worsley Alumina Refinery in Western Australia's south west.

- Two year extension of the maintenance services contract for BHP Billiton's Olympic Dam Operations in South Australia.

- One year extension of contracts for the provision of structural integrity works for Pilbara Iron at their operations at Cape Lambert and Tom Price in Western Australia.

Subsequent to the reporting period, in July 2008 the division also won a long term shutdown alliance contract with Incitec Pivot across their operations in Queensland. The contract, which runs to December 2010, follows on from the success of the shutdown alliance with Incitec Pivot in 2007 for their Gibson Island shutdown in south eastern Queensland.

Electrical and Instrumentation Services

The company's electrical and instrumentation services company, MIE consolidated its position following last financial year's growth spurt. The division recorded sales revenue of $76.0 million, up 5.9 per cent on the previous corresponding period.

Projects carried out during the period included a number of major electrical and instrumentation contracts associated with the expansion of coal handling operations at Gladstone and Dalrymple Bay in Queensland.

A major highlight of the year was the establishment of operations in Western Australia where the division provided electrical and instrumentation services for a number of Engineering Construction division's multi-disciplinary projects.

In March 2008, the company announced that MIE had won its first major project contract in the Western Australian resources market. MIE was awarded a $25 million electrical and instrumentation contract associated with the Boddington Gold Mine Expansion Project.

The award of this contract is a positive reinforcement of the company's decision to expand MIE's operations in Western Australia and will provide a strong foundation for growth available from the long pipeline of opportunities in this market.

Skystar Airport Services

The company's aviation ground handling business Skystar Airport Services recorded sales revenue for the period of $14.7 million. The result was a 23.4 per cent decrease over the previous corresponding period and was impacted by the divestment of a portion of the operations in January 2008.

In December 2007, the company announced the asset sale of a portion of the operations of Skystar Airport Services to Toll Dnata Airport Services Pty Ltd. The assets consisted of the operations in Perth and Brisbane and included ground handling contracts with international carriers Singapore Airlines, Emirates Airline and Royal Brunei Airlines. The sale has resulted in a one off pre tax profit of $4.9 million.

The Skystar Airport Services business continues to operate profitably and is now focussed on growing revenues with Australian carriers.

Outlook

The company has moved into the new financial year with a strong forward workload and positive growth prospects for all divisions of the company.

However, capacity constraints will continue to provide the most significant challenge for the company and the broader industry. The risk of project deferral and delays due to these constraints will continue to provide uncertainty as to the timing of construction revenues.

The outlook for Monadelphous' core markets continues to strengthen. The sustained high level of global demand for Australian resources continues to drive strong market conditions across the entire minerals and energy sectors.

The current high level of resources development activity is expected to increase even further in the coming years. A long and strong pipeline of iron ore, oil and gas and coal expansion projects and Monadelphous' growing stature within a broadening market will provide ongoing opportunities for business growth.

The company is therefore well positioned across a range of commodity segments to play a major role in the expanding opportunities flowing from these large development projects.

Concentrating on earnings quality, winning the people skills war and increasing capacity through more innovative project delivery methods will continue to be key focuses for the company in 2008/09.

Acquisition opportunities aimed at advancing the company's market development and people strategies will also continue to be pursued.

John Rubino
Chairman
18 August 2008

A review of the company's performance over the last six years is as follows:

	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000	2003 $'000
Revenue	958,966	968,419	534,273	391,727	223,415	244,891
Profit before income tax expense	99,749	86,835	42,196	23,860	12,153	10,130
Income tax expense	30,206	26,417	12,800	7,202	3,625	3,060
Profit after income tax expense	69,543	60,418	29,396	16,658	8,528	7,070
Basic earnings per share	83.21	73.56c	36.48c	21.15c	11.13c	9.55c
Interim dividends per share (fully franked)	29.00c	22.00c	9.00c	5.25c	2.75c	2.00c
Special dividends per share (fully franked)	-	15.00c	9.00c	5.00c	-	-
Final dividends per share (fully franked)	43.00c	29.00c	15.00c	9.00c	4.75c	4.25c
Net tangible asset backing per share	117.73c	105.87c	73.34c	54.90c	50.25c	45.75c
Total equity and reserves	101,817	90,481	62,134	46,171	39,271	34,100
Depreciation	12,718	10,390	7,510	5,171	4,230	5,236
Return on equity (%)	68.3	66.8	47.3	36.1	21.7	20.7
EBITDA margin (%)	11.5	9.8	9.2	7.4	7.3	6.3

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 Australian Equivalents to International Financial Reporting Standards. The 2003-2004 comparatives are based on Australian Generally Accepted Accounting Principles.

Your directors submit their report for the year ended 30 June 2008.

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 42 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 29 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 17 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 35 years experience in the construction industry
Christopher Percival Michelmore	*Non-Executive Director* Appointed 1 October 2007 Civil Engineer, Fellow of the Institution of Engineers Australia Member Institution of Structural Engineers, UK 36 years experience in the construction industry

COMPANY SECRETARIES

Charles Roland Giles Everist	*Company Secretary and Chief Financial Officer* Chartered Accountant, Member Institute of Chartered Accountants in England and Wales 14 years experience in the resources, construction and engineering services industries
Philip Trueman	*Company Secretary and Group Financial Controller* Chartered Accountant, Member Institute of Chartered Accountants in Australia and the South African Institute of Chartered Accountants 8 years experience in the construction and engineering services industry

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	3,004,000	Nil
R. Velletri	1,700,000	300,000
I. Tollman	667,586	Nil
P. J. Dempsey	68,000	Nil
C. P. Michelmore	7,664	Nil

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	83.21
Diluted Earnings Per Share	81.21

DIVIDENDS PAID OR DECLARED

	Cents	$'000
Final dividends declared		
▪ on ordinary shares	43.00	36,257
Dividends paid during the year:		
Current year interim		
▪ on ordinary shares	29.00	24,452
Final for 2007		
▪ on ordinary shares	29.00	24,085
Special for 2007		
▪ on ordinary shares	15.00	12,458

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 26 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 electrical and instrumentation, installation, communications and construction services to heavy industry across Australasia.

Skystar Airport Services

Provides airport ground handling and logistics services.

General

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

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

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

Employees

The consolidated entity employed 3,848 employees as of 30 June 2008 (2007: 4,034 employees). Please note the consolidated employee numbers in 2007 include 243 Skystar employees that were subsequently transitioned out of the consolidated entity following the partial divestment of Skystar's international turnaround business on 4 January 2008.

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:

	2008 **$'000**	2007 $'000
Revenue from services	**953,991**	963,717
Profit after income tax	**69,543**	60,418

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 28 November 2007, Monadelphous Group Limited obtained 100% ownership of Moway International Limited, a dormant company incorporated in Hong Kong. In addition, SinoStruct Pty Ltd was incorporated in Australia on 20 December 2007 and is a 100% owned subsidiary of Monadelphous Group Limited.

On 4 January 2008, Monadelphous Group Limited divested part of the operations of its wholly owned subsidiary Skystar Airport Services Pty Ltd to Toll Dnata Airport Services Pty Ltd. The assets consisted of the operations in Brisbane and Perth Airport and included ground handling contracts with international carriers Singapore Airlines, Emirates and Royal Brunei. The sale resulted in a one off pre-tax profit of approximately $4.9 million. The balance of the operations of Skystar Airport Services will continue to operate profitably with the focus of the business now on growing its revenues with Australian carriers.

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 18 August 2008, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2008 financial year. The total amount of the dividend is $36,256,539 which represents a fully franked final dividend of 43 cents per share. This dividend has not been provided for in the 30 June 2008 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 2,570,000 unissued ordinary shares under options as follows:

- 2,110,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $1.95. The options expire on 31 January 2009.
- 270,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $4.71. The options expire between 31 January 2009 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 1,265,000 fully paid ordinary shares at a weighted average exercise price of $2.10. No options have been exercised since the end of the financial year.

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 $73,718 (2007: $53,644).

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 (Audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Managing Director and senior General Managers of the Parent and the Group.

Details of Key Management Personnel (including the five highest paid executives of the Company and the Group)
(i) Directors

C. G. B. Rubino	Chairman
R. Velletri	Managing Director
I. Tollman	Director (Non-Executive)
P. J. Dempsey	Director (Non-Executive)
C. P. Michelmore	Director (Non-Executive) – appointed 1 October 2007

(ii) Executives

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

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.

In determining the levels of remuneration of directors and executives, the Remuneration Committee takes into consideration the performance of the Group and the individual.

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 most recent determination was at the Annual General Meeting held on 27 November 2007 when shareholders approved an aggregate remuneration of $400,000 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.

Non-executive director remuneration (cont'd)

The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration of non-executive directors for the period ending 30 June 2008 is detailed in Table 1 on page 16 of this report.

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:

- Reward executives for Group, business unit and individual performance;
- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Structure

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

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

The proportion of fixed remuneration and variable remuneration is established for each member of the executive management team by the Remuneration Committee. Tables 1 and 2 on pages 16 and 17 of this report detail the proportion of fixed and variable remuneration for each 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 pages 16 and 17 of this report.

Executive remuneration (cont'd)

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.

Structure

LTI grants to executives are delivered at the discretion of the Remuneration Committee in the form of options. During the year ended 30 June 2008, there were no options granted as part of director and executive remuneration. All executives are eligible to participate in the Monadelphous Group Limited Employee Option Plan.

