

MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

FINANCIAL REPORT

30 JUNE 2011

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
Lead Independent Non-Executive Director

Christopher Percival Michelmore
Independent Non-Executive Director

Company Secretaries

Zoran Bebic
Philip Trueman

Principal Registered Office in Australia

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Victoria Park
Western Australia 6100
Telephone: +61 8 9316 1255
Facsimile: +61 8 9316 1950
Website: www.monadelphous.com.au

Postal Address
PO Box 600
Victoria Park
Western Australia 6979

Share Registry

Computershare Investor Services Pty Ltd

Level 2, 45 St George's Terrace
Perth
Western Australia 6000
Telephone: 1300 364 961
Facsimile: +61 8 9323 2033

ASX Code:
MND – Fully Paid Ordinary Shares

Bankers

National Australia Bank Limited

50 St George's Terrace
Perth
Western Australia 6000

Westpac Banking Corporation

109 St George's Terrace
Perth
Western Australia 6000

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

Clifford Chance

Level 12, London House
216 St George's Terrace
Perth
Western Australia 6000

Controlled Entities

Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Skystar Airport Services Pty Ltd
Monadelphous Properties Pty Ltd
Monadelphous Workforce 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 Ltd
Moway International Limited
SinoStruct Pty Ltd
Moway AustAsia Steel Structures Trading (Beijing)
Company Limited
Monadelphous Group Limited Employee Share Trust
KT Pty Ltd
Monadelphous Energy Services Pty Ltd
(acquired 1 July 2011)

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I am delighted to announce Monadelphous Group Limited has reported another record sales and earnings result for the year ended 30 June 2011, highlighting the dedication and significant contribution made by our people.

Sales revenue for the year was \$1,444 million, up 13.2 per cent. Growth was achieved across all three operating divisions and in all markets – resources, energy and infrastructure. Continued strengthening of the resources and energy markets and significant scope growth on a number of major projects contributed to the strong result.

Strong operational performance delivered a healthy earnings before interest, tax, depreciation and amortisation (EBITDA) margin of 10.6 per cent.

Net profit after tax was a record \$95.1 million, up 14.2 per cent. This represents the Company's tenth consecutive year of earnings growth. Earnings per share increased by 12.4 per cent to 108.8 cents.

The Board of Directors has declared a final dividend of 55 cents per share fully franked, up 14.6 per cent on the previous year. This takes the full-year dividend to 95 cents per share fully franked, a 14.5 per cent increase on the previous year.

Monadelphous's balance sheet remained robust with a net cash position of \$129.5 million at year-end, resulting from a continued strong cash conversion rate.

Monadelphous continued to win work with approximately \$650 million in new contracts and contract extensions secured during 2010/11 and a further \$350 million awarded subsequent to the reporting period.

The Company maintained an increasing focus on its goal of zero harm with ongoing investment in health and safety management. The implementation of the Company-wide safety leadership program continued with the rollout of "*The Safe Way is the Only Way*" policy message, a powerful directive that underpins safety culture across the Group.

The total case injury frequency rate (TCIFR) was 8.83 incidents per million hours worked and the lost time injury frequency rate (LTIFR) improved to 0.16 incidents per million hours worked.

Monadelphous maintained its strong reputation for the safe and reliable delivery of multidisciplinary services on large-scale construction and maintenance projects. Excellent progress was made towards the Company's long-term strategic objective of establishing and maintaining a leadership position in core resources and energy markets and expanding into the infrastructure market.

Onshore pipeline constructor KT Pty Ltd, (trading as KT Pipeline Services), was successfully acquired and integrated within the group's Infrastructure division. On 5 July 2011, Monadelphous purchased asset management company PearlStreet Energy Services Pty Ltd. The business operates two long-term contracts which will strengthen Monadelphous's operation and maintenance capabilities and expand its infrastructure services into the power sector.

The total workforce at year-end was 5,649, up 4 per cent on 12 months earlier. Employee numbers were supported by intensifying the domestic and international recruitment campaign to attract people who will contribute to the Company's continued success and meet increasing resource requirements. Other initiatives included the redevelopment of the careers website, an increased graduate intake, a focus on Indigenous participation and an Employee Benefits Program. Overall, these initiatives are expected to impact positively on employee recruitment and retention.

