MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

FINANCIAL REPORT

30 JUNE 2009

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

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

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

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

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
Moway AustAsia Steel Structures Trading (Beijing) Company Limited
Monadelphous Group Limited Employee Share Trust

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I am pleased to report Monadelphous Group has continued its strong year-on-year performance with the achievement of record sales and earnings for the year ended 30 June 2009.

The company generated a record profit after tax of $74.2 million, up 12.1 per cent on an underlying basis compared to the prior corresponding period. Earnings per share rose 10.6 per cent to 87.5 cents.

The Board has declared a final dividend of 44 cents per share fully franked, taking the total full year dividend payout to 74 cents per share fully franked, a 2.8 per cent increase on the prior corresponding period.

The total dividends declared in 2008/09 represent an 85 per cent payout rate which is in line with the Board's dividend payment policy. This policy will continue to be subject to ongoing trading conditions and the need for significant cash requirements for investment opportunities.

Group margins remained healthy but have eased in line with market conditions. This follows an extended period in recent years where margins were stronger than anticipated.

Earnings before interest, tax, depreciation and amortisation were $116.1 million, up 11.1 per cent.

Sound operating cash flow performance continued to be a key feature of Monadelphous' business, increasing 23.1 per cent to $113.8 million. As a result, the net cash position grew 25.4 per cent to $127.3 million.

All of Monadelphous' operating divisions achieved solid organic growth during 2008/09. Sales revenue increased 17.7 per cent to $1.12 billion.

The record sales and activity levels during the year were driven by the high value of contracts awarded in the previous financial year along with continued volume growth on established contracts.

The company was awarded approximately $700 million in new contracts and contract extensions during the period across all key markets - resources, energy and infrastructure.

With the minerals sector slowing, the company's strengthening position in the strongly developing oil and gas sector is providing significant additional revenue opportunities.

A major highlight of the period announced in May was the award of a $170 million contract with Woodside for major works associated with the $12 billion Pluto LNG Project in Western Australia. This was a strategic milestone. It underlines Monadelphous' sound positioning for participating in the oil and gas projects coming on stream and establishes this sector as a core market for the company.

The company's workforce numbers increased in line with work levels, ending the reporting period with 4,211 employees - an increase of 9 per cent over the past year.

The company's conservative approach, sound financial position and strong reputation in the marketplace position us well in the current industry and economic environment.

Strategic Initiatives

During the period, the company embarked on a strategic and operational review aimed at dealing with the challenges of a more uncertain environment. The review recognised the need to change the company's focus from expanding capacity to maximising efficiency.

The welcomed easing in labour market conditions over the past year has supported the development of a more experienced and skilled workforce, further enhancing business productivity.

However, with pressure on margins increasing, the company has been focussed on reducing operating and fixed costs and improving productivity. It has also focussed on opportunities to consolidate the organisational structure, with the goal of improving operating efficiencies.

In support of these objectives and to realise synergies between the Engineering Construction and MiE divisions, the company merged these two divisions, effective 1 July 2009. The restructure will enable more efficient and effective delivery of multi-disciplinary structural, mechanical and electrical installation services to our customers.

In February 2009, Monadelphous announced that it had acquired a 12.4 per cent strategic stake in listed infrastructure services company Norfolk Group Limited (ASX: NFK).

Norfolk operates a suite of businesses in Australia and New Zealand providing electrical, mechanical and property related services to a broad range of industrial and infrastructure market sectors. The investment supports our strategy to broaden Monadelphous' exposure to non-resources sectors and expand our range of services.

Since the on-market purchase by Monadelphous, Norfolk's shares have recorded a solid increase in market value and the company continues to consider opportunities arising from this investment.

Divisional Review - Engineering Construction

The Engineering Construction division experienced record levels of activity reflecting the strong forward workload entering the year, plus scope extensions on a number of construction contracts.

The division recorded sales revenue of $674.8 million, an increase of 17.2 per cent on the previous corresponding period.

During the 2008/09 period, the Division was awarded more than $500 million in new construction contracts across a broad base of resources, energy and infrastructure sectors.

A significant milestone contract win during the period was the award of a $30 million contract to upgrade the Burpengary East Sewerage Treatment Plant in Queensland - the company's fourth and largest water infrastructure project. This points towards the infrastructure market as a major growth market in the next phase of development for Monadelphous.

Major projects substantially completed during the reporting period included:

- Structural, mechanical and piping works at the Newman Hub associated with BHP Billiton Iron Ore's Rapid Growth Project 4 (RGP4) in Western Australia (WA);
- Structural, mechanical and piping works associated with Newmont's Boddington Gold Mine Expansion in WA;
- Construction of the onshore gas treatment plant associated with Eni's Blacktip Development Project in the Northern Territory;
- Structural, mechanical and piping works associated with Rio Tinto Iron Ore's Cape Lambert Upgrade 80Mtpa Project in WA;
- Structural, mechanical and piping works associated with OZ Minerals' Prominent Hill Copper/Gold project in South Australia (SA);
- Construction of the Lake Cathie/Bonnie Hills Sewerage Treatment Plant for the Port Macquarie-Hastings Council in New South Wales (NSW); and
- Structural, mechanical and electrical works associated with the Dalrymple Bay Coal Terminal (DBCT) expansion in Queensland (Qld).

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

- Structural, mechanical and piping works associated with Woodside's Pluto Liquefied Natural Gas (LNG) Project in the north west of WA;
- Structural, mechanical, piping, electrical and instrumentation works as part of Worsley Alumina's Efficiency and Growth Expansion Project in WA;
- Structural, mechanical and electrical works associated with Ports Corporation of Queensland's Abbot Point Coal Terminal X50 Expansion Project;
- Construction of the Burpengary East Sewerage Treatment Plant Upgrade for the Moreton Bay Regional Council in Qld;
- Installation of an Automated Alumina Delivery System and ancillary infrastructure associated with Rio Tinto's Boyne Smelter Development Project in Qld;
- Structural and mechanical pre-works at Nelson Point associated with BHP Billiton Iron Ore's Rapid Growth Project 6 (RGP6) in WA; and
- Construction of a Coal Handling Preparation Plant as part of Rio Tinto's Clermont Mine Project in Qld.

Subsequent to the reporting period, in July 2009 the division was awarded two new construction contracts with a combined value of $50 million in the iron ore and oil and gas markets with major customers Rio Tinto and Woodside. These project wins were associated with Rio Tinto Iron Ore's Mesa A and Woodside's Pluto Offshore HUC (Hook-Up and Commissioning) Projects.

Looking ahead, the division remains focussed on maintaining its strong position in core markets including iron ore, mineral processing and coal, while continuing to extend its position in the oil and gas and infrastructure markets.

Divisional Review - Maintenance and Industrial Services

The Maintenance and Industrial Services division has produced a record result this year despite an easing in market conditions in the second half.

Sales revenue for the period grew 11.1 per cent to $351.9 million driven by new project wins, increased service volumes on existing contracts and continued high customer retention levels.

The division successfully expanded into a number of new services (electrical and instrumentation), geographic areas (Pilbara in WA and Bowen Basin in Qld) and commodity markets (coal and power).

A total of approximately $200 million in new contracts and re-competes were awarded over the past year. These included:

- A new three-year contract for the provision of major shutdown services across all of BHP Billiton Nickel West sites including Kalgoorlie, Kwinana, Leinster and Mt Keith in WA;
- An alliance contract with Incitec Pivot for shutdown services until December 2010 across their Queensland operations;
- A new maintenance contract for the provision of two dragline shutdowns for BHP Billiton Mitsubishi Alliance (BMA) at its Blackwater Coal Mine in the Bowen Basin; and
- Contract extensions at ConocoPhillips' Darwin LNG Plant (three years); Rio Tinto Iron Ore's Structural Integrity Projects (two years); BHP Billiton's Olympic Dam Operations (two years); Anglo Coal Dawson Mine in Qld; and Rio Tinto Alcan's Yarwun Alumina Refinery, Qld.

Subsequent to the reporting period, in July 2009 the division was selected as preferred tenderer for new maintenance services contracts worth a total of around $100 million over three years.

Divisional Review - MiE (Electrical and instrumentation services)

The MiE division consolidated its national electrical and instrumentation services capability following the award of and substantial completion of a number of significant projects.

The division recorded sales of $100.2 million, up 31.8 per cent on the previous corresponding period. Key highlights of the period include:

- Substantial completion of a major electrical and instrumentation installation contract associated with Newmont's Boddington Gold Mine Expansion in WA;
- The award of major electrical and instrumentation works associated with the Worsley Alumina Efficiency and Growth Expansion Project in WA;
- A contract award for the high-voltage and associated electrical works for the Abbot Point Coal Terminal X50 Expansion Project in Qld; and
- The award of electrical and installation works associated with Vale's Carborough Downs Mine Expansion Project in Qld.

Divisional Review - Skystar

Following the divestment of our international ground handling operations to Toll Dnata Airport Services on 4 January 2008, Skystar Airport Services (Skystar) continued to deliver healthy underlying business growth across 2008/09.

Underlying sales were up 42.7 per cent to $10.5 million, driven by strong volume growth and new customer contracts. Skystar continued its core focus on service delivery excellence to its key customer, the Qantas Group, while extending its customer relationships to other regional Australian carriers.

Strategic Progress

We continued to strengthen our core business during the period focussing on earnings quality, long term relationships, blue chip customers, larger and longer contracts, and a growing recurring revenue base.

During the year, Monadelphous was awarded a near record level of new contracts across a variety of customers, markets, services and geographies.

We made considerable progress towards diversifying our business model away from traditional mining and minerals markets. To this end, we secured approximately $250 million in oil and gas and infrastructure work across a diverse range of customers and geographies.

We also invested considerable time and resources in our most important strategic asset - our people.

People and culture is the key differentiator for Monadelphous. They deliver significant value to the business, support our leadership position and create a 'barrier to entry'.

During the period, we developed and consolidated our people performance and talent management programs with the aim of increasing the overall capability, skills and efficiency across the entire organisation.

Fundamental to our culture and strategy is the health and safety of our employees. Monadelphous has long held an enviable reputation as an industry leader in HSE performance - we aim to maintain and build on this position.

During the 2008/09 period, we maintained our safety performance and undertook a comprehensive review to determine the next stage of the company's health and safety improvement program.