In accordance with the rules of the Monadelphous Group Limited Employee Option Plan, options may only be exercised in specified window periods (or at the discretion of the directors in specified circumstances):

25% 2 years after the options were issued
25% 3 years after the options were issued
50% 4 years after the options were issued

Employment Contracts

All executives have non-fixed term employment contracts. The company or executive may terminate the employment contract by providing 4 weeks written notice. The company may terminate the contract at any time without notice if serious misconduct has occurred.

Company Performance

The profit after tax for the Group for the last six years is as follows:

	2008	**2007**	**2006**	**2005**	**2004**	**2003**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Profit after income tax expense	69,543	60,418	29,396	16,658	8,528	7,070

A review of the company's performance over the last six years has been provided on page 7 of this report.

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2008

	Short Term Benefits			**Post Employment**		**Share Based Payments**	**Other**	**Total**	**Total Perform-ance Related**	**Total Options Related**
	Salary & Fees	Non Monetary	Cash STI	Super-annuation	Retirement Benefits	Options LTI			%	%
Non- Executive Directors										
I. Tollman	30,000	334	-	-	-	-	-	30,334	-	-
P. J. Dempsey	70,000	779	-	-	-	-	-	70,779	-	-
C. P. Michelmore*	35,000	390	-	-	-	-	-	35,390	-	-
Subtotal Non-Executive Directors	**135,000**	**1,503**	**-**	**-**	**-**	**-**	**-**	**136,503**	**-**	**-**
Executive Directors										
C. G. B. Rubino	300,976	7,881	-	-	-	-	-	308,857	-	-
R. Velletri	536,468	16,322	200,000	13,130	-	29,670	-	795,590	28.87%	3.73%
Subtotal Executive Directors	**837,444**	**24,203**	**200,000**	**13,130**	**-**	**29,670**	**-**	**1,104,447**	**20.80%**	**2.69%**
Other Key Management Personnel										
D. Foti	417,941	12,334	125,000	13,130	-	15,824	-	584,229	24.10%	2.71%
A. Erdash	329,230	9,223	60,000	13,130	-	9,890	-	421,473	16.58%	2.35%
G. Everist	322,663	9,027	60,000	13,130	-	11,039	-	415,859	17.08%	2.65%
M. Jansen	313,059	8,879	60,000	13,130	-	9,890	10,907	415,865	16.81%	2.38%
S. Murray	218,641	6,251	30,000	13,130	-	37,131	-	305,153	22.00%	12.17%
Subtotal Other Key Management Personnel	**1,601,534**	**45,714**	**335,000**	**65,650**	**-**	**83,774**	**10,907**	**2,142,579**	**19.55%**	**3.91%**
Total	**2,573,978**	**71,420**	**535,000**	**78,780**	**-**	**113,444**	**10,907**	**3,383,529**	**19.16%**	**3.35%**

* Appointed 1 October 2007

Remuneration of Key Management Personnel (cont'd)

Table 2: Remuneration for the year ended 30 June 2007

	Short Term Benefits			**Post Employment**		**Share Based Payments**	**Other**	**Total**	**Total Perform-ance Related**	**Total Options Related**
	Salary & Fees	Non Monetary	Cash STI	Super-annuation	Retirement Benefits	Options LTI			%	%
Non- Executive Directors										
I. Tollman	30,000	386	-	-	-	-	-	30,386	-	-
P. J. Dempsey	50,000	643	-	-	-	-	-	50,643	-	-
C. P. Michelmore*	-	-	-	-	-	-	-	-	-	-
Subtotal Non-Executive Directors	**80,000**	**1,029**	**-**	**-**	**-**	**-**	**-**	**81,029**	**-**	**-**
Executive Directors										
C. G. B. Rubino	202,200	7,131	-	-	-	-	-	209,331	-	-
R. Velletri	421,070	11,294	100,000	12,687	-	48,475	-	593,526	25.02%	8.17%
Subtotal Executive Directors	**623,270**	**18,425**	**100,000**	**12,687**	**-**	**48,475**	**-**	**802,857**	**18.49%**	**6.04%**
Other Key Management Personnel										
D. Foti	329,242	8,825	80,000	12,666	-	25,853	-	456,586	23.18%	5.66%
A. Erdash	278,938	7,412	35,000	12,666	-	18,158	-	352,174	15.09%	5.16%
D. Mutch	248,895	6,571	25,000	12,687	-	16,158	-	309,311	13.31%	5.22%
M. Jansen	263,870	6,940	35,000	12,666	-	16,158	6,590	341,224	14.99%	4.74%
G. Everist	262,748	6,965	35,000	12,687	-	19,228	-	336,628	16.11%	5.71%
Subtotal Other Key Management Personnel	**1,383,693**	**36,713**	**210,000**	**63,372**	**-**	**95,555**	**6,590**	**1,795,923**	**17.01%**	**5.32%**
Total	**2,086,963**	**56,167**	**310,000**	**76,059**	**-**	**144,030**	**6,590**	**2,679,809**	**16.94%**	**5.37%**

Compensation options: Granted and vested during the year

During the financial year ended 30 June 2008, no options were granted as equity compensation benefits to key management personnel, nor were any options granted during the financial year ended 30 June 2007.

All options that vested during the year were exercised and are disclosed in Table 3 of this report.

Remuneration of Key Management Personnel (cont'd)

Table 3: Shares issued on exercise of compensation options

30 June 2008	Options vested and options exercised Number	Shares issued Number	Paid $ per share
Directors			
R. Velletri	150,000	150,000	$1.95
Executives			
D. Foti	80,000	80,000	$1.95
A. Erdash	50,000	50,000	$1.95
M. Jansen	50,000	50,000	$1.95
G. Everist	150,000	150,000	$1.41
Total	480,000	480,000	

On 31 January 2008, the date of exercise of the above options, the closing share price was $11.42.

30 June 2007	Options vested Number	Shares issued Number	Paid $ per share
Directors			
R. Velletri	150,000	150,000	$1.95
Executives			
D. Foti	80,000	80,000	$1.95
A. Erdash	150,000	150,000	$1.12
M. Jansen	50,000	50,000	$1.95
G. Everist	100,000	100,000	$1.54
D. Mutch	50,000	50,000	$1.95
Total	580,000	580,000	

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	2
Number of meetings attended:				
C. G. B. Rubino	12	2	2	2
R. Velletri	12	-	1	1
I. Tollman	12	2	2	-
P. J. Dempsey	12	2	-	2
C. P. Michelmore *	8	-	1	1

* Attended all directors' and committee meetings from the date of appointment

COMMITTEE MEMBERSHIP

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

During the year, the board reviewed the committee membership and implemented changes to the audit, remuneration and nomination committees in order to achieve best corporate governance practices.

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

Audit	Remuneration	Nomination
P. J. Dempsey (c)	C. P. Michelmore (c) (appointed 26 June 2008)	C. G. B. Rubino (c)
C. G. B. Rubino (resigned 26 June 2008)	C. G. B. Rubino	C. P. Michelmore (appointed 26 June 2008)
I. Tollman	I. Tollman	P. J. Dempsey
C. P. Michelmore (appointed 26 June 2008)	R. Velletri (resigned 26 June 2008)	R. Velletri (resigned 26 June 2008)

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 thousand dollars ($'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 81 of this report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

ERNST & YOUNG

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
www.ey.com/au

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 year ended 30 June 2008, 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
18 August 2008

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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 $478,711 for the provision of non-audit services.

Signed in accordance with a resolution of the directors.

C. G. B. Rubino
Chairman
Perth, 18 August 2008

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

Report on the Financial Report

We have audited the accompanying financial report of Monadelphous Group Limited, which comprises the balance sheet as at 30 June 2008, 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. 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.

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ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Monadelphous Group Limited is in accordance with 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 2008 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 18 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Monadelphous Group Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
Perth
18 August 2008

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, notes and the additional disclosures included in the Directors' Report designated as audited, 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 2008 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 year ended 30 June 2008.

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 26 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, 18 August 2008

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Continuing Operations					
REVENUE	3(a)	**958,966**	968,419	**60,847**	58,819
Cost of services rendered		**(837,391)**	(858,718)	**-**	-
GROSS PROFIT		**121,575**	109,701	**60,847**	58,819
Other income	3(b)	**7,418**	1,576	**-**	449
Business development and tender expenses		**(8,235)**	(5,443)	**-**	-
Occupancy expenses		**(807)**	(867)	**-**	-
Administrative expenses		**(19,913)**	(17,865)	**(535)**	(238)
Finance costs	3(c)	**(1,878)**	(1,526)	**-**	-
Share of net profits of joint ventures accounted for using the equity method	11	**1,589**	1,259	**-**	-
PROFIT BEFORE INCOME TAX		**99,749**	86,835	**60,312**	59,030
Income tax expense	4	**(30,206)**	(26,417)	**(1,054)**	(1,623)
PROFIT AFTER INCOME TAX		**69,543**	60,418	**59,258**	57,407
PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	17(a)	**69,543**	60,418	**59,258**	57,407
Basic earnings per share (cents per share)	22	**83.21**	73.56		
Diluted earnings per share (cents per share)	22	**81.21**	71.13		
Dividends per share (cents per share)	5	**72.00**	66.00		