The Monadelphous Integrated Learning Centre at the University of Western Australia (UWA) was opened officially in April 2011. The world-class facility is part of UWA's Faculty of Engineering, Computing and Mathematics and is designed to support the development of more job-ready engineers. Monadelphous, along with other industry leaders, is also a sponsorship partner of Curtin University's new Engineering Pavilion.

While the Queensland cyclone and floods and the Christchurch earthquake did not have a material impact on the Company's operations, they affected many people, including some employees and their families. Monadelphous, its directors and employees donated more than \$100,000 to the Queensland Premier's Disaster Relief appeal.

Further development and enhancement of Monadelphous's risk management framework occurred during the year. This framework provides the processes and tools to manage risks across the business in working towards achieving the Company's vision.

The Company also formally established an internal group assurance function to provide independent and objective assurance to the Board that Monadelphous is operating within acceptable risk tolerance levels. In addition to services designed to add value and improve operations, the function focuses on ensuring the group's systems of internal control are operating effectively, efficiently and as designed.

Engineering Construction

The Engineering Construction division achieved record sales revenue of \$929.8 million, an increase of 10.2 per cent on the previous year.

The result reflected a healthy workload entering the financial year, combined with strong performance and significant scope growth on a number of major construction contracts.

Monadelphous was a key provider of engineering construction services on Woodside's Pluto LNG Project. This involvement has provided the platform for the further development of the Company's expertise in LNG construction and commissioning. The award of additional works and a new contract to provide mechanical commissioning support for Woodside at the Pluto LNG Plant endorses this capability. Monadelphous is now established as a major participant in the construction and commissioning of large-scale projects for LNG customers.

Major projects undertaken during the year included:

- Structural, mechanical, electrical and piping works associated with Rio Tinto's Brockman 4 Project at Brockman in Western Australia (WA);
- Structural, mechanical and piping works for BHP Billiton at Yandi Hub in WA;
- Structural, mechanical, electrical and piping works for BHP Billiton Worsley Alumina's Efficiency and Growth Project at Collie in WA;
- Structural, mechanical and piping works associated with Woodside's Pluto LNG Project at Karratha in WA;
- Installation of a new automated alumina delivery system and associated infrastructure for Boyne Smelters at Gladstone in Queensland (Qld);
- Mechanical and electrical instrumentation works for Boyne Smelters at Gladstone in Qld; and
- Ball mill structural and mechanical works for MCC at CITIC Pacific Mining's Sino Iron operation at Cape Preston in WA.

The division invested in plant and equipment and specialist personnel to further develop its heavy-lift capability. This has enhanced the division's ability to deliver on-site installation of pre-assembled modules on large-scale projects.

During the year, the division was awarded more than \$260 million in new projects. These included:

- Structural and mechanical works for BHP Billiton at the Finucane Island iron ore port facilities in WA;
- Structural and mechanical shutdown works for BHP Billiton at Nelson Point in WA;
- Train load out facility for BHP Billiton at Yandi Hub in WA;
- Structural and mechanical works at Newcrest Mining's Cadia East Project at Orange in New South Wales (NSW);
- Structural, mechanical and piping works for MCC at CITIC Pacific Mining's Sino Iron Project at Cape Preston in WA;
- Structural and mechanical works for Rio Tinto at its iron ore port facility at Cape Lambert in WA; and
- Electrical and instrumentation installation for Newcrest Lihir Gold Limited at the Million Ounce Plant Upgrade Project at Lihir Island, in Papua New Guinea (PNG).

In August 2011, subsequent to the reporting period, the division secured four new contracts with key customers in the Queensland coal industry.

These included two contracts totalling approximately \$100 million for civil, structural, mechanical and electrical work to supply and install ore handling and conveyor facilities associated with the extension project at the Rio Tinto Coal Australia-managed Kestrel Mine in Queensland.

The division was also awarded two contracts with BHP Billiton Mitsubishi Alliance's (BMA) Project Delivery Group for ongoing construction work on various sites in the northern region of the Bowen Basin over two years.