The switch in the company's focus from expanding capacity to maximising efficiency has seen a reduction in overhead and fixed costs, consolidation of the organisational structure and improving labour productivity.

The ultimate aim of these measures is to ensure Monadelphous remains cost competitive, flexible and customer focussed in the current operating environment.

Outlook

Over the last year, there has been a marked change in industry and economic conditions. These conditions have been principally driven by a deteriorating credit market, lower commodity prices and the general economic environment.

Whilst many of our resources customers have responded to this changing environment by reducing capital expenditure and operating costs, the majority of the company's committed projects have proceeded as planned.

Following the achievement of record sales and earnings in 2008/09, we have entered the new financial year with a healthy forward workload as industry conditions begin to ease and normalise.

Energy and infrastructure markets across 2009/10 are expected to insulate Monadelphous from the full effects of the softness in traditional resources markets.

With the competitive environment tightening, the shift in organisational focus from one of expanding capacity to maximising efficiency will help protect margins.

The board's strategies in recent years to strengthen the company's balance sheet, diversify outside traditional resources markets and focus on organic growth has placed us in the strong position we are in today.

Going forward, we do not underestimate the challenge of maintaining the revenue and earnings growth we have achieved in recent years.

Notwithstanding this, our key customers remain confident in longer term resources, energy and infrastructure demands with a number of key customers continuing with their large development plans. The continued progress and acceleration of a number of LNG projects towards final investment decision is also very encouraging.

Acquisition opportunities aimed at supporting our market development strategies will continue to be pursued, particularly in the current financial climate.

We will continue to build our resilience, remain close to our customers and manage for efficiency.

John Rubino
Chairman
17 August 2009

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

	2009 $'000	**2008 $'000**	**2007 $'000**	**2006 $'000**	**2005 $'000**	**2004 $'000**
Revenue	**1,127,474**	958,966	968,419	534,273	391,727	223,415
Profit before income tax expense	**104,149**	99,749	86,835	42,196	23,860	12,153
Income tax expense	**29,908**	30,206	26,417	12,800	7,202	3,625
Profit after income tax expense	**74,241**	69,543	60,418	29,396	16,658	8,528
Basic earnings per share	**87.48c**	83.21c	73.56c	36.48c	21.15c	11.13c
Interim dividends per share (fully franked)	**30.00c**	29.00c	22.00c	9.00c	5.25c	2.75c
Special dividends per share (fully franked)	**-**	-	15.00c	9.00c	5.00c	-
Final dividends per share (fully franked)	**44.00c**	43.00c	29.00c	15.00c	9.00c	4.75c
Net tangible asset backing per share	**139.84c**	117.73c	105.87c	73.34c	54.90c	50.25c
Total equity and reserves	**122,565**	101,817	90,481	62,134	46,171	39,271
Depreciation	**15,066**	12,718	10,390	7,510	5,171	4,230
Return on equity (%)	**60.6**	68.3	66.8	47.3	36.1	21.7
EBITDA margin (%)	**10.3**	11.5	9.8	9.2	7.4	7.3

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.

The 2005 comparatives have been restated based on Australian Accounting Standards and International Financial Reporting Standards. The 2004 comparatives are based on Australian Generally Accepted Accounting Principles.

Your directors submit their report for the year ended 30 June 2009.

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 43 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 30 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 37 years experience in the construction industry Also a non-executive director of another publicly listed entity, Becton Property Group Limited (ASX Code: BEC) - appointed 25 July 2008
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 37 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 15 years experience in the resources, construction and engineering services industries Resigned, effective 24 August 2009
Philip Trueman	*Company Secretary and General Manager, Corporate Services* Chartered Accountant, Member Institute of Chartered Accountants in Australia and the South African Institute of Chartered Accountants 9 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	2,000,000	500,000
I. Tollman	667,586	Nil
P. J. Dempsey	78,000	Nil
C. P. Michelmore	12,294	Nil

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	87.48
Diluted Earnings Per Share	86.33

DIVIDENDS

	Cents	$'000
Final dividends declared		
▪ on ordinary shares	44.00	37,763
Dividends paid during the year:		
Current year interim		
▪ on ordinary shares	30.00	25,747
Final for 2008		
▪ on ordinary shares	43.00	36,257

CORPORATE INFORMATION

Corporate structure

Monadelphous Group Limited is a company limited by shares that is incorporated and domiciled in Australia. Monadelphous Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year (refer note 27 in the financial report).

The registered office of Monadelphous Group Limited is located at:

1 - 7 Sleat Road
Applecross, Western Australia, 6153

Nature of operations and principal activities

Engineering Construction

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

Maintenance and Industrial Services

Offering mechanical and electrical engineering services in the following areas:

- Fixed and mobile plant maintenance
- Minor capital works
- Shutdown planning, management and execution
- Specialist concrete and structural maintenance
- Mill reline services
- Labour and equipment hire

Electrical and Instrumentation Services

Provides specialist 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 and Beijing with a network of regional offices and workshop facilities in Adelaide, 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 4,211 employees as of 30 June 2009 (2008: 3,848 employees).

OPERATING AND FINANCIAL REVIEW

Review

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

Operating results for the year

Operating results for the year were:

	2009 **$'000**	2008 $'000
Revenue from services	**1,122,521**	953,991
Profit after income tax	**74,241**	69,543

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 19 November 2008, Monadelphous Group Limited announced its intention to buy back up to 2,000,000 shares on-market over the period 4 December 2008 to 3 December 2009. The decision followed a detailed review of all available capital management options. At 30 June 2009, the company had bought back and cancelled 94,009 shares.

On 2 December 2008, Moway International Limited (a 100% owned subsidiary of Monadelphous Group Limited) incorporated an entity in China, Moway AustAsia Steel Structures Trading (Beijing) Company Limited.

On 18 December 2008, the company established the Monadelphous Group Limited Employee Share Trust. The trust has been established for the sole purpose of subscribing for, allocating, holding and delivering shares in the Company under the Monadelphous Group Limited Employee Option Plan for the benefit of participants to the plan. During the year, the trust acquired 589,323 ordinary shares, of which 465,074 shares were issued to employees upon exercise of options under the Monadelphous Group Limited Employee Option Plan. At 30 June 2009, 124,249 remained as reserved shares.

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 4 August 2009, Monadelphous Group Limited announced the resignation of the company's Chief Financial Officer, Mr Giles Everist. Mr Zoran Bebic, currently General Manager Business Services, will replace Mr Everist as Chief Financial Officer, effective 24 August 2009.

On 17 August 2009, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2009 financial year. The total amount of the dividend is $37,762,648 which represents a fully franked final dividend of 44 cents per share. This dividend has not been provided for in the 30 June 2009 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 4,922,500 unissued ordinary shares under options as follows:

- 180,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $4.71. The options expire on 31 January 2010.
- 112,500 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $9.06. The options expire between 31 January 2010 and 31 January 2011.
- 4,630,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $10.00. The options expire between 30 September 2010 and 30 September 2012.

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 2,190,000 fully paid ordinary shares at a weighted average exercise price of $2.05. 465,074 shares owned by Monadelphous Group Limited Employee Share Trust were utilised for the option exercise, with the remaining 1,724,926 issued as new fully paid ordinary shares.

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 $76,804 (2008: $73,718).

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)

(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 (resigned, effective 24 August 2009)
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.

Non-executive director remuneration (cont'd)

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.

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 2009 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.

Executive remuneration (cont'd)

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review 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.

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 at the end of the financial year, 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. The individual performance rating of each executive is taken into account when determining the amount, if any, of options granted to each executive. During the year ended 30 June 2009, there were 1,270,000 options granted as part of director and executive remuneration. All executives are eligible to participate in the Monadelphous Group Limited Employee Option Plan.

Executive remuneration (cont'd)

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

In addition, for options issued under the Monadelphous Group Limited Employee Option Plan during the year ended 30 June 2009, the ability to exercise options during each applicable window period is subject to the financial performance of the company during the option vesting period. The options shall only be capable of exercise during that window period where the company's Earnings Per Share (EPS) metric is growing at a rate of at least 10% per year. If, however, this hurdle is not achieved for a particular window period, rather than lapsing, the options will be re-tested during all later window periods in respect of that issue and may become exercisable at that later date.

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:

	2009	**2008**	**2007**	**2006**	**2005**	**2004**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Profit after income tax expense	**74,241**	69,543	60,418	29,396	16,658	8,528

The 2005 comparatives have been restated based on Australian Accounting Standards and International Financial Reporting Standards. The 2004 comparatives are based on Australian Generally Accepted Accounting Principles.

A review of the company's performance over the last six years has been provided on page 6 of this report.

Remuneration of Key Management Personnel and the Five Highest Paid Executives of the Company and the Group

Table 1: Remuneration for the year ended 30 June 2009

	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	40,000	489	-	-	-	-	-	40,489	-	-
P. J. Dempsey	70,000	856	-	-	-	-	-	70,856	-	-
C. P. Michelmore	70,000	856	-	-	-	-	-	70,856	-	-
Subtotal Non-Executive Directors	**180,000**	**2,201**	**-**	**-**	**-**	**-**	**-**	**182,201**	**-**	**-**
Executive Directors										
C. G. B. Rubino	313,759	8,368	-	-	-	-	-	322,127	-	-
R. Velletri	673,377	17,562	200,000	13,741	-	147,203	-	1,051,883	33.01%	13.99%
Subtotal Executive Directors	**987,136**	**25,930**	**200,000**	**13,741**	**-**	**147,203**	**-**	**1,374,010**	**25.27%**	**10.71%**
Other Key Management Personnel										
D. Foti	526,931	13,732	125,000	13,757	-	82,137	-	761,557	27.20%	10.79%
A. Erdash	395,658	10,207	60,000	13,741	-	41,809	-	521,415	19.53%	8.02%
M. Jansen	384,892	9,835	60,000	13,741	-	41,809	-	510,277	19.95%	8.19%
G. Everist	379,339	9,858	60,000	13,741	-	41,809	-	504,747	20.17%	8.28%
S. Murray	287,235	7,322	40,000	13,741	-	49,141	-	397,439	22.43%	12.36%
Subtotal Other Key Management Personnel	**1,974,055**	**50,954**	**345,000**	**68,721**	**-**	**256,705**	**-**	**2,695,435**	**22.32%**	**9.52%**
Total	**3,141,191**	**79,085**	**545,000**	**82,462**	**-**	**403,908**	**-**	**4,251,646**	**22.32%**	**9.50%**