BALANCE SHEET
AS AT 30 JUNE 2008

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	18(b)	**126,447**	101,364	**118,395**	93,578
Trade and other receivables	6	**204,867**	95,972	**163**	114
Inventories	7	**6,571**	13,075	**-**	-
Total current assets		**337,885**	210,411	**118,558**	93,692
Non-current assets					
Trade and other receivables	6	**-**	-	**319,362**	279,681
Investments in subsidiaries	8	**-**	-	**33,729**	33,284
Property, plant and equipment	9	**61,924**	62,240	**-**	-
Deferred tax assets	4	**9,396**	11,380	**194**	1
Goodwill	10	**2,551**	2,551	**-**	-
Investments accounted for using the equity method	11	**176**	107	**-**	-
Total non-current assets		**74,047**	76,278	**353,285**	312,966
TOTAL ASSETS		**411,932**	286,689	**471,843**	406,658
LIABILITIES					
Current liabilities					
Trade and other payables	12	**240,441**	115,892	**381,195**	313,838
Interest bearing loans and borrowings	13	**11,758**	10,557	**-**	-
Income tax payable		**11,590**	14,970	**10,908**	14,793
Provisions	14	**30,436**	35,776	**-**	-
Derivative financial instruments	15	**345**	-	**345**	-
Total current liabilities		**294,570**	177,195	**392,448**	328,631
Non-current liabilities					
Interest bearing loans and borrowings	13	**13,124**	16,929	**-**	-
Provisions	14	**2,265**	2,034	**-**	-
Deferred tax liabilities	4	**156**	50	**-**	-
Total non-current liabilities		**15,545**	19,013	**-**	-
TOTAL LIABILITIES		**310,115**	196,208	**392,448**	328,631
NET ASSETS		**101,817**	90,481	**79,395**	78,027
EQUITY					
Contributed equity	16	**28,678**	26,017	**28,678**	26,017
Reserves	17	**1,448**	1,321	**1,759**	1,315
Retained earnings	17	**71,691**	63,143	**48,958**	50,695
TOTAL EQUITY		**101,817**	90,481	**79,395**	78,027

Attributable to equity holders

CONSOLIDATED	Issued Capital	Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000
At 1 July 2007	**26,017**	**1,321**	**63,143**	**90,481**
Currency translation differences	**-**	**(317)**	**-**	**(317)**
Total income/(expense) for the period recognised directly in equity	**-**	**(317)**	**-**	**(317)**
Profit for the period	**-**	**-**	**69,543**	**69,543**
Total income/(expense) for the period	**-**	**(317)**	**69,543**	**69,226**
Share-based payments	**-**	**444**	**-**	**444**
Issue of share capital	**2,661**	**-**	**-**	**2,661**
Equity dividends	**-**	**-**	**(60,995)**	**(60,995)**
At 30 June 2008	**28,678**	**1,448**	**71,691**	**101,817**

Attributable to equity holders

CONSOLIDATED	Issued Capital	Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'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
Share-based payments	-	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

MONADELPHOUS GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

Attributable to equity holders

PARENT	Issued Capital	Reserves	Retained Earnings	Total
	$'000	**$'000**	**$'000**	**$'000**
At 1 July 2007	**26,017**	**1,315**	**50,695**	**78,027**
Profit for the period	**-**	**-**	**59,258**	**59,258**
Total income/(expense) for the period	**-**	**-**	**59,258**	**59,258**
Share-based payments	**-**	**444**	**-**	**444**
Issue of share capital	**2,661**	**-**	**-**	**2,661**
Equity dividends	**-**	**-**	**(60,995)**	**(60,995)**
At 30 June 2008	**28,678**	**1,759**	**48,958**	**79,395**

Attributable to equity holders

PARENT	Issued Capital	Reserves	Retained Earnings	Total
	$'000	**$'000**	**$'000**	**$'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
Share-based payments	-	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

CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Monadelphous Group Limited	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of GST)		**1,049,169**	1,025,855	**-**	-
Payments to suppliers and employees (inclusive of GST)		**(928,530)**	(907,391)	**-**	-
Interest received		**4,872**	4,589	**4,744**	4,494
Borrowing costs		**(1,878)**	(1,526)	**-**	-
Other income		**316**	772	**-**	449
Income tax paid		**(31,480)**	(25,991)	**(31,225)**	(25,592)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	18(a)	**92,469**	96,308	**(26,481)**	(20,649)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		**11,423**	1,067	**-**	-
Purchase of property, plant and equipment		**(8,141)**	(9,196)	**-**	-
Acquisition of subsidiary		**-**	(2,843)	**-**	(6,766)
Cost incurred on acquisition of subsidiary		**-**	(78)	**-**	(78)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**3,282**	(11,050)	**-**	(6,844)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from controlled entities		**-**	-	**109,632**	100,074
Dividend paid		**(60,995)**	(37,788)	**(60,995)**	(37,788)
Proceeds from issue of shares		**2,661**	2,204	**2,661**	2,204
Proceeds from/(repayment) of borrowings		**557**	360	**-**	-
Payment of finance leases		**(12,134)**	(9,932)	**-**	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(69,911)**	(45,156)	**51,298**	64,490
NET INCREASE IN CASH AND CASH EQUIVALENTS		**25,840**	40,102	**24,817**	36,997
Net foreign exchange differences		**(757)**	(388)	**-**	-
Cash and cash equivalents at beginning of period		**101,364**	61,650	**93,578**	56,581
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18(b)	**126,447**	101,364	**118,395**	93,578

1. CORPORATE INFORMATION

The financial report of Monadelphous Group Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of directors on 18 August 2008.

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

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, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

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.

a) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

b) New accounting standards and interpretations

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 ended 30 June 2008. These standards will have no material impact on the Group's financial statements. These are outlined below:

Reference	Title	Application date of standard	Application date for Group	Impact on the Group financial report
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	1 January 2008	1 July 2008	No material impact on the Group's financial statements.
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	1 January 2008	1 July 2008	No material impact on the Group's financial statements.
AASB Int. 129	Service Concession Arrangements: Disclosures	1 January 2008	1 July 2008	No material impact on the Group's financial statements.

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

b) New accounting standards and interpretations (cont'd)

Reference	Title	Application date of standard	Application date for Group	Impact on the Group financial report
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments may impact on the Group's segment disclosures.
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009	No material impact on the Group's financial statements.
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate income statements.
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	1 January 2009	1 July 2009	The Group has share-based payment arrangements that may be affected by these amendments. However the Group has not yet determined the extent of the impact, if any.
AASB 3 (Revised)	Business Combinations	1 July 2009	1 July 2009	The impact will be on any future acquisitions.
AASB 127 (Revised)	Consolidated and Separate Financial Statements	1 July 2009	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or loss in the Group's income statement.
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	1 July 2009	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.

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

b) New accounting standards and interpretations (cont'd)

Reference	Title	Application date of standard	Application date for Group	Impact on the Group financial report
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	1 July 2009	Recognising all dividends received from subsidiaries as income will likely give rise to a greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.
Amendments to International Financial Reporting Standards	Improvements to IFRSs	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 January 2009	1 July 2009	The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.

Adoption of new accounting standard
The Group has adopted AASB 7 Financial Instruments: Disclosures and all consequential amendments which became applicable for reporting periods commencing on or after 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

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.

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

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

c) Basis of consolidation (cont'd)

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.

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. 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. 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) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currencies of Monadelphous Group Limited, its Australian subsidiaries and its Papua New Guinea subsidiary (Monadelphous PNG Ltd) 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.

The functional currency of the New Zealand subsidiary (Skystar Airport Services NZ Pty Ltd) is New Zealand dollars (NZ$) and the Hong Kong subsidiary (Moway International Limited) is United States dollars (US$).

Transaction and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying 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.

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.

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

e) Foreign currency translation (cont'd)

Translation of functional currency to presentation currency

As at the reporting date the assets and liabilities of the New Zealand and Hong Kong subsidiaries 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.

Exchange variations arising from the translation are recognised in the foreign currency translation reserve in equity.

f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and 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.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

g) 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 impairment loss 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.

Collectibility of trade receivables is reviewed on an ongoing basis at a company and business unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised where there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

h) 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.

i) Derivative financial instruments

The Group uses derivative financial instruments (including forward currency contracts) to manage its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered and are subsequently remeasured to fair value. These derivatives do not qualify for hedge accounting and changes in fair value are recognised immediately in the profit or loss.

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

i) Derivative financial instruments (cont'd)

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the profit or loss for the year.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

j) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through the profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and Derecognition
All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or been transferred.

(i) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

k) Property, plant and equipment

All classes of property, plant and equipment are stated at historical 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. All other repairs and maintenance are recognised in the profit or loss as incurred.

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

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

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:

	2008	2007
▪ 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.

Derecognition
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.

l) Impairment of non-financial assets other than goodwill

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.

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

m) Leases (cont'd)

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.

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. The joint venture entities' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

o) Goodwill

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.

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

o) Goodwill (cont'd)

The recoverable amount of each cash generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the 5 year period are not used in the calculation.

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.

p) Trade and other payables

Trade and other payables are carried at amortised cost and are not discounted due to their short term nature. They 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. The amounts are unsecured and are usually paid within 30 to 45 days of recognition.

Monadelphous Group Limited and the controlled entities subject to Class Order 98/1418 (refer to Note 26 for further details), 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.

q) Interest bearing loans and borrowings

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

Borrowing costs are recognised as an expense when incurred. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with the asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

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

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.

Provisions are measured at the present value of management's best estimate of the expenditure to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relevant to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from 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.

s) Employee benefits

(i) Wages, salaries, annual leave, rostered days off and sick leave
Liabilities for wages and salaries, annual leave, rostered days off and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liability is settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave is recognised and measured as the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability.

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

(iv) 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 five 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.

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

t) Share-based payment transactions

The Group provides benefits to employees (including Key Management Personnel) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

Monadelphous Group Limited provides benefits to employees through the Monadelphous Group Limited Employee Option Plan.