Maintenance and Industrial Services

The Maintenance and Industrial Services division achieved record sales revenue of \$401.3 million, an increase of 6.7 per cent on the previous corresponding year.

During the year, the division was awarded more than \$220 million in new contracts and contract extensions. Major new contract wins included a three-year sustaining capital works contract for Queensland Alumina Limited in Queensland and an initial one-year maintenance services contract with Rio Tinto Dampier Salt in Western Australia.

Major service contract extensions included:

- A three-year contract extension with Oil Search for multidisciplinary maintenance and construction services, including additional associated gas works for the LNG project, in PNG;
- A three-year contract extension to provide support to BHP Billiton's Olympic Dam copper-uranium operation in South Australia (SA); and
- A one-year extension of a general services contract with Chevron (WA Oil) at Barrow Island in WA.

In August 2011, subsequent to the reporting period, the division secured a three-year contract valued at approximately \$100 million with BHP Billiton Mitsubishi Alliance (BMA) to undertake dragline and shovel shutdown work across its Bowen Basin coal operations.

Also in August 2011, the division was awarded a new three-year contract to provide minor capital project services for BHP Billiton Worsley Alumina's Refinery Project at Collie in Western Australia. The contract formally extends a continuous service relationship with Worsley Alumina which commenced in 2004.

The Maintenance and Industrial Services division was named the winner of the Rio Tinto Iron Ore Supplier of the year award for excellence in the category of Construction and Maintenance. This was a highlight of the reporting period and testament to the quality of services provided by Monadelphous.

Infrastructure

The Infrastructure division delivered sales revenue of \$157.8 million in its inaugural financial year resulting in growth on a like for like basis of 167.0%.

The inception of the division on 1 July 2010 consolidated a portfolio of businesses in water, transmission pipelines, solid waste management (through a joint venture with AnaeCo) and aviation support services. The division's formation reflects the successful execution of Monadelphous's diversification strategy that has occurred through organic growth and acquisition in selected infrastructure segments. The acquisition of PearlStreet Energy Services Pty Ltd (renamed Monadelphous Energy Services Pty Ltd) will expand infrastructure services to the power sector.

Major infrastructure projects substantially complete include:

- Design, supply, commissioning and maintenance of reverse osmosis water treatment systems for Chevron Australia's Gorgon LNG project at Barrow Island in WA;
- Civil, structural, mechanical and electrical works for the Nambucca Heads Sewage Treatment Plant and associated infrastructure for the Nambucca Shire Council in NSW;
- Construction of the Burpengary East Sewage Treatment Plant Upgrade for Unity Water in Qld; and
- Construction of the Cowra Sewage Augmentation Project for Cowra Shire Council in NSW.

During the year the division was awarded \$170 million in new infrastructure contracts. These included:

- Pipes, cables and tubes project for Chevron Australia's Gorgon LNG Project at Barrow Island in WA;
- Construction of intake and outfall pipelines for the desalination plant with Sino Iron at CITIC Pacific Mining's Sino Iron Project at Cape Preston in WA;
- Construction of a new waste water treatment plant at Iluka for the Clarence Valley Council in NSW;
- Supply and construction of a new waste water treatment facility for the Water Corporation at Picton, near Bunbury in WA; and
- Design and construction, with joint venture partner AnaeCo, of the Stage 2 expansion of the DiCOM bioconversion waste processing facility for Western Metropolitan Regional Council at Shenton Park in WA.

Following the acquisition of KT Pipeline Services, Monadelphous made a significant investment in specialised pipeline equipment to support future growth.

The Company's aviation support services business, Skystar Airport Services, continued to grow. Strong operational performance was maintained with exceptional on-time performance of 99.5 per cent.

Outlook

With a number of significant projects underway across core markets and new contract awards subsequent to the reporting period, Monadelphous entered the new financial year with a solid workload.

In the past few months the Company has seen an unprecedented volume of tendering activity, signalling the approach of a large new wave of development activity in core markets. Construction and maintenance services opportunities in iron ore, coal and LNG developments in Western Australia and Queensland dominate the Company's long list of prospects.

The Company is confident of securing a number of significant opportunities in the first half of the new financial year which will underpin strong ongoing revenue flows. Timing of projects remains a risk in the short term.