Remuneration of Key Management Personnel and the Five Highest Paid Executives of the Company and the Group (cont'd)

Table 2: 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%
M. Jansen	313,059	8,879	60,000	13,130	-	9,890	10,907	415,865	16.81%	2.38%
G. Everist	322,663	9,027	60,000	13,130	-	11,039	-	415,859	17.08%	2.65%
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 and the Five Highest Paid Executives of the Company and the Group (cont'd)

Table 3: Compensation options: Granted during the year ended 30 June 2009

	Terms and conditions for each Grant						
	Granted No.	**Grant Date**	**Fair value per option at grant date**	**Exercise price per option**	**Expiry date**	**First exercise date**	**Last exercise date**
Executive Directors							
R. Velletri	500,000	31/10/2008	$1.15	$10.00	30/09/2012	1/09/2010	30/09/2012
Other Key Management Personnel							
D. Foti	280,000	31/10/2008	$1.15	$10.00	30/09/2012	1/09/2010	30/09/2012
A. Erdash	140,000	31/10/2008	$1.15	$10.00	30/09/2012	1/09/2010	30/09/2012
M. Jansen	140,000	31/10/2008	$1.15	$10.00	30/09/2012	1/09/2010	30/09/2012
G. Everist	140,000	31/10/2008	$1.15	$10.00	30/09/2012	1/09/2010	30/09/2012
S. Murray	70,000	31/10/2008	$1.15	$10.00	30/09/2012	1/09/2010	30/09/2012
Total	**1,270,000**						

During the financial year ended 30 June 2008, no options were granted as equity compensation benefits to key management personnel.

No options granted during the year ended 30 June 2009 have vested.

Table 4: Shares issued on exercise of compensation options during the year ended 30 June 2009

30 June 2009	**Options vested Number**	**Options exercised Number**	**Shares issued Number**	**Paid $ per share**
Directors				
R. Velletri	300,000	300,000	300,000	$1.95
Executives				
D. Foti	160,000	160,000	160,000	$1.95
A. Erdash	100,000	100,000	100,000	$1.95
M. Jansen	100,000	100,000	100,000	$1.95
G. Everist	100,000	100,000	100,000	$1.95
S. Murray	12,500*	-	-	-
Total	772,500	760,000	760,000	

On 30 January 2009, the date of exercise of the above options, the closing share price was $6.36.

* Options forfeited during the year had an exercise price of $9.06.

Remuneration of Key Management Personnel and the Five Highest Paid Executives of the Company and the Group (cont'd)

Table 5: Shares issued on exercise of compensation options during the year ended 30 June 2008

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

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:

	Directors' Meetings	Meetings of Committees Audit	Remuneration	Nomination
Number of meetings held:	14	2	2	2
Number of meetings attended:				
C. G. B. Rubino	14	-	2	2
R. Velletri	14	-	-	-
I. Tollman	14	2	2	-
P. J. Dempsey	14	2	-	2
C. P. Michelmore	14	2	2	2

COMMITTEE MEMBERSHIP

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

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

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

Note:
(c) Designates the chairman of the committee.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest 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 85 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 financial year ended 30 June 2009, 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.

In addition to our audit of the financial report, we were engaged to undertake the services disclosed in note 26 to the financial statements. The provision of these services has not impaired our independence.

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
17 August 2009

Liability limited by a scheme approved under Professional Standards Legislation

Non-Audit Services

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

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

	$
Tax compliance services	**86,352**
Assurance related	**6,695**
	93,047

Signed in accordance with a resolution of the directors.

C. G. B. Rubino
Chairman
Perth, 17 August 2009

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11 Mounts Bay Road
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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 2009, 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.

ERNST & YOUNG

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Monadelphous Group Limited is in accordance with 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 2009 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 on pages 11 to 19 of the directors' report for the year ended 30 June 2009. 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 2009 complies with section 300A of the *Corporations Act 2001.*

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
Perth
17 August 2009

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 2009 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 2009.

3) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 27 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

C. G. B. Rubino
Chairman
Perth, 17 August 2009

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated		Monadelphous Group Limited	
		2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Continuing Operations					
REVENUE	3(a)	**1,127,474**	958,966	**64,943**	60,847
Cost of services rendered		**(987,320)**	(832,530)	**-**	-
GROSS PROFIT		**140,154**	126,436	**64,943**	60,847
Other income	3(b)	**2,048**	7,418	**1,766**	1,823
Business development and tender expenses		**(11,500)**	(10,366)	**-**	-
Occupancy expenses		**(1,595)**	(807)	**-**	-
Administrative expenses		**(24,147)**	(22,643)	**(1,701)**	(535)
Finance costs	3(c)	**(1,864)**	(1,878)	**(1,766)**	(1,823)
Share of net profits of joint ventures accounted for using the equity method	12	**1,053**	1,589	**-**	-
PROFIT BEFORE INCOME TAX		**104,149**	99,749	**63,242**	60,312
Income tax expense	4	**(29,908)**	(30,206)	**(291)**	(1,054)
PROFIT AFTER INCOME TAX		**74,241**	69,543	**62,951**	59,258
PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	18(a)	**74,241**	69,543	**62,951**	59,258
Basic earnings per share (cents per share)	23	**87.48**	83.21		
Diluted earnings per share (cents per share)	23	**86.33**	81.21		
Dividends per share (cents per share)	5	**74.00**	72.00		

BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	19(b)	**152,235**	126,447	**147,554**	118,395
Trade and other receivables	6	**110,604**	204,867	**41**	163
Inventories	7	**15,360**	6,571	**-**	-
Total current assets		**278,199**	337,885	**147,595**	118,558
Non-current assets					
Trade and other receivables	6	**-**	-	**346,089**	319,362
Investments in subsidiaries	8	**-**	-	**35,591**	33,729
Available-for-sale financial assets	9	**8,951**	-	**8,951**	-
Property, plant and equipment	10	**70,075**	61,924	**-**	-
Deferred tax assets	4	**13,455**	9,396	**-**	194
Goodwill	11	**2,551**	2,551	**-**	-
Investments accounted for using the equity method	12	**-**	176	**-**	-
Total non-current assets		**95,032**	74,047	**390,631**	353,285
TOTAL ASSETS		**373,231**	411,932	**538,226**	471,843
LIABILITIES					
Current liabilities					
Trade and other payables	13	**170,322**	240,441	**417,976**	357,230
Interest bearing loans and borrowings	14	**10,703**	11,758	**10,540**	11,546
Income tax payable	4	**6,629**	11,590	**6,642**	10,908
Provisions	15	**45,145**	30,436	**-**	-
Derivative financial instruments	16	**327**	345	**327**	345
Total current liabilities		**233,126**	294,570	**435,485**	380,029
Non-current liabilities					
Interest bearing loans and borrowings	14	**14,205**	13,124	**13,618**	12,419
Provisions	15	**3,018**	2,265	**-**	-
Deferred tax liabilities	4	**317**	156	**447**	-
Total non-current liabilities		**17,540**	15,545	**14,065**	12,419
TOTAL LIABILITIES		**250,666**	310,115	**449,550**	392,448
NET ASSETS		**122,565**	101,817	**88,676**	79,395
EQUITY					
Contributed equity	17	**28,941**	28,678	**28,941**	28,678
Reserves	18	**9,696**	1,448	**9,830**	1,759
Retained earnings	18	**83,928**	71,691	**49,905**	48,958
TOTAL EQUITY		**122,565**	101,817	**88,676**	79,395

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Attributable to equity holders

CONSOLIDATED	Issued Capital	Reserves	Retained Earnings	Total
	$'000	**$'000**	**$'000**	**$'000**
At 1 July 2008	28,678	1,448	71,691	101,817
Currency translation differences	**-**	**177**	**-**	**177**
Net fair value gains on available-for-sale financial assets	**-**	**3,559**	**-**	**3,559**
Total income/(expense) for the period recognised directly in equity	**-**	**3,736**	**-**	**3,736**
Profit for the period	**-**	**-**	**74,241**	**74,241**
Total income/(expense) for the period	**-**	**3,736**	**74,241**	**77,977**
Share-based payments	**-**	**1,476**	**-**	**1,476**
Exercise of employee options	**4,491**	**-**	**-**	**4,491**
Share buy-back – on-market	**(584)**	**-**	**-**	**(584)**
Acquisition of reserved shares	**(3,644)**	**-**	**-**	**(3,644)**
Deferred tax asset recognised on Employee Share Trust	**-**	**3,036**	**-**	**3,036**
Equity dividends	**-**	**-**	**(62,004)**	**(62,004)**
At 30 June 2009	**28,941**	**9,696**	**83,928**	**122,565**

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
Exercise of employee options	2,661	-	-	2,661
Equity dividends	-	-	(60,995)	(60,995)
At 30 June 2008	28,678	1,448	71,691	101,817

MONADELPHOUS GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	Attributable to equity holders			
PARENT	**Issued Capital**	**Reserves**	**Retained Earnings**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At 1 July 2008	28,678	1,759	48,958	79,395
Net fair value gains on available-for-sale financial assets	**-**	**3,559**	**-**	**3,559**
Total income/(expense) for the period recognised directly in equity	**-**	**3,559**	**-**	**3,559**
Profit for the period	**-**	**-**	**62,951**	**62,951**
Total income/(expense) for the period	**-**	**3,559**	**62,951**	**66,510**
Share-based payments	**-**	**1,476**	**-**	**1,476**
Exercise of employee options	**4,491**	**-**	**-**	**4,491**
Share buy-back – on-market	**(584)**	**-**	**-**	**(584)**
Acquisition of reserved shares	**(3,644)**	**-**	**-**	**(3,644)**
Deferred tax asset recognised on Employee Share Trust	**-**	**3,036**	**-**	**3,036**
Equity dividends	**-**	**-**	**(62,004)**	**(62,004)**
At 30 June 2009	**28,941**	**9,830**	**49,905**	**88,676**

	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
Exercise of employee options	2,661	-	-	2,661
Equity dividends	-	-	(60,995)	(60,995)
At 30 June 2008	28,678	1,759	48,958	79,395