The cost of these equity-settled transactions with employees (for awards granted after 7 November 2002 that were unvested at 1 January 2005) 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), if applicable.

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

Equity-settled awards granted by Monadelphous Group Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in subsidiary with a corresponding credit to equity. As a result, the expense recognised by Monadelphous Group Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If 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)

u) 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.

v) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable 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:
- revenue is recognised at the time of billing to the customer for maintenance contracts or for construction contracts 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.

w) 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.

x) 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 based on the current period's taxable income. 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)

x) 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.

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.

Tax consolidation legislation
Monadelphous Group Limited and its wholly-owned Australian controlled entities formed a tax consolidated group on 1 July 2003. The head entity, Monadelphous Group Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the separate taxpayer within group method in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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

x) 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.

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.

z) Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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

z) Significant accounting judgements, estimates and assumptions (cont'd)

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Recovery of deferred taxes
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Impairment of non-financial assets other than goodwill
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined.

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 10.

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 23. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Taxation
The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustments, resulting in a corresponding credit or charge to the income statement.

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

z) Significant accounting judgements, estimates and assumptions (cont'd)

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.

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 five 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.

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
3. REVENUES AND EXPENSES					
(a) Revenue					
Rendering of services		**953,991**	963,717	**-**	-
Dividends		**-**	-	**56,000**	54,212
Finance revenue		**4,975**	4,702	**4,847**	4,607
		958,966	968,419	**60,847**	58,819
(b) Other income					
Net gains on disposal of property, plant and equipment		**7,102**	804	**-**	-
Other income		**316**	772	**-**	449
		7,418	1,576	**-**	449
(c) Finance costs					
Bank loans and overdrafts		**55**	20	**-**	-
Finance charges payable under finance leases and hire purchase contracts		**1,823**	1,506	**-**	-
		1,878	1,526	**-**	-
(d) Depreciation					
Depreciation expense		**12,718**	10,390	**-**	-
(e) Employee benefits expense					
Other employee benefits expense		**18,233**	34,248	**-**	-
Defined contribution superannuation expense		**19,159**	18,845	**-**	-
Share based payment expense		**444**	571	**-**	571
		37,836	53,664	**-**	571
(f) Lease payments and other expenses included in the income statement					
Minimum lease payments – operating lease		**10,254**	6,457	**-**	-
Bad and doubtful debts		**654**	822	**-**	-
Net loss on held for trading foreign currency derivatives		**380**	-	**380**	-
Net foreign exchange differences		**52**	581	**-**	-

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
4. INCOME TAX					
The major components of income tax expense are:					
Income statement					
Current income tax					
Current income tax charge		**28,020**	31,118	**1,321**	1,566
Adjustments in respect of current income tax of previous years		**96**	(27)	**(74)**	5
Deferred income tax					
Relating to origination and reversal of temporary differences		**2,090**	(4,674)	**(193)**	52
Income tax expense/(benefit) reported in the income statement		**30,206**	26,417	**1,054**	1,623
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		**99,749**	86,835	**60,312**	59,030
At the Group's statutory income tax rate of 30% (2007: 30%)		**29,925**	26,066	**18,094**	17,709
- Dividends received from subsidiary		**-**	-	**(16,800)**	(16,264)
- Other items (net)		**185**	378	**(68)**	173
- Exempt income		**-**	-	**(98)**	-
- (Over)/under provision of previous year		**96**	(27)	**(74)**	5
Income tax expense/(benefit) reported in the income statement		**30,206**	26,417	**1,054**	1,623

4. INCOME TAX (cont'd)

	Notes	Balance Sheet		Income Statement	
		2008	2007	**2008**	2007
		$'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		**(2,680)**	(1,475)	**1,205**	405
Other		**(33)**	-	**33**	(176)
		(2,713)	(1,475)		
CONSOLIDATED					
Deferred tax assets					
Provisions		**10,842**	12,804	**1,962**	(4,902)
Other		**1,111**	1	**(1,110)**	(1)
Gross deferred income tax assets		**11,953**	12,805		
Deferred tax income/(expense)				**2,090**	(4,674)
PARENT					
Deferred tax assets					
Accruals		**194**	1	**(193)**	52
Gross deferred income tax assets		**194**	1		
Deferred tax income/(expense)				**(193)**	52

At 30 June 2008, there is no recognised or unrecognised deferred income tax liability (2007: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint ventures, 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 separate 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	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
5. DIVIDENDS PAID AND PROPOSED					
(a) Recognised amounts					
Declared and paid during the year					
(i) Current year interim					
Interim franked dividend for 2008 (29 cents per share) (2007: 22 cents per share)		**24,452**	18,212	**24,452**	18,212
(ii) Previous year final plus special					
Final franked dividend for 2007 (44 cents per share) (2006: 24 cents per share final)		**36,543**	19,576	**36,543**	19,576
(b) Unrecognised amounts					
Current year final					
Final franked dividend for 2008 (43 cents per share) (2007: 44 cents per share)		**36,257**	36,543	**36,257**	36,543
(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		**31,681**	25,269	**31,681**	25,269
- franking credits that will arise from the payment of income tax payable as at the end of the financial year		**10,908**	14,793	**10,908**	14,793
- 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		**-**	-	**-**	-
		42,589	40,062	**42,589**	40,062
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		**(15,539)**	(15,661)	**(15,539)**	(15,661)
		27,050	24,401	**27,050**	24,401

(d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2007: 30%). Dividends payable will be franked at the rate of 30% (2007: 30%).

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
6. TRADE AND OTHER RECEIVABLES					
CURRENT					
Trade receivables		**148,205**	96,034	**-**	-
Less allowance for impairment loss	6(a)	**(3,082)**	(2,424)	**-**	-
		145,123	93,610	**-**	-
Other debtors	6(b)	**59,744**	2,362	**163**	114
Related party receivables					
		204,867	95,972	**163**	114
NON-CURRENT					
Related party receivables					
- controlled entities – interest bearing	6(c),26	**-**	-	**4,384**	5,299
- controlled entities – non-interest bearing	6(c),26	**-**	-	**314,978**	274,382
		-	-	**319,362**	279,681

(a) Allowance for impairment loss

Trade receivables are generally on 30 day terms from end of month. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $658,000 (2007: $847,000) has been recognised by the Group in the current year. These amounts have been included in the administrative expenses item in the income statement.

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Movements in the allowance for impairment loss were as follows:					
Balance at the beginning of the year		**2,424**	1,577	**-**	-
Charge for the year		**654**	822	**-**	-
Other		**4**	25	**-**	-
Balance at the end of the year		**3,082**	2,424	**-**	-

6. TRADE AND OTHER RECEIVABLES (cont'd)

(a) Allowance for impairment loss (cont'd)

Impaired Trade Receivables:

At 30 June 2008, the current trade receivables of the group were $148,205,000 (2007: $96,034,000). The amount of the allowance for impairment losses was $3,082,000 (2007: $2,424,000). An impairment provision is recognised where there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

Past Due Not Impaired:

At 30 June 2008, the ageing of receivables past due but not considered impaired is as follows:

	Consolidated	
	2008	2007
	$'000	$'000
31 – 60 Days	**19,663**	18,626
61 – 90 Days	**4,171**	2,583
+ 91 Days	**4,508**	7,764
TOTAL	**28,342**	28,973

Payment terms on these amounts have not been re-negotiated however credit has been stopped where the credit limit has been exceeded. In this case, payment terms will not be extended. Each company/business unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Receivables not impaired or past due:

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

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. Publicly available credit information from recognised providers is utilised for this purpose where available. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

(b) Other debtors

Other debtors, which includes accrued sales, are non-interest bearing and have repayment terms between 30 to 60 days.

(c) Related party receivables

Details of the terms and conditions of related party receivables are set out in note 26.

(d) Fair value, credit risk, foreign exchange risk and interest rate risk

Detail regarding fair value and credit, foreign exchange and interest rate risk is disclosed in note 28.

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
7. INVENTORIES					
Construction work in progress					
Cost incurred to date plus profit recognised		**964,933**	869,726	-	-
Consideration received and receivable as progress billings		**(1,144,774)**	(921,038)	-	-
Retentions		**382**	2	-	-
		(179,459)	(51,310)	-	-
Amounts due to customers	7(a),12	**186,030**	64,385	-	-
Amounts due from customers		**6,571**	13,075	-	-

(a) Advances received for construction work not yet commenced or for committed subcontractor work not yet received are recognised as a current liability in trade and other payables. Refer note 12.