The long-term outlook for major engineering construction services remains positive with record levels of forecast capital investment in domestic resources and energy projects over the next few years. Monadelphous's strong position in these markets will enable it to capitalise on the emerging pipeline of opportunities across all market sectors, particularly in Western Australia and Queensland.

New opportunities for maintenance and industrial services will continue to grow as new resources and energy projects reach completion and become operational.

Monadelphous continues to prepare for escalating demand for skilled labour by investing in attraction and retention strategies. The Company will continue to focus on employee engagement and retention initiatives which build on the Company's strong service culture, accelerate training and development programs and boost recruitment activities in the domestic and international markets.

Monadelphous continues to develop its new market growth strategy in infrastructure markets. The Infrastructure division will continue to focus on organic growth in the established markets of transmission pipelines, water, solid waste management and aviation support services and will aim to expand services to the power sector through the recent PearlStreet Energy Services acquisition.

On behalf of the Board, I thank our shareholders for their ongoing support and our people for their terrific contribution to another successful year.



John Rubino
Monadelphous Chairman
22 August 2011

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

	2011	2010	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	1,449,252	1,279,862	1,127,474	958,966	968,419	534,273
Profit before income tax expense	131,576	115,148	104,149	99,749	86,835	42,196
Income tax expense	36,509	31,931	29,908	30,206	26,417	12,800
Profit after income tax expense	95,067	83,217	74,241	69,543	60,418	29,396
Basic earnings per share	108.84c	96.86c	87.48c	83.21c	73.56c	36.48c
Interim dividends per share (fully franked)	40.00c	35.00c	30.00c	29.00c	22.00c	9.00c
Special dividends per share (fully franked)	-	-	-	-	15.00c	9.00c
Final dividends per share (fully franked)	55.00c	48.00c	44.00c	43.00c	29.00c	15.00c
Net tangible asset backing per share	214.54c	164.74c	139.84c	117.73c	105.87c	73.34c
Total equity and reserves	193,234	144,286	122,565	101,817	90,481	62,134
Depreciation	23,341	16,789	15,066	12,718	10,390	7,510
Return on equity (%)	49.2	57.7	60.6	68.3	66.8	47.3
EBITDA margin (%)	10.6	10.1	10.3	11.5	9.8	9.2

Your directors submit their report for the year ended 30 June 2011.

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
45 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
32 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
19 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** *Lead Independent Non-Executive Director*
Appointed 30 May 2003
Civil Engineer, Fellow of the Institution of Engineers Australia
39 years experience in the construction industry
Also a non-executive director of two other publicly listed entities, Becton Property Group Limited (ASX: BEC) - appointed 25 July 2008 and Service Stream Limited (ASX: SSM) - appointed 1 November 2010.
- Christopher Percival Michelmore** *Independent Non-Executive Director*
Appointed 1 October 2007
Civil Engineer, Fellow of the Institution of Engineers Australia
Member Institution of Structural Engineers, UK
39 years experience in the construction industry
- ## **COMPANY SECRETARIES**
- Zoran Bebic** *Company Secretary and Chief Financial Officer*
Appointed 24 August 2009
Certified Practising Accountant, Member of CPA Australia
18 years experience in the construction and engineering services industry
- Philip Trueman** *Company Secretary and General Manager, Human Resources*
Appointed 21 December 2007
Chartered Accountant, Member Institute of Chartered Accountants in Australia and the South African Institute of Chartered Accountants
11 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	2,004,000	Nil
R. Velletri	2,125,000	375,000
I. Tollman	667,586	Nil
P. J. Dempsey	78,000	Nil
C. P. Michelmore	18,597	Nil

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	108.84
Diluted Earnings Per Share	106.87

DIVIDENDS

	Cents	\$'000
Final dividends declared		
▪ on ordinary shares	55.00	48,167
Dividends paid during the year:		
<i>Current year interim</i>		
▪ on ordinary shares	40.00	35,031
<i>Final for 2010</i>		
▪ on ordinary shares	48.00	42,010

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 25 in the financial report).