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of GST)		**1,274,648**	1,049,169	**-**	-
Payments to suppliers and employees (inclusive of GST)		**(1,127,121)**	(928,530)	**-**	-
Interest received		**4,912**	4,872	**4,902**	4,744
Borrowing costs		**(1,864)**	(1,878)	**(1,766)**	(1,823)
Other income		**493**	316	**1,766**	1,823
Income tax paid		**(37,262)**	(31,480)	**(37,005)**	(31,225)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	19(a)	**113,806**	92,469	**(32,103)**	(26,481)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		**2,006**	11,423	**-**	-
Purchase of property, plant and equipment		**(10,324)**	(8,141)	**-**	-
Purchase of available-for-sale financial assets		**(3,867)**	-	**(3,867)**	-
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(12,185)**	3,282	**(3,867)**	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from controlled entities		**-**	-	**141,062**	121,766
Dividend paid		**(62,004)**	(60,995)	**(62,004)**	(60,995)
Proceeds from issue of shares		**4,491**	2,661	**4,491**	2,661
Share buy-back – on-market		**(584)**	-	**(584)**	-
Acquisition of reserved shares		**(3,644)**	-	**(3,644)**	-
Investments in subsidiaries		**-**	-	**(386)**	-
Proceeds from/(repayment) of borrowings		**(167)**	557	**-**	-
Payment of finance leases		**(13,151)**	(12,134)	**(13,151)**	(12,134)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(75,059)**	(69,911)	**65,784**	51,298
NET INCREASE IN CASH AND CASH EQUIVALENTS		**26,562**	25,840	**29,814**	24,817
Net foreign exchange differences		**(774)**	(757)	**(655)**	-
Cash and cash equivalents at beginning of period		**126,447**	101,364	**118,395**	93,578
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19(b)	**152,235**	126,447	**147,554**	118,395

1. CORPORATE INFORMATION

The financial report of Monadelphous Group Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of directors on 17 August 2009.

Monadelphous Group Limited is a company limited by shares incorporated in Australia whose shares are publicly 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 and available-for-sale investments, 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 2009. These standards will have no material impact on the Group's financial statements except with regards to disclosures. These are outlined below:

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, in management's view it is unlikely the amendments will 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.

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 101 (Revised), AASB 2007-8 and AASB 2007-10	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.
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.
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2009	1 July 2009	No material impact on the Group is expected based on analysis to date.
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2009	1 July 2009	No material impact on the Group is expected based on analysis to date.
AASB 2008-7	Amendments to Australian Accounting 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.

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 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	1 July 2009	1 July 2009	This change clarifies the principles underlying hedge accounting, which is not applied by the Group, hence no impact.
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009	1 July 2009	No material impact on the Group is expected.
AASB 2009-4	Amendments to Australian Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	1 July 2009	1 July 2009	No material impact on the Group is expected.
Amendments to International Financial Reporting Standards	Amendments to IFRS 7	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.
AASB 2009-5	Further Amendments to Australian Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	1 January 2010	1 July 2010	The Group has not yet determined the extent of the impact of the amendments, if any, as the application date is not yet in effect.
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	1 January 2010	1 July 2010	The Group has not yet determined the extent of the impact of the amendments, if any, as the application date is not yet in effect.

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 inter-company 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$), the Hong Kong subsidiary (Moway International Limited) is United States dollars (US$) and the Chinese subsidiary (Moway AustAsia Steel Structures Trading (Beijing) Company Limited) is Chinese Renminbi (RMB).

Transactions 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 Group companies' functional currency to presentation currency

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

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 receivables. Financial difficulties of the debtor, default payments, historical bad debt performance 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.

(iii) Available-for-sale securities
Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not classified as any of the two preceding categories or held to maturity. After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

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

j) Investments and other financial assets (cont'd)

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

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.

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:

	2009	2008
▪ 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.

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

l) Impairment of non-financial assets other than goodwill (cont'd)

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.

m) Leases

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

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

Finance leases

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

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.

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

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.

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 27 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.

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

q) Interest bearing loans and borrowings (cont'd)

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).

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, sick leave, project incentives and project redundancies
Liabilities for wages and salaries, annual leave, rostered days off, accumulating sick leave, project incentives and project redundancies 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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures 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 estimated future cash outflows.

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

s) Employee benefits (cont'd)

(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 within 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.

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.

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

t) Share-based payment transactions (cont'd)

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.

Shares in the Group reacquired on-market and held by Monadelphous Group Limited Employee Share Trust are classified and disclosed as reserved shares and deducted from equity.

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.

Reserved shares

The Group's own equity instruments, which are reacquired for later use in employee share-based payment arrangements (reserved shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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.

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

v) Revenue recognition (cont'd)

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.

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:

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

x) Taxation (cont'd)

- 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.

In addition to its own current and deferred tax amounts, Monadelphous Group Limited also recognised the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in note 4.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

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.

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

x) Taxation (cont'd)

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

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.

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

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

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 11.

Impairment of available-for-sale assets
After initial recognition available-for-sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

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

Assumptions about the generation of future taxable profits 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 within 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.

aa) Comparatives

Comparative amounts have been reclassified for consistency with current year disclosures.

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
3. REVENUES AND EXPENSES					
(a) Revenue					
Rendering of services		**1,122,521**	953,991	**-**	-
Dividends		**-**	-	**60,000**	56,000
Finance revenue		**4,953**	4,975	**4,943**	4,847
		1,127,474	958,966	**64,943**	60,847
(b) Other income					
Net gains on disposal of property, plant and equipment		**1,555**	7,102	**-**	-
Other income		**493**	316	**1,766**	1,823
		2,048	7,418	**1,766**	1,823
(c) Finance costs					
Bank loans and overdrafts		**98**	55	**-**	-
Finance charges payable under finance leases and hire purchase contracts		**1,766**	1,823	**1,766**	1,823
		1,864	1,878	**1,766**	1,823
(d) Depreciation					
Depreciation expense		**15,066**	12,718	**-**	-
(e) Employee benefits expense					
Employee benefits expense		**511,193**	374,796	**-**	-
Other employee benefits expense		**36,130**	18,233	**-**	-
Defined contribution superannuation expense		**25,922**	19,159	**-**	-
Share based payment expense		**1,476**	444	**-**	-
		574,721	412,632	**-**	-
(f) Lease payments and other expenses included in the income statement					
Minimum lease payments – operating lease		**15,439**	10,254	**-**	-
Bad and doubtful debts		**1,426**	654	**-**	-
Net (gain)/loss on held for trading foreign currency derivatives		**(18)**	380	**(18)**	380
Net foreign exchange differences		**950**	52	**999**	-

4. INCOME TAX	**Notes**	**Consolidated**		**Monadelphous Group Limited**	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
(a) Income tax expense					
The major components of income tax expense are:					
Income statement					
Current income tax					
Current income tax charge		**32,614**	28,020	**(1,892)**	1,321
Adjustments in respect of current income tax of previous years		**(319)**	96	**31**	(74)
Deferred income tax					
Relating to origination and reversal of temporary differences		**(2,304)**	2,090	**2,109**	(193)
Adjustments in respect of deferred income tax of previous years		**(83)**	-	**43**	-
Income tax expense reported in the income statement		**29,908**	30,206	**291**	1,054
(b) Amounts charged or credited directly to equity					
Deferred income tax related to items charged (credited) directly to equity – see Note 18					
Net unrealised gains reserve		**1,525**	-	**1,525**	-
Share-based payment reserve		**(3,036)**	-	**(3,036)**	-
Income tax benefit reported in equity		**(1,511)**	-	**(1,511)**	-
(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate					
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		**104,149**	99,749	**63,242**	60,312
At the Parent Entity's statutory income tax rate of 30% (2008: 30%)		**31,245**	29,925	**18,973**	18,094
- Adjustments in respect of current and deferred income tax of previous years		**(402)**	96	**74**	(74)
- Research and development deduction		**(88)**	-	**-**	-
- General business tax break		**(529)**	-	**-**	-
- Dividends received from subsidiary		-	-	**(18,000)**	(16,800)
- Employee share trust		**(262)**	-	**(705)**	-
- Other		**(56)**	185	**(51)**	(68)
- Exempt income		-	-	**-**	(98)
Aggregate income tax expense		**29,908**	30,206	**291**	1,054

4. INCOME TAX (cont'd)

(d) Recognised deferred tax assets and liabilities

	Consolidated				Monadelphous Group Limited			
	2009 $'000 Current Income Tax	**2009 $'000 Deferred Income Tax**	2008 $'000 Current Income Tax	2008 $'000 Deferred Income Tax	**2009 $'000 Current Income Tax**	**2009 $'000 Deferred Income Tax**	2008 $'000 Current Income Tax	2008 $'000 Deferred Income Tax
Opening balance	**(11,590)**	**9,240**	(14,970)	11,330	**(10,908)**	**194**	(14,973)	1
Charged to income	**(32,295)**	**2,387**	(28,116)	(2,090)	**1,861**	**(2,152)**	(1,247)	193
Charged to equity	**-**	**1,511**	-	-	**-**	**1,511**	-	-
Other / payments	**37,256**	-	31,496	-	**2,405**	-	5,312	-
Closing balance	**(6,629)**	**13,138**	(11,590)	9,240	**(6,642)**	**(447)**	(10,908)	194
Tax expense in income statement		**29,908**		30,206		**291**		1,054
Amounts recognised in the balance sheet:								
Deferred tax asset		**13,455**		9,396		**-**		194
Deferred tax liability		**(317)**		(156)		**(447)**		-
		13,138		9,240		**(447)**		194

	Consolidated		Monadelphous Group Limited	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Deferred income tax at 30 June relates to the following:				
(i) Deferred tax liabilities				
Accelerated depreciation	**2,256**	2,680	**-**	-
Available-for-sale securities	**1,525**	-	**1,525**	-
Other	**149**	33	**-**	-
Gross deferred tax liabilities	**3,930**	2,713	**1,525**	-
Set-off against deferred tax assets	**3,613**	2,557	**1,078**	-
Net deferred tax liabilities	**317**	156	**447**	-
(ii) Deferred tax assets				
Provisions	**15,783**	10,842	**-**	194
Share-based payments	**1,030**	-	**1,030**	-
Other	**255**	1,111	**48**	-
Gross deferred tax assets	**17,068**	11,953	**1,078**	194
Set-off of deferred tax liabilities	**3,613**	2,557	**1,078**	-
Net deferred tax assets	**13,455**	9,396	**-**	194

(e) Unrecognised temporary differences

At 30 June 2009, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2008: $nil).