	Notes	Consolidated		Monadelphous Group Limited	
8. INVESTMENTS IN SUBSIDIARIES (NON-CURRENT)					
Investments in controlled entities	26	-	-	**33,729**	33,284

9. PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Consolidated						Monadelphous Group Limited
	Freehold land $'000	Buildings on freehold land $'000	Lease-hold improvements $'000	Plant and equipment $'000	Plant and equipment under hire purchase $'000	Total $'000	Total $'000
Year ended 30 June 2008							
At 1 July 2007 net of accumulated depreciation	**2,710**	**6,378**	**351**	**19,268**	**33,533**	**62,240**	**-**
Additions	**166**	**799**	**-**	**7,176**	**8,972**	**17,113**	**-**
Assets transferred	**-**	**32**	**(32)**	**3,443**	**(3,443)**	**-**	**-**
Disposals	**-**	**(550)**	**-**	**(4,161)**	**-**	**(4,711)**	**-**
Depreciation charge	**-**	**(310)**	**(38)**	**(6,060)**	**(6,310)**	**(12,718)**	**-**
At 30 June 2008 net of accumulated depreciation	**2,876**	**6,349**	**281**	**19,666**	**32,752**	**61,924**	**-**
At 30 June 2008							
Cost	**2,876**	**9,160**	**385**	**51,073**	**47,492**	**110,986**	**-**
Accumulated depreciation	**-**	**(2,811)**	**(104)**	**(31,407)**	**(14,740)**	**(49,062)**	**-**
Net carrying amount	**2,876**	**6,349**	**281**	**19,666**	**32,752**	**61,924**	**-**

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

(a) Reconciliation of carrying amounts at the beginning and end of the period (cont'd)

	Consolidated						Monadelphous Group Limited
	Freehold land $'000	Buildings on freehold land $'000	Lease-hold improve-ments $'000	Plant and equip-ment $'000	Plant and equip-ment under hire purchase $'000	Total $'000	Total $'000
Year ended 30 June 2007							
At 1 July 2006 net of accumulated depreciation	1,605	4,204	394	11,657	29,681	47,541	-
Additions	-	663	-	8,533	10,208	19,404	-
Additions through acquisitions	1,105	1,770	-	2,708	365	5,948	-
Assets transferred	-	-	-	992	(992)	-	-
Disposals	-	(4)	-	(259)	-	(263)	-
Depreciation charge	-	(255)	(43)	(4,363)	(5,729)	(10,390)	-
At 30 June 2007 net of accumulated depreciation	2,710	6,378	351	19,268	33,533	62,240	-
At 30 June 2007							
Cost	2,710	8,917	430	47,877	45,307	105,241	-
Accumulated depreciation	-	(2,539)	(79)	(28,609)	(11,774)	(43,001)	-
Net carrying amount	2,710	6,378	351	19,268	33,533	62,240	-

(b) Property, Plant and Equipment pledged as security

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

	Notes	Consolidated		Monadelphous Group Limited	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Assets pledged as security		**32,752**	33,533	-	-

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000

10. GOODWILL

	Notes	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Opening balance		**2,551**	2,311	-	-
Acquisition of subsidiary		**-**	974	-	-
Adjustment to acquisition in prior year accounted for provisionally	10(b)	**-**	(734)	-	-
Closing balance		**2,551**	2,551	-	-

(a) Impairment Testing of Goodwill

After initial recognition, goodwill acquired in a business combination is measured as cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

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 $2,311,000) and Ellavale Engineering Pty Ltd (goodwill of $240,000). 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. Cash flows beyond the 5 year period have not been used in the calculation.

The discount rate applied to the cash flow projections is 15% for both MI & E Holdings Pty Ltd and Ellavale Engineering Pty Ltd (2007: 10%). The growth rate used to extrapolate the cash flows of the entities is based on the entity's budgeted cash flows. No reasonable possible changes in key assumptions would result in the carrying amount exceeding the recoverable amount.

(b) Adjustment to acquisition in prior year accounted for provisionally

The goodwill arising on the acquisition of Ellavale Engineering Pty Ltd has been revised downwards as a result of the calculation of the allocable cost amounts of assets at the date of acquisition and the corresponding adjustment to deferred tax. The amount of the adjustment was $734,000. There has been no impact on the impairment of goodwill as a result of these adjustments.

11. 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. Accounts are prepared at 30 June from which the equity accounting is based.

(i) Principal activities

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

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

	Consolidated	
	2008	2007
	$'000	$'000
(ii) Share of the joint venture partnerships' profits		
Share of the joint venture partnerships':		
- revenues	**19,891**	18,687
- expenses	**(18,302)**	(17,428)
- net profit	**1,589**	1,259
(iii) Share of joint venture partnerships' assets and liabilities		
Current assets	**1,593**	1,236
Non-current assets	**-**	-
Current liabilities	**(1,417)**	(1,129)
Non-current liabilities	**-**	-
Net assets	**176**	107

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
12. TRADE AND OTHER PAYABLES					
CURRENT					
Trade payables	12(a)	**25,748**	29,169	**-**	7
Advances on construction work in progress					
– Amounts due to customers	7	**186,030**	64,385	**-**	-
Sundry creditors and accruals	12(a)	**28,663**	22,338	**448**	355
Related party payables	12(b),26	**-**	-	**380,747**	313,476
		240,441	115,892	**381,195**	313,838

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:
(i) Trade payables 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.

(b) Related party payables

Details of the terms and conditions of related party payables are set out in note 26.

(c) Fair value, foreign exchange risk, interest rate risk and liquidity risk

Detail regarding fair value and foreign exchange, interest rate and liquidity risk is disclosed in note 28.

13. INTEREST BEARING LOANS AND BORROWINGS

	Notes	Consolidated		Monadelphous Group Limited	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
CURRENT					
Hire purchase liability – secured	13(a),20	**11,546**	10,475	**-**	-
Bank loan – secured	13(a)	**212**	82	**-**	-
		11,758	10,557	**-**	-
NON-CURRENT					
Hire purchase liability – secured	13(a),20	**12,419**	16,651	**-**	-
Bank loan – secured	13(a)	**705**	278	**-**	-
		13,124	16,929	**-**	-

(a) Terms and conditions

(i) The bank loans are repayable monthly. Interest is charged at the bank's fixed rate. The bank loans are secured by way of a registered first mortgage over land and buildings of a controlled entity, with an interlocking debenture from the parent entity and controlled entities. The average discount rate implicit in the bank loans is 8.54% (2007: 7.00%).

(ii) Hire purchase agreements have an average term of 3 years. The average discount rate implicit in the hire purchase is 7.71% (2007: 6.93%). The hire purchase liability is secured by a charge over the hire purchase assets.

(b) Fair value and interest rate and liquidity risk

Detail regarding fair value and interest rate and liquidity risk is disclosed in note 28.

(c) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

14. PROVISIONS

	Notes	Consolidated		Monadelphous Group Limited	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
CURRENT					
Employee benefits		**17,662**	23,660	**-**	-
Workers' compensation	14(a)	**12,774**	12,116	**-**	-
		30,436	35,776	**-**	-
NON-CURRENT					
Employee benefits – long service leave		**2,265**	2,034	**-**	-

14. PROVISIONS (cont'd)

(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 five 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.

	Notes	Consolidated	Monadelphous Group Limited
		2008	**2008**
		$'000	**$'000**
(b) Movements in provisions			
(i) Workers compensation			
Carrying amount at the beginning of the year		**12,116**	**-**
Additional provision		**4,109**	**-**
Amounts utilised during the year		**(3,451)**	**-**
Carrying amount at the end of the financial year		**12,774**	**-**

15. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
CURRENT					
Forward currency contracts – held for trading		**345**	-	**345**	-

Derivative financial instruments are used by the Group in the normal course of business in order to manage exposure to fluctuations in foreign exchange rates.

(i) Forward currency contracts – held for trading
The Group has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

	Notional Amounts $AUD		Average Exchange Rate	
	2008	2007		
	$'000	$'000	**2008**	2007
Buy US$ Maturity 0-12 months				
Consolidated	**10,413**	**-**	**0.9244**	**-**
Parent	**10,413**	**-**	**0.9244**	**-**

15. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

These contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in the profit or loss in the period they occur. The net fair value loss on foreign currency derivatives during the year was $380,000 for the Group (2007: $nil) and $380,000 for the Company (2007: $nil).

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
16. CONTRIBUTED EQUITY					
Issued and paid up capital					
Ordinary shares		**28,678**	26,017	**28,678**	26,017

(a) Movements in shares on issue

	2008		2007	
	Number of shares	**$'000**	Number of shares	$'000
Beginning of the financial year	**83,052,532**	**26,017**	81,568,408	21,063
Issued during the year				
- Exercise of employee options	**1,265,000**	**2,661**	1,215,000	2,204
- Acquisition consideration	**-**	**-**	269,124	2,750
End of the financial year	**84,317,532**	**28,678**	83,052,532	26,017

(b) Share options

Options over ordinary shares

During the financial year, there were no options issued over ordinary shares.

At the end of the year there were 2,570,000 (2007: 3,885,000) unissued ordinary shares in respect of which options were outstanding (Note 23).

(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.

16. CONTRIBUTED EQUITY (cont'd)

(d) Capital management

Capital is managed by the Group's Chief Financial Officer in conjunction with the Group's Finance & Accounting department. Management continually monitor the Group's net cash/debt position and the gearing levels to ensure efficiency and compliance with debt covenants. At 30 June 2008, the Group is in a net cash position of $101,565,000 (2007: $73,878,000) and has a debt to equity ratio of 24.4% (2007: 30.4%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2008, management paid dividends of $60,995,198. The policy is to payout dividends of 80% to 100% of net profit, subject to ongoing strong trading conditions and any need for significant cash requirements for investment opportunities, should they arise.

The capital of the company is considered to be contributed equity.