The registered office of Monadelphous Group Limited is located at:

59 Albany Highway
 Victoria Park, Western Australia, 6100

Nature of operations and principal activities

Engineering Services

Monadelphous is a diversified services company operating in the resources, energy and infrastructure industry sector.

Services provided:

- Fabrication, modularisation, offsite pre-assembly, procurement and installation of structural steel, tankage, mechanical and process equipment, piping, demolition and remediation works
- Multi-disciplined construction services
- Plant commissioning
- Specialist electrical and instrumentation services
- Fixed plant maintenance services
- Shutdown planning, management and execution
- Construction of transmission pipelines and facilities

Skystar Airport Services

Provides aviation support services.

General

The Monadelphous Group operates from major offices in Perth and Brisbane, with regional offices in Beijing (China) and Adelaide, and a network of workshop facilities in Kalgoorlie, Karratha, 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 5,649 employees as of 30 June 2011 (2010: 5,424 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:

	2011	2010
	\$'000	\$'000
Revenue from services	1,443,896	1,275,420
Profit after income tax expense	95,067	83,217

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 1 July 2011, Monadelphous Group Limited acquired 100% of the voting shares of asset management company, PearlStreet Energy Services Pty Ltd ('PearlStreet'). PearlStreet manages two long term operations and maintenance contracts in the power sector in Western Australia. The acquisition forms part of Monadelphous' market growth strategy. The consideration comprised an initial cash payment of \$4,130,000 and a subsequent cash adjustment to the purchase price on finalisation of the completion accounts at the date of acquisition.

At the date the Financial Statements were authorised for issue, the initial accounting for the business combination was incomplete with the fair value assessments of the identifiable assets and liabilities acquired at acquisition and the calculation of the adjustment to the purchase price to be finalised. As a result it is not possible to disclose the carrying value or fair value of the identifiable assets and liabilities that will be recognised at 1 July 2011, the acquisition date fair value of consideration transferred or to calculate the value of goodwill.

On 14 July 2011, the company name of PearlStreet Energy Services Pty Ltd was changed to Monadelphous Energy Services Pty Ltd.

On 19 August 2011, the company announced that it had secured major maintenance and construction contracts with a combined value of approximately \$350 million. The contracts are with key customers in the Queensland coal industry and the Western Australian oil and gas and alumina industries. The contracts include:

- A three-year contract with BHP Billiton Mitsubishi Alliance (BMA) in Queensland, valued at approximately \$100 million for dragline and shovel shutdown work across its Bowen Basin coal operations;
- Two contracts totalling approximately \$100 million, for civil, structural, mechanical and electrical work to supply and install an overland conveyor and a drift conveyor as part of the extension project at the Rio Tinto Coal Australia-managed Kestrel Mine near Emerald, Queensland;
- Two contracts with BMA's Project Delivery Group for ongoing construction work on various sites in the northern region of the Bowen Basin in Queensland over two years;
- A new contract with Woodside to provide mechanical commissioning support to its Pluto LNG Plant on the Burrup Peninsula in Western Australia, expected to be completed in the first half of 2012; and
- A new three-year contract to provide minor capital project services for BHP Billiton Worsley Alumina's Refinery Project at Collie in Western Australia.

On 22 August 2011, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2011 financial year. The total amount of the dividend is \$48,167,255 which represents a fully franked final dividend of 55 cents per share. This dividend has not been provided for in the 30 June 2011 Financial Statements.

Other than the items noted above, 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

The Company aims to continually improve its environmental performance.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 3,928,500 unissued ordinary shares under options as follows:

- 2,857,500 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$10.00. The options expire between 30 September 2011 and 30 September 2012.
- 460,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$12.22. The options expire between 30 September 2011 and 30 September 2013.
- 611,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$14.84. The options expire between 30 September 2012 and 30 September 2014.

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

Shares issued as a result of the exercise of options

During the financial year, employees and directors have exercised the option to acquire 1,117,500 fully paid ordinary shares at a weighted average exercise price of \$9.95. All 1,117,500 shares were 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 \$93,641 (2010: \$125,274).