4. INCOME TAX (cont'd)

(f) Tax consolidation

(i) Members of the tax consolidated group and the tax sharing agreement

Monadelphous Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2003. Monadelphous Group Limited is the head entity of the tax consolidated group. 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.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under UIG 1052 *Tax Consolidation Accounting*
The head entity 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 approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

Nature of the tax funding agreement
Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the Group is based on the separate taxpayer within group method of allocation, which is an acceptable method of allocation under UIG 1052. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-company loan account.

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'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 2009 (30 cents per share) (2008: 29 cents per share)		**25,747**	24,452	**25,747**	24,452
(ii) Previous year final					
Final franked dividend for 2008 (43 cents per share) (2007: 44 cents per share final and special)		**36,257**	36,543	**36,257**	36,543
(b) Unrecognised amounts					
Current year final					
Final franked dividend for 2009 (44 cents per share) (2008: 43 cents per share)		**37,763**	36,257	**37,763**	36,257

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
5. DIVIDENDS PAID AND PROPOSED (cont'd)					
(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		**42,097**	31,681	**42,097**	31,681
- franking credits that will arise from the payment of income tax payable as at the end of the financial year		**6,642**	10,908	**6,642**	10,908
		48,739	42,589	**48,739**	42,589
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		**(16,184)**	(15,539)	**(16,184)**	(15,539)
		32,555	27,050	**32,555**	27,050

(d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2008: 30%). Dividends payable will be franked at the rate of 30% (2008: 30%).

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
6. TRADE AND OTHER RECEIVABLES					
CURRENT					
Trade receivables		**100,476**	148,205	**-**	-
Less allowance for impairment loss	6(a)	**(2,264)**	(3,082)	**-**	-
		98,212	145,123	**-**	-
Other debtors	6(b)	**12,392**	59,744	**41**	163
		110,604	204,867	**41**	163
NON-CURRENT					
Related party receivables					
- controlled entities – interest bearing	6(c),27	**-**	-	**448**	4,384
- controlled entities – non-interest bearing	6(c),27	**-**	-	**345,641**	314,978
		-	-	**346,089**	319,362

a) Allowance for impairment loss

Trade receivables are generally on 30 day terms from end of month. An allowance for impairment loss is recognised when there is objective evidence that trade receivables may be impaired. An impairment loss of $1,426,000 (2008: $654,000) 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	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Movements in the allowance for impairment loss were as follows:					
Balance at the beginning of the year		**3,082**	2,424	**-**	-
Charge for the year		**1,426**	654	**-**	-
Amounts written off		**(2,244)**	-	**-**	-
Other		**-**	4	**-**	-
Balance at the end of the year		**2,264**	3,082	**-**	-

6. TRADE AND OTHER RECEIVABLES (cont'd)

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

Impaired Trade Receivables:

At 30 June 2009, the current trade receivables of the Group were $100,476,000 (2008: $148,205,000). The amount of the allowance for impairment loss was $2,264,000 (2008: $3,082,000). An impairment provision is recognised where there is objective evidence that the Group will not be able to collect the receivables. Financial difficulties of the debtor, default payments, historical bad debt performance 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 2009, the ageing of receivables past due but not considered impaired is as follows:

	Consolidated	
	2009	2008
	$'000	$'000
31 – 60 Days	**27,335**	19,663
61 – 90 Days	**1,462**	4,171
+ 91 Days	**829**	4,508
TOTAL	**29,626**	28,342

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 business unit has been in direct contact with the relevant debtor and is satisfied that payment will be received.

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 27.

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

Details regarding fair value and credit, foreign exchange and interest rate risk are disclosed in note 29.

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000

7. INVENTORIES

Construction work in progress

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Monadelphous Group Limited 2009 $'000	Monadelphous Group Limited 2008 $'000
Cost incurred to date plus profit recognised		**790,210**	964,933	-	-
Consideration received and receivable as progress billings		**(894,573)**	(1,144,774)	-	-
Retentions		**-**	382	-	-
		(104,363)	(179,459)	-	-
Amounts due to customers	7(a),13	**119,723**	186,030	-	-
Amounts due from customers		**15,360**	6,571	-	-

(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 13.

8. INVESTMENTS IN SUBSIDIARIES (NON-CURRENT)

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Monadelphous Group Limited 2009 $'000	Monadelphous Group Limited 2008 $'000
Investments in controlled entities	27	-	-	**35,591**	33,729

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT)

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Monadelphous Group Limited 2009 $'000	Monadelphous Group Limited 2008 $'000
At fair value					
Shares – Australian listed	9(a)	**8,951**	-	**8,951**	-

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

(a) Listed shares

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

10. 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 improve-ments $'000	Plant and equip-ment $'000	Plant and equip-ment under hire purchase $'000	Total $'000	Total $'000
Year ended 30 June 2009							
At 1 July 2008 net of accumulated depreciation	2,876	6,349	281	19,666	32,752	61,924	-
Additions	**2,100**	**173**	**790**	**8,051**	**12,554**	**23,668**	-
Assets transferred	-	**116**	**(116)**	**9,115**	**(9,115)**	-	-
Disposals	-	-	-	**(451)**	-	**(451)**	-
Depreciation charge	-	**(348)**	**(45)**	**(8,387)**	**(6,286)**	**(15,066)**	-
At 30 June 2009 net of accumulated depreciation	**4,976**	**6,290**	**910**	**27,994**	**29,905**	**70,075**	-
At 30 June 2009							
Cost	**4,976**	**9,457**	**1,016**	**71,714**	**42,665**	**129,828**	-
Accumulated depreciation	-	**(3,167)**	**(106)**	**(43,720)**	**(12,760)**	**(59,753)**	-
Net carrying amount	**4,976**	**6,290**	**910**	**27,994**	**29,905**	**70,075**	-

10. 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 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	-

(b) Property, Plant and Equipment pledged as security

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

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Monadelphous Group Limited 2009 $'000	Monadelphous Group Limited 2008 $'000
Assets pledged as security		**29,905**	32,752	-	-

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
11. GOODWILL					
Goodwill		**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 entity MI & E Holdings Pty Ltd (goodwill of $2,311,000) and the Hunter Valley business unit (Ellavale) (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 the Hunter Valley business unit (2008: 15%). The cash flows are based on the entity's and business unit's budgeted cash flows. No reasonable possible changes in key assumptions would result in the carrying amount exceeding the recoverable amount.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On 31 March 2009, FMSJV was dissolved. The Group had a percentage ownership interest in the joint venture of 50%. The principal activities of FMSJV were the provision of certain asset management support services for an alumina refinery at Gladstone, Queensland.

		Notes	Consolidated	
			2009	2008
			$'000	$'000
(i)	Share of the joint venture partnership's profits			
	Share of the joint venture partnership's:			
	- revenues		**15,294**	19,891
	- expenses		**(14,241)**	(18,302)
	- net profit		**1,053**	1,589
(ii)	Share of joint venture partnership's assets and liabilities			
	Current assets		**103**	1,593
	Non-current assets		**-**	-
	Current liabilities		**(103)**	(1,417)
	Non-current liabilities		**-**	-
	Net assets		**-**	176

13. TRADE AND OTHER PAYABLES

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
CURRENT					
Trade payables	13(a)	**38,326**	25,748	**-**	-
Advances on construction work in progress					
– Amounts due to customers	7	**119,723**	186,030	**-**	-
Sundry creditors and accruals	13(a)	**12,273**	28,663	**359**	448
Related party payables - controlled entities					
– non-interest bearing	13(b),27	**-**	-	**417,617**	356,782
		170,322	240,441	**417,976**	357,230

(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 27.

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

Details regarding fair value and foreign exchange, interest rate and liquidity risk are disclosed in note 29.

14. INTEREST BEARING LOANS AND BORROWINGS

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
CURRENT					
Hire purchase liability – secured	14(a),21	**10,540**	11,546	**10,540**	11,546
Bank loan – secured	14(a)	**163**	212	**-**	-
		10,703	11,758	**10,540**	11,546
NON-CURRENT					
Hire purchase liability – secured	14(a),21	**13,618**	12,419	**13,618**	12,419
Bank loan – secured	14(a)	**587**	705	**-**	-
		14,205	13,124	**13,618**	12,419

14. INTEREST BEARING LOANS AND BORROWINGS (cont'd)

(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 8.56% (2008: 8.54%).

(ii) Hire purchase agreements have an average term of 3 years. The average discount rate implicit in the hire purchase is 7.12% (2008: 7.71%). The hire purchase liability is secured by a charge over the hire purchase assets.

(b) Fair value and interest rate and liquidity risk

Details regarding fair value and interest rate and liquidity risk are disclosed in note 29.

(c) Defaults and breaches

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

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
15. PROVISIONS					
CURRENT					
Employee benefits	15(a)	**34,150**	17,662	**-**	-
Workers' compensation	15(b)	**10,995**	12,774	**-**	-
		45,145	30,436	**-**	-
NON-CURRENT					
Employee benefits – long service leave		**3,018**	2,265	**-**	-

(a) Employee benefits

Employee benefits includes liabilities for wages and salaries, annual leave, rostered days off, accumulating sick leave, project incentives and project redundancies. It is customary within the Construction and Engineering industry for incentive payments and redundancies to be paid to employees at the completion of a project. The provision has been created to cover the expected costs associated with these statutory and project employee benefits.

(b) 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 within 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.

15. PROVISIONS (cont'd)

	Notes	Consolidated 2009 $'000	Monadelphous Group Limited 2009 $'000
(c) Movements in provisions			
Workers compensation			
Carrying amount at the beginning of the year		**12,774**	**-**
Additional provision		**7,893**	**-**
Amounts utilised during the year		**(9,672)**	**-**
Carrying amount at the end of the financial year		**10,995**	**-**

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	Consolidated		Monadelphous Group Limited	
		2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
CURRENT					
Forward currency contracts – held for trading		**327**	345	**327**	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	
	2009 $'000	2008 $'000	**2009**	2008
Buy US$ Maturity 0-12 months				
Consolidated	**2,169**	10,413	**0.6842**	0.9244
Parent	**2,169**	10,413	**0.6842**	0.9244

These contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same maturity date. All movements in fair value are recognised in the profit or loss in the period they occur. The net fair value gain on foreign currency derivatives during the year was $18,000 for the Group (2008: loss of $380,000) and $18,000 for the Company (2008: loss of $380,000).