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
17. RESERVES AND RETAINED EARNINGS					
Foreign currency translation reserve	17(b)	**(311)**	6	**-**	-
Share-based payment reserve	17(b)	**1,759**	1,315	**1,759**	1,315
		1,448	1,321	**1,759**	1,315
Retained earnings	17(a)	**71,691**	63,143	**48,958**	50,695

(a) Movements in retained earnings

Balance at the beginning of the year	**63,143**	39,343	**50,695**	27,169
Transferred from capital profits reserve	**-**	678	**-**	-
Transferred from asset revaluation reserve	**-**	492	**-**	3,907
Net profit attributable to members of Monadelphous Group Limited	**69,543**	60,418	**59,258**	57,407
Total available for appropriation	**132,686**	100,931	**109,953**	88,483
Dividends paid	**(60,995)**	(37,788)	**(60,995)**	(37,788)
Balance at the end of the year	**71,691**	63,143	**48,958**	50,695

17. RESERVES AND RETAINED EARNINGS (cont'd)

(b) Movements in reserves

	Consolidated					Monadelphous Group Limited		
	Capital profits reserve $'000	Asset reval-uation reserve $'000	Foreign currency trans-lation reserve $'000	Share based payment reserve $'000	Total $'000	Asset reval-uation reserve $'000	Share based payment reserve $'000	Total $'000
At 1 July 2006	678	492	(186)	744	1,728	3,907	744	4,651
Transfer to retained earnings	(678)	(492)	-	-	(1,170)	(3,907)	-	(3,907)
Foreign currency translation	-	-	192	-	192	-	-	-
Share based payment	-	-	-	571	571	-	571	571
At 30 June 2007	-	-	6	1,315	1,321	-	1,315	1,315
Foreign currency translation	**-**	**-**	**(317)**	**-**	**(317)**	**-**	**-**	**-**
Share based payment	**-**	**-**	**-**	**444**	**444**	**-**	**444**	**444**
At 30 June 2008	**-**	**-**	**(311)**	**1,759**	**1,448**	**-**	**1,759**	**1,759**

(c) Nature and purpose of reserves

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

Asset revaluation reserve
The asset revaluation reserve was used to record increments and decrements in the value of non-current assets prior to the first time adoption of Australian Equivalents to International Financial Reporting Standards. The reserve can be used to pay dividends in limited circumstances.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from translation of the financial statements of foreign subsidiaries.

Share-based payment 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 23 for further details of these plans.

18. CASH FLOW STATEMENT

(a) Reconciliation of net profit after tax to the net cash flows from operations

	Notes	Consolidated		Monadelphous Group Limited	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Net profit		**69,543**	60,418	**59,258**	57,407
Non cash items					
Depreciation of non-current assets		**12,718**	10,390	**-**	-
Net profit on sale of property, plant and equipment		**(7,102)**	(804)	**-**	-
Dividends received from subsidiary		**-**	-	**(56,000)**	(54,212)
Share-based payment expense		**444**	571	**-**	571
Unrealised foreign exchange gain		**52**	581	**-**	-
Other		**4**	-	**-**	-
Changes in assets and liabilities					
(Increase)/decrease in receivables		**(108,895)**	(11,975)	**(49)**	(114)
(Increase)/decrease in inventories		**6,504**	3,729	**-**	-
(Increase)/decrease in deferred tax assets		**2,718**	(3,882)	**(193)**	52
(Increase)/decrease in investment in joint ventures		**(69)**	(107)	**-**	-
(Increase)/decrease in investment in subsidiary		**-**	-	**(445)**	-
Increase/(decrease) in payables		**124,549**	19,252	**(25,512)**	(30,554)
Charges to provisions		**(5,068)**	13,823	**-**	-
Increase/(decrease) in derivative instruments		**345**	-	**345**	-
Increase/ (decrease) in current tax liability		**(3,380)**	5,104	**(3,885)**	6,201
Increase/(decrease) in deferred tax liabilities		**106**	(792)	**-**	-
Net cash flows from/(used in) operating activities		**92,469**	96,308	**(26,481)**	(20,649)

(b) For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

	Notes	Consolidated		Monadelphous Group Limited	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Cash balances comprises					
- Cash at bank		**101,291**	64,851	**93,239**	57,065
- Short term deposits		**25,156**	36,513	**25,156**	36,513
		126,447	101,364	**118,395**	93,578

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000

18. CASH FLOW STATEMENT (cont'd)

(c) Financing facilities available

At balance date the following financing facilities had been negotiated and were available

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Monadelphous Group Limited 2008 $'000	Monadelphous Group Limited 2007 $'000
Total facilities:					
- Bank guarantee and insurance bonds	(i)	**165,000**	145,000	**165,000**	145,000
- Revolving credit	(ii)	**55,124**	54,593	**55,124**	54,593
		220,124	199,593	**220,124**	199,593
Facilities used at balance date:					
- Bank guarantee and insurance bonds		**153,763**	70,240	**153,763**	70,240
- Revolving credit		**24,882**	27,486	**24,882**	27,486
		178,645	97,726	**178,645**	97,726
Facilities unused at balance date:					
- Bank guarantee and insurance bonds		**11,237**	74,760	**11,237**	74,760
- Revolving credit		**30,242**	27,107	**30,242**	27,107
		41,479	101,867	**41,479**	101,867

(i) Bank guarantees and insurance bonds
The contractual term of the bank guarantees and insurance bonds match the underlying obligation to which it relates.
(ii) Revolving credit
The revolving credit includes bank loans and hire purchase/leasing facilities. Refer to Note 13(a) for terms and conditions.

(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 $8,971,914 (2007: $10,208,111).

19. CHANGE IN COMPOSITION OF ENTITY

On 28 November 2007, Monadelphous Group Limited obtained 100% ownership of Moway International Limited, a dormant company incorporated in Hong Kong. In addition, SinoStruct Pty Ltd was incorporated in Australia on 20 December 2007 and is a 100% owned subsidiary of Monadelphous Group Limited.

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
20. COMMITMENTS AND CONTINGENCIES					
(a) Hire purchase commitments					
Payable:					
- Not later than one year		**12,859**	11,966	**-**	-
- Later than one year but not later than five years		**13,360**	17,717	**-**	-
Minimum lease payments		**26,219**	29,683	**-**	-
Less future finance charges		**(2,254)**	(2,557)	**-**	-
Present value of minimum lease payments		**23,965**	27,126	**-**	-
Current liability	13	**11,546**	10,475	**-**	-
Non-current liability	13	**12,419**	16,651	**-**	-
		23,965	27,126	**-**	-

Hire purchase agreements have an average term of 3 years.

(b) Operating lease commitments				
Minimum lease payments				
- Not later than one year	**14,229**	7,931	**-**	-
- Later than one year but not later than five years	**13,257**	9,747	**-**	-
- Aggregate lease expenditure contracted for at balance date but not provided for	**27,486**	17,678	**-**	-

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 $2,898,961 at 30 June 2008 (2007: $2,405,625).

(d) Guarantees

Guarantees given to various clients for satisfactory contract performance	**153,763**	70,240	**153,763**	70,240

20. COMMITMENTS & CONTINGENCIES (cont'd)

Monadelphous Group Limited and all controlled entities marked * in Note 26 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.

21. SEGMENT INFORMATION

Revenue is principally 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 2008, the Engineering Construction division contributed revenue of $576.0 million, Maintenance and Industrial Services division contributed revenue of $316.7 million, Electrical and Instrumentation Services contributed revenue of $76.0 million and Skystar Airport Services contributed revenue of $14.7 million. Included in these amounts is $29.4 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. EARNINGS PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

	2008 $'000	2007 $'000
Net profit from attributable to ordinary equity holders of the parent	**69,543**	60,418
Earnings used in calculation of basic and diluted earnings per share	**69,543**	60,418

	2008 No.	2007 No.
22. EARNINGS PER SHARE (cont'd)		
No. of Shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	**83,574,431**	82,136,294
Effect of dilutive securities		
Share options	**2,056,878**	2,801,589
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**85,631,309**	84,937,883

Conversions, calls, subscriptions or issues after 30 June 2008:

Since the end of the financial year, no holders of employee options have exercised the rights of conversion to acquire ordinary shares.

23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

(a) Share-based Payment Plan

The Monadelphous Group Limited Employee Option Plan 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 63 employees participating in this scheme.

The following table illustrates the number and weighted average exercise prices of and movements in options granted under the Monadelphous Group Limited Employee Option Plan during the year.

	2008		2007	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at the beginning of the year	**3,885,000**	**$2.56**	4,930,000	$2.14
- Granted during the year	**-**	**-**	190,000	$9.06
- Forfeited during the year	**(50,000)**	**$3.61**	(20,000)	$4.71
- Exercised during the year	**(1,265,000)**	**$2.10**	(1,215,000)	$1.81
Balance at the end of the year	**2,570,000**	**$2.77**	3,885,000	$2.56
Exercisable during the next year	**2,247,500**	**$2.21**	1,265,000	$2.10

The weighted average share price at the date of exercise of options was $11.42 (2007: $9.36).

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

(a) Share-based Payment Plan (cont'd)

There were no options granted by Monadelphous Group Limited during the year ended 30 June 2008. The fair value of each option issued during the previous year was 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:

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

The resulting weighted average fair values for options outstanding at 30 June 2008 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option
2,110,000	31/01/2005	31/01/2009	$0.29
270,000	19/01/2006	31/01/2010	$1.31
190,000	31/01/2007	31/01/2011	$2.16

The share-based payment expense for the year ended 30 June 2008 was $443,569 (2007: $571,042) for the consolidated entity and $nil (2007: $571,042) for the parent.

Options granted during the reporting period
There were no options granted by Monadelphous Group Limited to directors and employees during the year.

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 2008:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price
2,110,000	31/01/2005	01/01/2009	31/01/2009	$1.95
90,000	19/01/2006	01/01/2009	31/01/2009	$4.71
180,000	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

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

(b) 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.