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	Non-Executive Director
P. J. Dempsey	Lead Independent Non-Executive Director
C. P. Michelmore	Independent Non-Executive Director

(ii) Executives

D. Foti	Executive General Manager, Engineering Construction
A. Erdash	General Manager, Maintenance & Industrial Services Western Region
M. Jansen	General Manager, Maintenance & Industrial Services Eastern Region (resigned 1 July 2010)
C. Tabrett	General Manager, Maintenance & Industrial Services Eastern Region (appointed 1 July 2010)
Z. Bebic	Chief Financial Officer and Company Secretary
S. Murray	General Manager, Infrastructure

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 utilises remuneration survey data compiled by a recognised remuneration research organisation across a range of industries and geographic regions. The salary survey data is updated every 6 months and is used to assess the appropriateness of the nature and amount of remuneration of directors and the executive management team. This assessment is made with reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

REMUNERATION REPORT (Audited) (cont'd)

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

Remuneration Structure

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

Non-executive director remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The most recent determination was at the Annual General Meeting held on 27 November 2007 when shareholders approved an aggregate remuneration of \$400,000 in the 'not to exceed sum' paid to non-executive directors.

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

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

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 2011 is detailed in Table 1 on page 17 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 receives external survey data from a recognised remuneration research organisation and considers market levels for comparable executive roles when making its recommendations to the Board.

REMUNERATION REPORT (Audited) (cont'd)

Executive remuneration (cont'd)

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 17 and 18 of this report detail the proportion of fixed and variable remuneration for each of the executive directors and the members of the executive management team of the Company.

Fixed remuneration

Objective

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

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

Monadelphous has a structured approach aimed at delivering fixed remuneration which is market competitive and rewards performance. The Company participates in a number of respected remuneration surveys from which it receives quarterly or six-monthly market and forecast data, and its remuneration system is designed to analyse detailed market and sector information at various levels.

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 five most highly remunerated members of the executive management team of the Company is detailed in Tables 1 and 2 on pages 17 and 18 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 targets with the performance of the employee charged with meeting those targets. The total STI for executives 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 individual.

REMUNERATION REPORT (Audited) (cont'd)

Variable Remuneration – Short Term Incentive (STI) (cont'd)

The KPIs considered in the assessment process adopt a balanced scorecard approach to measuring performance. The following categories of performance measures are considered:

- Financial Measures: including revenue, contribution and financial administration metrics,
- Safety Measures: including lost time and total case injury frequency metrics,
- Customer Satisfaction Measures: including customer performance feedback,
- Employee Retention and Development Metrics and
- Progress being made in terms of specific long-term strategic initiatives.

The KPIs have been selected to underpin the Company's core values and ensuring performance is aligned to the strategic direction of the business.

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.

In the 2010 financial year, 100% of the cash bonus previously accrued in that period vested and was paid in the 2011 financial year. The amount payable for the 2011 financial year in relation to executives is \$590,000 which has been fully accrued at 30 June 2011. This amount was fully paid in July 2011 on approval by the Remuneration Committee.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to retain and reward key employees 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 and the annual cost to the Company, on an individual basis, of any issue is taken into account when determining the amount, if any, of options granted. During the year ended 30 June 2011, there were 631,000 options granted under the Monadelphous Group Limited Employee Option Plan. No Directors or Key Management Personnel included in Table 1 on page 17 received options during the year ended 30 June 2011. All executives are eligible to participate in the Monadelphous Group Limited Employee Option Plan.

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

REMUNERATION REPORT (Audited) (cont'd)

Variable Remuneration – Long Term Incentive (LTI) (cont'd)

In addition, for options issued under the Monadelphous Group Limited Employee Option Plan during the years ended 30 June 2009, 30 June 2010 and 30 June 2011, 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 on average. 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.

Hedging of equity awards

The Company prohibits executives from entering into arrangements to protect the value of unvested LTI awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

Adherence to the policy is monitored on an annual basis and involves each KMP signing an annual declaration of compliance with the hedging policy.