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
17. CONTRIBUTED EQUITY					
Ordinary shares	17(a)	**29,711**	28,678	**29,711**	28,678
Reserved shares	17(b)	**(770)**	-	**(770)**	-
		28,941	28,678	**28,941**	28,678
(a) Ordinary shares					
Issued and fully paid		**29,711**	28,678	**29,711**	28,678

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.

	2009		2008	
	Number of shares	**$'000**	Number of shares	$'000
Beginning of the financial year	**84,317,532**	**28,678**	83,052,532	26,017
Exercise of employee options	**2,190,000**	**4,491**	1,265,000	2,661
Share buy-back – on-market	**(94,009)**	**(584)**	-	-
Transfer from reserved shares	**(465,074)**	**(2,874)**	-	-
End of the financial year	**85,948,449**	**29,711**	84,317,532	28,678

On 19 November 2008, Monadelphous Group Limited announced its intention to undertake an on-market share buy-back of up to 2,000,000 fully paid ordinary shares over the period 4 December 2008 to 3 December 2009. The decision followed a detailed review of all available capital management options. At 30 June 2009, the company had bought back and cancelled 94,009 shares.

In addition, during the year, the Monadelphous Group Limited Employee Share Trust acquired 589,323 ordinary shares. During the year employees and directors have exercised the option to acquire 2,190,000 fully paid ordinary shares at a weighted average exercise price of $2.05. 465,074 shares owned by Monadelphous Group Limited Employee Share Trust were utilised for the option exercise, with the remaining 1,724,926 issued as new fully paid ordinary shares. At 30 June 2009, 124,249 remain as reserved shares.

(b) Reserved shares

	Consolidated		Monadelphous Group Limited	
	Number of shares	**$'000**	**Number of shares**	**$'000**
Beginning of the financial year	-	-	-	-
Acquisition of reserved shares	**589,323**	**(3,644)**	**589,323**	**(3,644)**
Transfer to share capital on issue to employees	**(465,074)**	**2,874**	**(465,074)**	**2,874**
End of the financial year - Reserved shares	**124,249**	**(770)**	**124,249**	**(770)**

17. CONTRIBUTED EQUITY (cont'd)

(b) Reserved shares (cont'd)

The Group's own equity instruments are reacquired for later use in employee share-based payment arrangements (reserved shares) and are deducted from equity. During the year, 589,323 reserved shares were reacquired by the Monadelphous Group Limited Employee Share Trust. 465,074 reserved shares were transferred to ordinary shares and issued upon exercise of options under the Monadelphous Group Limited Employee Option Plan. At 30 June 2009, 124,249 remained as reserved shares.

(c) Share options

Options over ordinary shares

During the financial year, there were 4,650,000 options issued over ordinary shares.

At the end of the year there were 4,922,500 (2008: 2,570,000) unissued ordinary shares in respect of which options were outstanding (Note 24).

(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 2009, the Group is in a net cash position of $127,327,000 (2008: $101,565,000) and has a debt to equity ratio of 20.3% (2008: 24.4%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2009, management paid dividends of $62,003,798. 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.

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

	Notes	Consolidated		Monadelphous Group Limited	
		2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
18. RESERVES AND RETAINED EARNINGS					
Foreign currency translation reserve	18(b)	**(134)**	(311)	**-**	-
Share-based payment reserve	18(b)	**6,271**	1,759	**6,271**	1,759
Net unrealised gains reserve	18(b)	**3,559**	-	**3,559**	-
		9,696	1,448	**9,830**	1,759
Retained earnings	18(a)	**83,928**	71,691	**49,905**	48,958

(a) Movements in retained earnings

Balance at the beginning of the year	**71,691**	63,143	**48,958**	50,695
Net profit attributable to members of Monadelphous Group Limited	**74,241**	69,543	**62,951**	59,258
Total available for appropriation	**145,932**	132,686	**111,909**	109,953
Dividends paid	**(62,004)**	(60,995)	**(62,004)**	(60,995)
Balance at the end of the year	**83,928**	71,691	**49,905**	48,958

18. RESERVES AND RETAINED EARNINGS (cont'd)

(b) Movements in reserves

	Consolidated				Monadelphous Group Limited		
	Net unrealised gains reserve $'000	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Total $'000	Net unrealised gains reserve $'000	Share-based payment reserve $'000	Total $'000
At 1 July 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
Foreign currency translation	**-**	**177**	**-**	**177**	**-**	**-**	**-**
Share-based payment	**-**	**-**	**1,476**	**1,476**	**-**	**1,476**	**1,476**
Net fair value gains on available-for-sale financial assets	**3,559**	**-**	**-**	**3,559**	**3,559**	**-**	**3,559**
Deferred tax asset recognised on Employee Share Trust	**-**	**-**	**3,036**	**3,036**	**-**	**3,036**	**3,036**
At 30 June 2009	**3,559**	**(134)**	**6,271**	**9,696**	**3,559**	**6,271**	**9,830**

(c) Nature and purpose of reserves

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 24 for further details of these plans.

Net unrealised gains reserve
This reserve records movements in the fair value of available-for-sale financial assets.

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000

19. CASH FLOW STATEMENT

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

Net profit	**74,241**	69,543	**62,951**	59,258
Adjustments for				
Depreciation of non-current assets	**15,066**	12,718	**-**	-
Net profit on sale of property, plant and equipment	**(1,555)**	(7,102)	**-**	-
Dividends received from subsidiary	**-**	-	**(60,000)**	(56,000)
Share-based payment expense	**1,476**	444	**-**	-
Unrealised foreign exchange loss	**950**	52	**999**	-
Other	**1**	4	**-**	-
Changes in assets and liabilities				
(Increase)/decrease in receivables	**94,263**	(108,895)	**122**	(49)
(Increase)/decrease in inventories	**(8,789)**	6,504	**-**	-
(Increase)/decrease in deferred tax assets	**(1,023)**	2,718	**3,230**	(193)
(Increase)/decrease in investment in joint ventures	**176**	(69)	**-**	-
(Increase)/decrease in investment in subsidiary	**-**	-	**(1,862)**	(445)
Increase/(decrease) in payables	**(70,119)**	124,549	**(32,181)**	(25,512)
Charges to provisions	**15,462**	(5,068)	**-**	-
Increase/(decrease) in derivative instruments	**(18)**	345	**(18)**	345
Increase/ (decrease) in current tax liability	**(4,961)**	(3,380)	**(4,266)**	(3,885)
Increase/(decrease) in deferred tax liabilities	**(1,364)**	106	**(1,078)**	-
Net cash flows from/(used in) operating Activities	**113,806**	92,469	**(32,103)**	(26,481)

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

Cash balances comprise:				
- Cash at bank	**122,235**	101,291	**117,554**	93,239
- Short term deposits	**30,000**	25,156	**30,000**	25,156
	152,235	126,447	**147,554**	118,395

19. CASH FLOW STATEMENT (cont'd)

(c) Financing facilities available

	Notes	Consolidated		Monadelphous Group Limited	
		2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
At balance date the following financing facilities had been negotiated and were available					
Total facilities:					
- Bank guarantee and insurance bonds	(i)	**175,000**	165,000	**175,000**	165,000
- Revolving credit	(ii)	**44,903**	55,124	**44,055**	54,094
		219,903	220,124	**219,055**	219,094
Facilities used at balance date:					
- Bank guarantee and insurance bonds		**111,550**	153,763	**111,550**	153,763
- Revolving credit		**24,908**	24,882	**24,158**	23,965
		136,458	178,645	**135,708**	177,728
Facilities unused at balance date:					
- Bank guarantee and insurance bonds		**63,450**	11,237	**63,450**	11,237
- Revolving credit		**19,995**	30,242	**19,897**	30,129
		83,445	41,479	**83,347**	41,366

(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 14(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 $12,554,283 (2008: $8,971,914).

20. CHANGE IN COMPOSITION OF ENTITY

On 19 November 2008, Monadelphous Group Limited announced its intention to undertake an on-market share buy-back of up to 2,000,000 fully paid ordinary shares over the period 4 December 2008 to 3 December 2009. The decision followed a detailed review of all available capital management options. At 30 June 2009, the company had bought back and cancelled 94,009 shares.

On 2 December 2008, Moway International Limited (a 100% owned subsidiary of Monadelphous Group Limited) incorporated an entity in China, Moway AustAsia Steel Structures Trading (Beijing) Company Limited.

On 18 December 2008, the company established the Monadelphous Group Limited Employee Share Trust. The trust has been established for the sole purpose of subscribing for, allocating, holding and delivering shares in the Company under the Monadelphous Group Limited Employee Option Plan for the benefit of participants to the plan. During the year, the trust acquired 589,323 Monadelphous ordinary shares, of which 465,074 shares were issued to employees upon exercise of options under the Monadelphous Group Limited Employee Option Plan. At 30 June 2009, 124,249 remained as reserved shares.

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
21. COMMITMENTS AND CONTINGENCIES					
(a) Hire purchase commitments					
Payable:					
- Within one year		**11,894**	12,859	**11,894**	12,859
- Later than one year but not later than five years		**14,671**	13,360	**14,671**	13,360
Minimum lease payments		**26,565**	26,219	**26,565**	26,219
Less future finance charges		**(2,407)**	(2,254)	**(2,407)**	(2,254)
Present value of minimum lease payments		**24,158**	23,965	**24,158**	23,965
Current liability	14	**10,540**	11,546	**10,540**	11,546
Non-current liability	14	**13,618**	12,419	**13,618**	12,419
		24,158	23,965	**24,158**	23,965
Hire purchase agreements have an average term of 3 years.					
(b) Operating lease commitments					
Minimum lease payments					
- Within one year		**16,170**	14,229	**-**	-
- Later than one year but not later than five years		**17,253**	13,257	**-**	-
- Later than five years		**7,250**	-	**-**	-
- Aggregate lease expenditure contracted for at balance date but not provided for		**40,673**	27,486	**-**	-

21. COMMITMENTS AND CONTINGENCIES (cont'd)

(b) Operating lease commitments (cont'd)

Operating leases have an average lease term of 3 years. Assets which are the subject of operating leases include motor vehicles, cranes and properties, including the Brisbane office lease executed during the financial year.