24. KEY MANAGEMENT PERSONNEL

(a) Compensation for Key Management Personnel

	Consolidated		Parent	
	2008	2007	**2008**	2007
	$	$	**$**	$
Short Term Benefits	**3,180,398**	2,172,664	**-**	-
Post Employment	**78,780**	63,372	**-**	-
Share Based Payments	**113,444**	127,872	**-**	-
Other	**10,907**	6,590	**-**	-
Total Compensation	**3,383,529**	2,370,498	**-**	-

(b) Option holdings of Key Management Personnel

	Balance at beginning of period 1 July 2007	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of period 30 June 2008
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	450,000	-	(150,000)	-	300,000
I. Tollman	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
C. Michelmore	-	-	-	-	-
Executives					
D. Foti	240,000	-	(80,000)	-	160,000
A. Erdash	150,000	-	(50,000)	-	100,000
M. Jansen	150,000	-	(50,000)	-	100,000
G. Everist	250,000	-	(150,000)	-	100,000
S. Murray	50,000	-	-	-	50,000
Total	1,290,000	-	(480,000)	-	810,000

24. KEY MANAGEMENT PERSONNEL (cont'd)

(b) Option holdings of Key Management Personnel (cont'd)

	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

(c) Shareholdings of Key Management Personnel

Shares held in Monadelphous Group Limited	Balance at beginning of period 1 July 2007	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance at end of period 30 June 2008
Directors					
C. G. B. Rubino	4,004,000	-	-	(1,000,000)	3,004,000
R. Velletri	1,550,000	-	150,000	-	1,700,000
I. Tollman	667,586	-	-	-	667,586
P. J. Dempsey	68,000	-	-	-	68,000
C. P. Michelmore	-	-	-	7,664	7,664
Executives					
D. Foti	406,816	-	80,000	-	486,816
A. Erdash	243,931	-	50,000	(28,391)	265,540
M. Jansen	326,244	-	50,000	(76,000)	300,244
G. Everist	169,869	-	150,000	(9,869)	310,000
S. Murray	720,000	-	-	(240,000)	480,000
Total	8,156,446	-	480,000	(1,346,596)	7,289,850

24. KEY MANAGEMENT PERSONNEL (cont'd)

(c) Shareholdings of Key Management Personnel (cont'd)

Shares held in Monadelphous Group Limited	**Balance at beginning of period 1 July 2006**	**Granted as Remuneration**	**On Exercise of Options**	**Net Change Other**	**Balance at end of period 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

(d) 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.

(e) Other transactions and balances with Key Management Personnel

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

25. AUDITORS' REMUNERATION

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$	$	**$**	$
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		**145,575**	166,430	**8,250**	7,500
- Other services in relation to the entity and any other entity in the consolidated entity					
- tax compliance		**276,874**	186,379	**65,782**	5,178
- assurance related		**46,499**	-	**33,939**	-
		468,948	352,809	**107,971**	12,678
Amounts received or due and receivable by Ernst & Young Australia for:					
- Due diligence services		**155,338**	-	**155,338**	-
		624,286	352,809	**263,309**	12,678

26. 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 2008 %	2007 %	Parent Entity Investment 2008 $'000	2007 $'000
Parent:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
*Monadelphous Engineering Associates Pty Ltd	Australia	100	100	**14,108**	**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	100	**9,844**	**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	**-**	**-**
Moway International Limited	Hong Kong	100	-	**1**	**-**
SinoStruct Pty Ltd	Australia	100	-	**-**	**-**
				33,729	**33,284**

* 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.

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

	CLOSED GROUP 2008 $'000	2007 $'000
Consolidated Income Statement		
Profit before income tax	**91,213**	85,709
Income tax expense	**(27,518)**	(25,935)
Net profit after tax for the period	**63,695**	59,774
Retained earnings at the beginning of the period	**62,970**	39,176
Adjust for Skystar Airport Services Pty Ltd accumulated losses	**-**	638
Transferred from capital profits reserve	**-**	678
Transferred from asset revaluation reserve	**-**	492
Dividends paid	**(60,995)**	(37,788)
Retained earnings at the end of the period	**65,670**	62,970

26. RELATED PARTY DISCLOSURES (cont'd)

	CLOSED GROUP	
	2008	2007
	$'000	$'000
Consolidated Balance Sheet		
ASSETS		
Current assets		
Cash and cash equivalents	**118,479**	97,596
Trade and other receivables	**202,544**	92,066
Inventories	**6,385**	11,772
Total current assets	**327,408**	201,434
Non-current assets		
Trade and other receivables	**-**	5,147
Investments in subsidiaries	**424**	423
Property, plant and equipment	**57,653**	55,746
Deferred tax assets	**8,979**	10,740
Goodwill	**2,551**	2,551
Investments accounted for using the equity method	**176**	107
Total non-current assets	**69,783**	74,714
TOTAL ASSETS	**397,191**	276,148
LIABILITIES		
Current liabilities		
Trade and other payables	**233,460**	107,527
Interest bearing loans and borrowings	**11,758**	10,517
Income tax payable	**10,908**	14,793
Provisions	**29,311**	34,200
Derivative financial instruments	**345**	-
Total current liabilities	**285,782**	167,037
Non-current liabilities		
Interest bearing loans and borrowings	**13,124**	16,929
Provisions	**2,178**	1,880
Total non-current liabilities	**15,302**	18,809
TOTAL LIABILITIES	**301,084**	185,846
NET ASSETS	**96,107**	90,302
EQUITY		
Contributed equity	**28,678**	26,017
Reserves	**1,759**	1,315
Retained earnings	**65,670**	62,970
TOTAL EQUITY	**96,107**	90,302

26. 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 $319,362,252 (2007: $279,681,427). Loans to Monadelphous PNG Limited and Skystar Airport Services NZ Pty Ltd totalling $4,384,206 (2007: $5,299,633) are interest bearing and repayable over 4 years. Other loans to wholly owned controlled entities totalling $314,978,046 (2007: $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 $380,746,860 (2007: $313,475,627). The amounts are interest free and repayable on demand.

Ultimate parent

Monadelphous Group Limited is the ultimate holding company.

27. 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.

On 18 August 2008, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2008 financial year. The total amount of the dividend is $36,256,539 which represents a fully franked final dividend of 43 cents per share. This dividend has not been provided for in the 30 June 2008 Financial Statements.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group is exposed to financial risks which arise directly from its operations. The Group has policies and measures in place to manage financial risks encountered by the business.

Primary responsibility for the identification of financial risks rests with the Board. The Board determines policies for the management of financial risks. It is the responsibility of the Chief Financial Officer and senior management to implement the policies set by the Board and for the constant day to day management of the Group's financial risks. The Board reviews these policies on a regular basis to ensure that they continue to address the risks faced by the Group.

The Group will enter into forward exchange contracts in order to manage its foreign currency risk arising from significant supplier contracts in foreign currencies. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's policy to minimise risk from fluctuations in interest rates is to utilise fixed interest rates in its bank loans, finance leases and hire purchase contracts. Cash and short term deposits are exposed to floating interest rate risks. Analysis is performed on customers credit rating prior to signing contracts and analysis is performed regularly of credit exposures and aged debt to manage credit and liquidity risk.

The policies in place for managing the financial risks encountered by the Group are summarised below.

(a) Risk Exposures and Responses

Interest rate risk
The Group's exposure to variable interest rates is as follows:

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Financial Assets					
Cash and cash equivalents		**126,447**	101,364	**118,395**	93,578
Amounts receivable from controlled entities		**-**	-	**4,384**	5,299
		126,447	101,364	**122,779**	98,877

The Group's policy is to manage its exposure to movements in interest rates by fixing the interest rate on financial instruments, including bank loans, finance leases and hire purchase liabilities, where possible. In addition, the Group utilises a number of financial institutions to obtain the best interest rate possible and to manage its risk. The Group does not enter into interest rate hedges.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Risk Exposures and Responses (cont'd)

The following sensitivity analysis is based on the variable interest rate risk exposures in existence at the balance sheet date:

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements relating to financial assets and liabilities of floating rates:	**Post Tax Profit Higher/(Lower)**		**Equity Higher/(Lower)**	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Consolidated				
+0.5% (50 basis points)	436	355	**-**	-
-0.5% (50 basis points)	(436)	(355)	**-**	-
Parent				
+0.5% (50 basis points)	430	346	**-**	-
-0.5% (50 basis points)	(430)	(346)	**-**	-

The movements in profit from 2007 to 2008 are due to higher interest revenue from variable rate cash balances as a result of higher interest rates and higher financial asset balances.

The periodic effects are determined by relating the hypothetical changes in the floating interest rates to the balance of financial instruments at reporting date. It is assumed that the balance at the reporting date is representative for the year as a whole.

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. The Group's policy is to naturally manage foreign exchange exposure by contracting with customers to receive sales revenue in the currency that the expenses have been incurred.

However, where this is not possible, the Group will consider forward contracts. Currently, the Group manages significant US$ supplier purchases by taking out forward exchange contracts to purchase US$. At 30 June 2008, the Group has forward contracts to purchase US$9,625,000 over the next 5 months. Refer to note 15 for further information.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Risk Exposures and Responses (cont'd)

At 30 June 2008, the Group had the following exposure to foreign currency:

	Notes	Consolidated		Monadelphous Group Limited	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Financial Assets					
Cash and cash equivalents		**6,476**	1,995	**-**	-
Trade and other receivables		**785**	1,641	**-**	-
		7,261	3,636	**-**	-
Financial Liabilities					
Trade and other payables		**489**	716	**-**	-
Derivative financial instruments		**345**	-	**345**	-
		834	716	**345**	-
Net exposure		**6,427**	2,920	**(345)**	-

A sensitivity analysis has been performed based on the foreign currency risk exposures in existence at the balance sheet date and the impact on post tax profit is not material.

Credit risk
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. Publicly available credit information from recognised providers is utilised for this purpose where available.