Employment Contracts

All executives have non-fixed term employment contracts. The Company or executive may terminate the employment contract by providing 1 to 3 months 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:

	2011	2010	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit after income tax expense	95,067	83,217	74,241	69,543	60,418	29,396

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

REMUNERATION REPORT (Audited) (cont'd)

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 2011

	Short Term Benefits			Post Employment		Long Term Benefits	Share-Based Payments	Total	Total Performance Related	Total Options Related
	Salary & Fees	Non Monetary	Cash STI	Super-annuation	Retirement Benefits	Long Service Leave	Options LTI			
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<i>Non- Executive Directors</i>										
I. Tollman	60,000	768	-	-	-	-	-	60,768	-	-
P. J. Dempsey	100,917	1,292	-	9,083	-	-	-	111,292	-	-
C. P. Michelmore	90,000	1,152	-	-	-	-	-	91,152	-	-
Subtotal Non-Executive Directors	250,917	3,212	-	9,083	-	-	-	263,212	-	-
<i>Executive Directors</i>										
C. G. B. Rubino	366,270	4,094	-	14,030	-	8,853	-	393,247	-	-
R. Velletri	747,356	17,205	220,000	15,199	-	43,733	138,966	1,182,459	30.36	11.75
Subtotal Executive Directors	1,113,626	21,299	220,000	29,229	-	52,586	138,966	1,575,706	22.78	8.82
<i>Other Key Management Personnel</i>										
D. Foti	567,941	11,704	140,000	15,199	-	20,797	77,821	833,462	26.13	9.34
A. Erdash	395,145	11,236	70,000	15,199	-	10,195	38,910	540,685	20.14	7.20
M. Jansen *	-	-	-	-	-	-	-	-	-	-
C. Tabrett #	305,500	8,637	35,000	15,199	-	8,479	38,910	411,725	17.95	9.45
Z. Bebic	378,316	8,219	75,000	15,199	-	14,958	38,910	530,602	21.47	7.33
S. Murray	301,922	6,268	50,000	15,199	-	9,085	26,349	408,823	18.68	6.45
Subtotal Other Key Management Personnel	1,948,824	46,064	370,000	75,995	-	63,514	220,900	2,725,297	21.68	8.11
Total	3,313,367	70,575	590,000	114,307	-	116,100	359,866	4,564,215	20.81	7.88

C. Tabrett met the definition of Key Management Personnel from the date of his appointment as General Manager, Maintenance & Industrial Services Eastern Region on 1 July 2010. Remuneration received from the date of appointment is disclosed in Table 1.

* M. Jansen resigned as General Manager, Maintenance & Industrial Services Eastern Region, effective from 1 July 2010.

REMUNERATION REPORT (Audited) (cont'd)

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 2010

	Short Term Benefits			Post Employment		Long Term Benefits	Share-Based Payments	Total	Total Performance Related	Total Options Related
	Salary & Fees	Non Monetary	Cash STI	Super-annuation	Retirement Benefits	Long Service Leave	Options LTI			
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<i>Non- Executive Directors</i>										
I. Tollman	40,000	551	-	-	-	-	-	40,551	-	-
P. J. Dempsey	70,000	963	-	-	-	-	-	70,963	-	-
C. P. Michelmore	70,000	963	-	-	-	-	-	70,963	-	-
Subtotal Non-Executive Directors	180,000	2,477	-	-	-	-	-	182,477	-	-
<i>Executive Directors</i>										
C. G. B. Rubino	334,862	8,491	-	14,461	-	10,005	-	367,819	-	-
R. Velletri	649,771	18,318	240,000	14,461	-	12,608	204,144	1,139,302	38.98	17.92
Subtotal Executive Directors	984,633	26,809	240,000	28,922	-	22,613	204,144	1,507,121	29.47	13.55
<i>Other Key Management Personnel</i>										
D. Foti	550,328	15,005	150,000	14,461	-	27,751	114,321	871,866	30.32	13.11
A. Erdash	393,441	11,061	70,000	14,461	-	10,639	57,160	556,762	22.84	10.27
M. Jansen	374,563	10,354	-	14,461	-	6,826	57,160	463,364	12.34	12.34
Z. Bebic #	344,320	8,932	60,000	12,236	-	21,080	48,704	495,272	21.95	9.83
S. Murray	229,351	7,282	40,000	12,236	-	10,432	46,996	346,297	25.12	13.57
G. Everist *	260,276	1,901	-	3,930	-	(43,218)	(38,107)	184,782	(20.62)	(20.62)
Subtotal Other Key Management Personnel	2,152,279	54,535	320,000	71,785	-	33,510	286,234	2,918,343	20.77	9.81
Total	3,316,912	83,821	560,000	100,707	-	56,123	490,378	4,607,941	22.79	10.64

Z. Bebic met the definition of Key Management Personnel from the date of his appointment as Chief Financial Officer on 24 August 2009. Remuneration received from the date of appointment is disclosed in Table 1.