(c) Capital commitments

The consolidated group has capital commitments of $9,978,957 at 30 June 2009 (2008: $2,898,961).

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
(d) Guarantees					
Guarantees given to various clients for satisfactory contract performance		**111,550**	153,763	**111,550**	153,763

Monadelphous Group Limited and all controlled entities marked * in Note 27 have entered into a deed of cross guarantee pursuant to the ASIC Class Order made on 12 April 1995, 3 July 2001, 30 June 2005 and 29 June 2007 whereby they covenant with a trustee for the benefit of each creditor, that they guarantee to each creditor payment in full of any debt in the event of any entity, including Monadelphous Group Limited, being wound up.

22. 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 2009, the Engineering Construction division contributed revenue of $674.8 million (2008: $576.0 million), Maintenance and Industrial Services division contributed revenue of $351.9 million (2008: $316.7 million), Electrical and Instrumentation Services contributed revenue of $100.2 million (2008: $76.0 million) and Skystar Airport Services contributed revenue of $10.5 million (2008: $14.7 million). Included in these amounts is $14.9 million (2008: $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.

	Notes	2009 $'000	2008 $'000

23. EARNINGS PER SHARE

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

Net profit attributable to ordinary equity holders of the parent		**74,241**	69,543
Earnings used in calculation of basic and diluted earnings per share		**74,241**	69,543

	2009 No.	2008 No.
No. of Shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	**84,870,349**	83,574,431
Effect of dilutive securities		
Share options	**1,129,802**	2,056,878
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**86,000,151**	85,631,309

Conversions, calls, subscriptions or issues after 30 June 2009:

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

24. 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 136 employees participating in this scheme.

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

In addition, for options issued under the Monadelphous Group Limited Employee Option Plan during the year ended 30 June 2009, the ability to exercise options during each applicable window period is subject to the financial performance of the company during the option vesting period. The options shall only be capable of exercise during that window period where the company's Earnings Per Share (EPS) metric is growing at a rate of at least 10% per year. If, however, this hurdle is not achieved for a particular window period, rather than lapsing, the options will be re-tested during all later window periods in respect of that issue and may become exercisable at that later date.

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

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

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.

	2009		2008	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at the beginning of the year	**2,570,000**	**$2.77**	3,885,000	$2.56
- Granted during the year	**4,650,000**	**$10.00**	-	-
- Forfeited during the year	**(107,500)**	**$8.83**	(50,000)	$3.61
- Exercised during the year	**(2,190,000)**	**$2.05**	(1,265,000)	$2.10
Balance at the end of the year	**4,922,500**	**$9.79**	2,570,000	$2.77
Exercisable during the next year	**217,500**	**$5.46**	2,247,500	$2.21

The weighted average share price at the date of exercise of options during the year was $6.36 (2008: $11.42).

A total of 4,650,000 options were granted by Monadelphous Group Limited during the year ended 30 June 2009. The fair value of each option issued during the year was estimated on the date of grant using a Binomial option-pricing model. The following weighted average assumptions were used for grants during the year:

Dividend yield	6.00%
Expected volatility	35.00% - 40.00%
Historical volatility	35.00% - 40.00%
Risk-free interest rate	4.50%
Expected life of option	25% - 3 years
	25% - 3.5 years
	50% - 4 years

The dividend yield reflects an analysis of past dividends and future dividend expectations. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which also may not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The resulting weighted average fair values for options outstanding at 30 June 2009 are:

Number	**Grant Date**	**Final Vesting Date**	**Fair Value Per Option at Grant Date**
180,000	19/01/2006	31/01/2010	$1.31
112,500	31/01/2007	31/01/2011	$2.16
4,630,000	31/10/2008	30/09/2012	$1.15

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

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

The share-based payment expense for the year ended 30 June 2009 was $1,475,948 (2008: $443,569) for the consolidated entity and $nil (2008: $nil) for the parent.

Options granted during the reporting period
There were 4,650,000 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 2009:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price
180,000	19/01/2006	01/01/2010	31/01/2010	$4.71
37,500	31/01/2007	01/01/2010	31/01/2010	$9.06
75,000	31/01/2007	01/01/2011	31/01/2011	$9.06
1,157,500	31/10/2008	01/09/2010	30/09/2012	$10.00
1,157,500	31/10/2008	01/09/2011	30/09/2012	$10.00
2,315,000	31/10/2008	01/09/2012	30/09/2012	$10.00

(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.

25. KEY MANAGEMENT PERSONNEL

(a) Compensation for Key Management Personnel

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$	$	**$**	$
Short Term Benefits	**3,765,276**	3,180,398	**-**	-
Post Employment	**82,462**	78,780	**-**	-
Share-Based Payments	**403,908**	113,444	**-**	-
Other Short Term Benefits	**-**	10,907	**-**	-
Total Compensation	**4,251,646**	3,383,529	**-**	-

25. KEY MANAGEMENT PERSONNEL (cont'd)

(b) Option holdings of Key Management Personnel

	Balance at beginning of period 1 July 2008	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of period 30 June 2009
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	300,000	500,000	(300,000)	-	500,000
I. Tollman	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
C. P. Michelmore	-	-	-	-	-
Executives					
D. Foti	160,000	280,000	(160,000)	-	280,000
A. Erdash	100,000	140,000	(100,000)	-	140,000
M. Jansen	100,000	140,000	(100,000)	-	140,000
G. Everist	100,000	140,000	(100,000)	-	140,000
S. Murray	50,000	70,000	-	(12,500)	107,500
Total	810,000	1,270,000	(760,000)	(12,500)	1,307,500

	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. P. 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

25. KEY MANAGEMENT PERSONNEL (cont'd)

(c) Shareholdings of Key Management Personnel

Shares held in Monadelphous Group Limited	Balance at beginning of period 1 July 2008	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance at end of period 30 June 2009
Directors					
C. G. B. Rubino	3,004,000	-	-	-	3,004,000
R. Velletri	1,700,000	-	300,000	-	2,000,000
I. Tollman	667,586	-	-	-	667,586
P. J. Dempsey	68,000	-	-	10,000	78,000
C. P. Michelmore	7,664	-	-	4,630	12,294
Executives					
D. Foti	486,816	-	160,000	-	646,816
A. Erdash	265,540	-	100,000	(20,000)	345,540
M. Jansen	300,244	-	100,000	(50,000)	350,244
G. Everist	310,000	-	100,000	-	410,000
S. Murray	480,000	-	-	(34,600)	445,400
Total	7,289,850	-	760,000	(89,970)	7,959,880

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

Net Change Other represents the purchase and sale of shares on-market.

(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.

25. KEY MANAGEMENT PERSONNEL (cont'd)

(e) Other transactions and balances with Key Management Personnel

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

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$	$	**$**	$
26. AUDITORS' REMUNERATION					
The auditor of Monadelphous Group Limited is Ernst & Young.					
Amounts received or due and receivable by Ernst & Young Australia for:					
- An audit or review of the financial report of the entity and any other entity in the consolidated entity		**146,836**	145,575	**8,500**	8,250
- Other services in relation to the entity and any other entity in the consolidated entity					
- tax compliance		**86,352**	276,874	**79,091**	65,782
- assurance related		**6,695**	46,499	**-**	33,939
- due diligence services		**-**	155,338	**-**	155,338
		239,883	624,286	**87,591**	263,309
Amounts received or due and receivable by other accounting firms for:					
- tax compliance *		**387,402**	44,713	**109,824**	32,832
- other services		**161,818**	14,000	**154,698**	14,000
		549,220	58,713	**264,522**	46,832

The other services provided by Ernst & Young, as disclosed above, were performed and managed by personnel who were neither directly, nor indirectly, involved in the audit or review of the financial report of the company and consolidated entity. Ernst & Young has provided an auditor's independence declaration to the Directors of Monadelphous Group Limited confirming that the provision of the other services has not impaired their independence as auditors.

* Tax compliance fees paid to other accounting firms during the financial year ended 30 June 2009 relate predominantly to the establishment of the Employee Share Trust and the application for Research and Development Tax Concessions and Fuel Tax Credits.

27. RELATED PARTY DISCLOSURES

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

Name	Country of Incorporation	Percentage held by consolidated entity 2009 %	2008 %	Parent Entity Investment 2009 $'000	2008 $'000
Parent:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
*Monadelphous Engineering Associates Pty Ltd	Australia	100	100	**15,584**	14,108
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	100	**387**	1
SinoStruct Pty Ltd	Australia	100	100	**-**	-
Moway AustAsia Steel Structures Trading (Beijing) Company Limited	China	100	-	**-**	-
Monadelphous Group Limited Employee Share Trust	Australia	100	-	**-**	-
				35,591	33,729

* 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.