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.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Risk Exposures and Responses (cont'd)

Liquidity risk
The Group's objective is to manage the liquidity of the business by monitoring project cash flows and through the use of financing facilities. The Group currently utilises financing facilities in the form of bank loans and hire purchase liabilities. The liquidity of the group is managed by the Group's Finance & Accounting department.

The table below reflects all contractually fixed pay-offs, repayments and interest resulting from financial liabilities, including derivative financial instruments as of 30 June 2008.

The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	Consolidated		**Monadelphous Group Limited**	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
6 months or less	**248,709**	122,173	**381,540**	313,838
6 – 12 months	**5,345**	5,800	**-**	-
1 – 5 years	**14,400**	18,131	**-**	-
	268,454	146,104	**381,540**	**313,838**

Maturity analysis of financial liabilities:

Year ended 30 June 2008	**6 months or less $'000**	**6 months to 1 year $'000**	**1 year to 5 years $'000**	**Total Contractual Cash Flows $'000**	**Total Carrying Amount $'000**
Consolidated Financial Liabilities					
Trade and other payables *	**240,441**	**-**	**-**	**240,441**	**240,441**
Bank loan	**207**	**202**	**1,040**	**1,449**	**917**
Hire purchase liability	**7,716**	**5,143**	**13,360**	**26,219**	**23,965**
Derivatives –US$ inflows	**(10,116)**	**-**	**-**	**(10,116)**	**-**
Derivatives – A$ outflows	**10,461**	**-**	**-**	**10,461**	**345**
Net maturity	**248,709**	**5,345**	**14,400**	**268,454**	**265,668**

Year ended 30 June 2007	**6 months or less $'000**	**6 months to 1 year $'000**	**1 year to 5 years $'000**	**Total Contractual Cash Flows $'000**	**Total Carrying Amount $'000**
Consolidated Financial Liabilities					
Trade and other payables *	115,892	-	-	115,892	115,892
Bank loan	54	61	414	529	360
Hire purchase liability	6,227	5,739	17,717	29,683	27,126
Net maturity	122,173	5,800	18,131	146,104	143,378

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Risk Exposures and Responses (cont'd)

* Note, trade and other payables includes advances on construction work in progress of $186,030,000 (2007: $64,385,000). This amount is expected to be settled by the performance of work rather than via contractual cash flows.

Year ended 30 June 2008	6 months or less $'000	6 months to 1 year $'000	1 year to 5 years $'000	Total Contractual Cash Flows $'000	Total Carrying Amount $'000
Parent					
Financial Liabilities					
Trade and other payables	**381,195**	**-**	**-**	**381,195**	**381,195**
Derivatives –US$ inflows	**(10,116)**	**-**	**-**	**(10,116)**	**-**
Derivatives – A$ outflows	**10,461**	**-**	**-**	**10,461**	**345**
Net maturity	**381,540**	**-**	**-**	**381,540**	**381,540**

Year ended 30 June 2007	6 months or less $'000	6 months to 1 year $'000	1 year to 5 years $'000	Total Contractual Cash Flows $'000	Total Carrying Amount $'000
Parent					
Financial Liabilities					
Trade and other payables	313,838	-	-	313,838	313,838
Net maturity	313,838	-	-	313,838	313,838

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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**	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
FINANCIAL ASSETS				
Cash	**126,447**	101,364	**126,447**	101,364
Other debtors	**59,744**	2,362	**59,744**	2,362
Receivables – trade	**145,123**	93,610	**145,123**	93,610
Total Financial Assets	**331,314**	197,336	**331,314**	197,336
FINANCIAL LIABILITIES				
Payables	**240,441**	115,892	**240,441**	115,892
Bank loan	**917**	360	**1,149**	428
Hire Purchase liability	**23,965**	27,126	**22,641**	26,042
Derivative financial instruments	**345**	-	**345**	-
Total Financial Liabilities	**265,668**	143,378	**264,576**	142,362

PARENT	**CARRYING AMOUNT**		**AGGREGATE NET FAIR VALUE**	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
FINANCIAL ASSETS				
Cash	**118,395**	93,578	**118,395**	93,578
Other debtors	**163**	114	**163**	114
Amounts receivable from controlled entities	**319,362**	279,681	**319,362**	279,681
Total Financial Assets	**437,920**	373,373	**437,920**	373,373
FINANCIAL LIABILITIES				
Payables	**448**	362	**448**	362
Amounts payable to controlled entities	**380,747**	313,476	**380,747**	313,476
Derivative financial instruments	**345**	-	**345**	-
Total Financial Liabilities	**381,540**	313,838	**381,540**	313,838

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Net fair values of financial assets and liabilities (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 derivative financial instruments: The carrying amount approximates fair value.

Interest bearing liabilities with fixed interest rates: The fair value includes contracted interest cash flows.

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

The table below summarises the Group's compliance with the Corporate Governance Council's Recommendations.

	Recommendation	Comply Yes / No	Reference / Explanation
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	Yes	Page 82
2.1	A majority of the Board should be independent directors.	Yes	Page 83
2.2	The chairperson should be an independent director.	No	Page 83
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Page 83
2.4	The Board should establish a nomination committee.	Yes	Page 84
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: • the practices necessary to maintain confidence in the Company's integrity; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees.	Yes	Page 84
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.	Yes	Page 86
4.2	The Board should establish an audit committee.	Yes	Page 85
4.3	Structure the audit committee so that it consists of: • only non-executive directors; • a majority of independent directors; • an independent chairperson, who is not chairperson of the Board; • at least three members.	Yes	Page 85
4.4	The audit committee should have a formal charter.	Yes	Website
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes	Website
6.1	Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Yes	Website
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Yes	
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	Yes	Page 85

	Recommendation	Comply Yes / No	Reference / Explanation
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that: • the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board • the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Yes	Page 86
8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.	Yes	Page 86
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Yes	Page 86
8.2	The Board should establish a remuneration committee.	Yes	Page 86
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Page 86
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Yes	Page 86
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate shareholders.	Yes	Website

Monadelphous Group Limited's corporate governance practices were in place throughout the year ended 30 June 2008, unless otherwise stated. Monadelphous Group Limited complies in all material respects with the Council's best practice recommendations.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Monadelphous Group Limited refer to our website:

www.monadelphous.com.au

Board Functions

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility for the operation and administration of the company is delegated, by the Board, to the Managing Director and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

- Audit
- Nomination
- Remuneration

The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budgets – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored;
- reporting to shareholders.

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 8. 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, Mr I. Tollman and Mr C. P. Michelmore are considered to be independent directors.

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, the majority of the directors are independent with the appointment of an additional Non-Executive Director during the period (Mr C. P. Michelmore) and the current composition of the Board with 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)
C. P. Michelmore	1 year	(Non-Executive Director)

Trading Policy

Under the company's Share Trading Policy, a Director, executive or other employee must not trade in any securities of the company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

The periods in which buying and selling of the company's securities, either directly or indirectly, by a Director, executive or other employee is allowed, spans the periods between 24 hours and 30 working days after each of the following events:

- release of the annual and half-yearly results to the ASX;
- the close of the Annual General Meeting; or
- any other time as the Board of Directors of Monadelphous permits.

Before commencing to trade, a Director, executive or other employee must first notify the company Secretary of their intention to do so. The notification must state that the proposed purchase or sale is not as a result of access to, or being in possession of, price sensitive information that is not currently in the public domain.

As required by the ASX Listing Rules, the company notifies the ASX of any transaction conducted by the Directors in the securities of the company.

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 non-executive directors and one executive director. Members of the nomination committee throughout the year were:

C. G. B. Rubino (Chairman)
C. P. Michelmore (appointed to Nomination Committee on 26 June 2008)
R. Velletri (resigned from Nomination Committee on 26 June 2008)
P. J. Dempsey

For details of directors' attendance at meetings of the nomination committee, refer to page 19 of the Directors' Report.

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 establishing and maintaining a framework of internal control and ethical standards 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. All members of the audit committee are non-executive directors. The members of the audit committee during the year were:

P. J. Dempsey (Chairman)
C. G. B. Rubino (resigned from Audit Committee on 26 June 2008)
I. Tollman
C. P. Michelmore (appointed to Audit Committee on 26 June 2008)

Qualifications of audit committee members

P. J. Dempsey has over 32 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 16 years.

I. Tollman has significant experience in the management of Monadelphous having served as the finance director of Monadelphous for 14 years.

C. P. Michelmore has over 36 years experience in the management of risks associated with the construction industry.

For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to page 19 of the Directors' Report.

Risk

The Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The company's process of risk management and internal compliance and control includes:

- establishing the company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and measuring risks that might impact upon the achievement of the company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls;
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the company's resources;
- compliance with applicable laws and regulations;
- preparation of reliable published financial information.

Managing Director and CFO Certification

The Managing Director and Chief Financial Officer have provided a written statement to the Board that:

- their views provided on the company's and consolidated entity's financial reports are founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- that the company's and consolidated entity's risk management and internal compliance and control systems are operating effectively in all material respects.

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 are aligned with the financial and non-financial objectives of Monadelphous.

Remuneration Committee

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

- retention and motivation of key executives
- attraction of quality management to the Company
- performance incentives which allow executives to share the rewards of the success of Monadelphous.

For full discussion of the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period, please refer to the Remuneration Report, which is contained within 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. The Monadelphous Group Limited Employee Option Plan rules have been approved by shareholders.

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

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

C. P. Michelmore (Chairman) (appointed to Remuneration Committee on 26 June 2008)
C. G. B. Rubino
R. Velletri (resigned from Remuneration Committee on 26 June 2008)
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 19 of the Directors' Report.