27. RELATED PARTY DISCLOSURES (cont'd)

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

	CLOSED GROUP	
	2009	2008
	$'000	$'000
Consolidated Income Statement		
Profit before income tax	**106,727**	91,213
Income tax expense	**(30,723)**	(27,518)
Net profit after tax for the period	**76,004**	63,695
Retained earnings at the beginning of the period	**65,670**	62,970
Dividends paid	**(62,004)**	(60,995)
Retained earnings at the end of the period	**79,670**	65,670

27. RELATED PARTY DISCLOSURES (cont'd)

	CLOSED GROUP	
	2009	2008
	$'000	$'000
Consolidated Balance Sheet		
ASSETS		
Current assets		
Cash and cash equivalents	**147,658**	118,479
Trade and other receivables	**107,906**	202,544
Inventories	**14,051**	6,385
Total current assets	**269,615**	327,408
Non-current assets		
Investments in subsidiaries	**810**	424
Available-for-sale assets	**8,951**	-
Property, plant and equipment	**65,947**	57,653
Deferred tax assets	**12,787**	8,979
Goodwill	**2,551**	2,551
Investments accounted for using the equity method	**-**	176
Total non-current assets	**91,046**	69,783
TOTAL ASSETS	**360,661**	397,191
LIABILITIES		
Current liabilities		
Trade and other payables	**163,694**	233,460
Interest bearing loans and borrowings	**10,703**	11,758
Income tax payable	**6,642**	10,908
Provisions	**43,758**	29,311
Derivative financial instruments	**327**	345
Total current liabilities	**225,124**	285,782
Non-current liabilities		
Interest bearing loans and borrowings	**14,205**	13,124
Provisions	**2,891**	2,178
Total non-current liabilities	**17,096**	15,302
TOTAL LIABILITIES	**242,220**	301,084
NET ASSETS	**118,441**	96,107
EQUITY		
Contributed equity	**28,941**	28,678
Reserves	**9,830**	1,759
Retained earnings	**79,670**	65,670
TOTAL EQUITY	**118,441**	96,107

27. RELATED PARTY DISCLOSURES (cont'd)

Wholly-owned group transactions

Loans

During the year, funds have been advanced between entities within the consolidated entity for the purposes of working capital requirements only. The aggregate of amounts due from wholly-owned controlled entities at balance date is $346,088,806 (2008: $319,362,252). Loans to Monadelphous PNG Limited and Skystar Airport Services NZ Pty Ltd totalling $447,523 (2008: $4,384,206) are interest bearing and repayable over 4 years. Other loans to wholly-owned controlled entities totalling $345,641,283 (2008: $314,978,046) 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 $417,617,010 (2008: $356,781,860). The amounts are interest free and repayable on demand.

Ultimate parent

Monadelphous Group Limited is the ultimate holding company.

28. EVENTS AFTER THE BALANCE SHEET DATE

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

On 4 August 2009, Monadelphous Group Limited announced the resignation of the company's Chief Financial Officer, Mr Giles Everist. Mr Zoran Bebic, currently General Manager Business Services, will replace Mr Everist as Chief Financial Officer, effective 24 August 2009.

On 17 August 2009, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2009 financial year. The total amount of the dividend is $37,762,648 which represents a fully franked final dividend of 44 cents per share. This dividend has not been provided for in the 30 June 2009 Financial Statements.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases and hire purchase contracts, available-for-sale investments, 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**	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Financial Assets					
Cash and cash equivalents		**152,235**	126,447	**147,554**	118,395
Amounts receivable from controlled entities		**-**	-	**448**	4,384
		152,235	126,447	**148,002**	122,779

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.

29. 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 2009, 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 at floating rates:	**Post Tax Profit Higher/(Lower)**		**Equity Higher/(Lower)**	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Consolidated				
+0.5% (2008: +0.5%)	533	436	**-**	-
-0.5% (2008: -0.5%)	(533)	(436)	**-**	-
Parent				
+0.5% (2008: +0.5%)	518	430	**-**	-
-0.5% (2008: -0.5%)	(518)	(430)	**-**	-

The movements in profit from 2008 to 2009 are due to higher financial asset balances in the current year. The reasonably possible movements have been based on review of historical movements and forward rate curves for forward rates.

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, Papua New Guinea and China, the Group's balance sheet can be affected by movements in the US$/A$, NZ$/A$, PNGK/A$ and RMB/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 2009, the Group has forward contracts to purchase US$1,484,000 over the next month. Refer to note 16 for further information.

The Group also mitigates its exposure to foreign currency risk by minimising excess foreign currency balances in overseas jurisdictions not required for working capital.

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

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

At 30 June 2009, the Group had the following exposure to foreign currency:

	Notes	Consolidated		Monadelphous Group Limited	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Financial Assets					
Cash and cash equivalents		**6,483**	6,476	**-**	-
Trade and other receivables		**514**	785	**-**	-
		6,997	7,261	**-**	-
Financial Liabilities					
Trade and other payables		**435**	489	**-**	-
Derivative financial instruments		**327**	345	**327**	345
		762	834	**327**	345
Net exposure		**6,235**	6,427	**(327)**	(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 Chairman, Managing Director or Chief Financial Officer.

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. The Group's maximum exposure to credit risk is its trade receivables which have a balance at 30 June 2009 of $98,212,000 (2008: $145,123,000).

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

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.

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

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

The table below reflects all contractually fixed pay-offs, repayments and interest resulting from financial liabilities, including derivative financial instruments as of 30 June 2009.

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

	Consolidated		Monadelphous Group Limited	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
6 months or less	**177,620**	248,709	**425,126**	365,291
6 – 12 months	**5,216**	5,345	**5,071**	5,143
1 – 5 years	**15,417**	14,400	**14,671**	13,360
	198,253	268,454	**444,868**	383,794

Maturity analysis of financial liabilities:

Year ended 30 June 2009	**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 $'000**
Consolidated Financial Liabilities					
Trade and other payables *	**170,322**	**-**	**-**	**170,322**	**170,322**
Bank loan	**148**	**145**	**746**	**1,039**	**750**
Hire purchase liability	**6,823**	**5,071**	**14,671**	**26,565**	**24,158**
Derivatives –US$ inflows	**(1,842)**	**-**	**-**	**(1,842)**	**-**
Derivatives – A$ outflows	**2,169**	**-**	**-**	**2,169**	**327**
Net maturity	**177,620**	**5,216**	**15,417**	**198,253**	**195,557**

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

29. 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 $119,723,000 (2008: $186,030,000). This amount is expected to be settled by the performance of work rather than via contractual cash flows.

Year ended 30 June 2009	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 $'000
Parent					
Financial Liabilities					
Trade and other payables ^	**417,976**	**-**	**-**	**417,976**	**417,976**
Hire purchase liability	**6,823**	**5,071**	**14,671**	**26,565**	**24,158**
Derivatives –US$ inflows	**(1,842)**	**-**	**-**	**(1,842)**	**-**
Derivatives – A$ outflows	**2,169**	**-**	**-**	**2,169**	**327**
Net maturity	**425,126**	**5,071**	**14,671**	**444,868**	**442,461**

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 $'000
Parent					
Financial Liabilities					
Trade and other payables ^	357,230	-	-	357,230	357,230
Hire purchase liability	7,716	5,143	13,360	26,219	23,965
Derivatives –US$ inflows	(10,116)	-	-	(10,116)	-
Derivatives – A$ outflows	10,461	-	-	10,461	345
Net maturity	365,291	5,143	13,360	383,794	381,540

^ Note, trade and other payables represents inter-company loans, repayable on demand to wholly-owned controlled entities.

29. 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 at balance date are as follows:

CONSOLIDATED	**CARRYING AMOUNT**		**AGGREGATE NET FAIR VALUE**	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
FINANCIAL ASSETS				
Cash	**152,235**	126,447	**152,235**	126,447
Other debtors	**12,392**	59,744	**12,392**	59,744
Receivables – trade	**98,212**	145,123	**98,212**	145,123
Available-for-sale assets	**8,951**	-	**8,951**	-
Total Financial Assets	**271,790**	331,314	**271,790**	331,314
FINANCIAL LIABILITIES				
Payables	**170,322**	240,441	**170,322**	240,441
Bank loan	**750**	917	**896**	1,149
Hire Purchase liability	**24,158**	23,965	**23,214**	22,641
Derivative financial instruments	**327**	345	**327**	345
Total Financial Liabilities	**195,557**	265,668	**194,759**	264,576

PARENT	**CARRYING AMOUNT**		**AGGREGATE NET FAIR VALUE**	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
FINANCIAL ASSETS				
Cash	**147,554**	118,395	**147,554**	118,395
Other debtors	**41**	163	**41**	163
Amounts receivable from controlled entities	**346,089**	319,362	**346,089**	319,362
Available-for-sale assets	**8,951**	-	**8,951**	-
Total Financial Assets	**502,635**	437,920	**502,635**	437,920
FINANCIAL LIABILITIES				
Payables	**359**	448	**359**	448
Hire Purchase liability	**24,158**	23,965	**23,214**	22,641
Amounts payable to controlled entities	**417,617**	356,782	**417,617**	356,782
Derivative financial instruments	**327**	345	**327**	345
Total Financial Liabilities	**442,461**	381,540	**441,517**	380,216

29. 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, available-for-sale assets, payables and derivative financial instruments: The carrying amount approximates fair value due to short term maturity.

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 establishing the corporate governance framework of the consolidated entity having regard to the ASX Corporate Governance Council published guidelines as well as its corporate governance principles and recommendations. 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
Principle 1 – Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 87
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 90
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	Yes	Page 88
2.2	The chairperson should be an independent director.	No	Page 88
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Page 88
2.4	The Board should establish a nomination committee.	Yes	Page 89
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	Page 90
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	
Principle 3 – Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	Page 89
3.3	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	

	Recommendation	Comply Yes / No	Reference / Explanation
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	Yes	Page 89
4.2	The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chairperson, who is not chairperson of the Board; • has at least three members.	Yes	Page 89
4.3	The audit committee should have a formal charter.	Yes	Website
4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	
Principle 6 – Respect the rights of shareholders			
6.1	Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 90
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 90

	Recommendation	Comply Yes / No	Reference / Explanation
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	Yes	Page 90
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 91
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	

Monadelphous Group Limited's corporate governance practices were in place throughout the year ended 30 June 2009, 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 7. Directors of Monadelphous are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

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

In accordance with the definition of independence above, and the materiality thresholds set, Mr P. J. Dempsey, Mr I. Tollman and Mr C. P. Michelmore are considered to be independent directors.

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

The role of Chairman and Chief Executive Officer are not exercised by the same individual.

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

C. G. B. Rubino	18 years	(Executive Director)
R. Velletri	17 years	(Executive Director)
I. Tollman	17 years	(Non-Executive Director)
P. J. Dempsey	6 years	(Non-Executive Director)
C. P. Michelmore	2 years	(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
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 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)
I. Tollman
C. P. Michelmore

Qualifications of audit committee members

P. J. Dempsey has over 37 years experience in the management of risks associated with the industry in which we operate.

I. Tollman has significant experience in the management of Monadelphous having served as the finance director of Monadelphous for 11 years and as a non-executive director for 6 years.

C. P. Michelmore has over 37 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 regularly receives updates from management as to the effectiveness of the company's management of its material business risks.

For further information on the company's risk management plan, refer to our website.

Managing Director and CFO Certification

In accordance with section 295A of the Corporations Act, 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 and Senior Executives' 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' remuneration 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. There is no scheme to provide retirement benefits to non-executive 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)
C. G. B. Rubino
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.