* G. Everist resigned as Chief Financial Officer, effective from 24 August 2009 but continued in employment while working out a notice period. Options were forfeited on resignation. Any share based payment expense previously recognised in respect of the options has been reversed. Long service leave previously accrued, not vested on resignation, has been reversed.

REMUNERATION REPORT (Audited) (cont'd)

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

During the financial years ended 30 June 2011 and 30 June 2010, no options were granted as equity compensation benefits to Key Management Personnel.

Table 3: Shares issued on exercise of compensation options during the year ended 30 June 2011

30 June 2011	Options vested Number	Options exercised Number	Shares issued Number	Paid \$ per share
Directors				
R. Velletri ^	125,000	125,000	125,000	10.00
Executives				
D. Foti ^	70,000	70,000	70,000	10.00
A. Erdash ^	35,000	35,000	35,000	10.00
C. Tabrett ^	35,000	35,000	35,000	10.00
Z. Bebic ^	35,000	35,000	35,000	10.00
S. Murray *	25,000	25,000	25,000	9.06
S. Murray ^	17,500	17,500	17,500	10.00
Total	342,500	342,500	342,500	

^ On 8 September 2010, the date of exercise of the above options, the closing share price was \$14.70.

* On 6 January 2011, the date of exercise of the above options, the closing share price was \$18.15.

Table 4: Shares issued on exercise of compensation options during the year ended 30 June 2010

30 June 2010	Options vested Number	Options exercised Number	Shares issued Number	Paid \$ per share
Directors				
R. Velletri	-	-	-	-
Executives				
D. Foti	-	-	-	-
A. Erdash	-	-	-	-
M. Jansen	-	-	-	-
Z. Bebic	-	-	-	-
S. Murray	12,500	12,500	12,500	9.06
G. Everist	-	-	-	-
Total	12,500	12,500	12,500	

On 29 January 2010, the date of exercise of the above options, the closing share price was \$12.85.

END OF REMUNERATION REPORT

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

COMMITTEE MEMBERSHIP

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

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

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

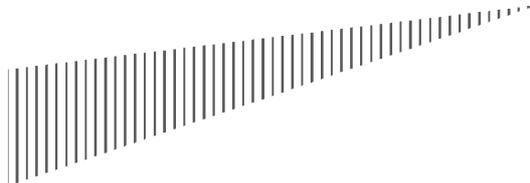
CORPORATE GOVERNANCE

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 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 2011 reporting date, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
22 August 2011

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	21,546
Assurance related	6,074
	<hr/>
	27,620
	<hr/> <hr/>

Signed in accordance with a resolution of the directors.

C. G. B. Rubino
Chairman
Perth, 22 August 2011



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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 consolidated statement of financial position as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with 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.



Opinion

In our opinion:

- a. 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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Monadelphous Group Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read "Ernst & Young", is written above the printed name.

Ernst & Young

A handwritten signature in black ink, appearing to read "G H Meyerowitz", is written below the printed name.

G H Meyerowitz
Partner
Perth
22 August 2011

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 consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its 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 consolidated entity will be able to pay its debts as and when they become due and payable; and
- (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.

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 2011.

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 25 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



C. G. B. Rubino
Chairman
Perth, 22 August 2011

MONADELPHOUS GROUP LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

25

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Continuing Operations			
REVENUE			
REVENUE	3(a)	1,449,252	1,279,862
Cost of services rendered		(1,268,048)	(1,126,481)
GROSS PROFIT		181,204	153,381
Other income	3(b)	1,855	1,133
Business development and tender expenses		(15,278)	(11,578)
Occupancy expenses		(2,362)	(1,624)
Administrative expenses		(28,633)	(24,164)
Finance costs	3(c)	(2,672)	(1,932)
Other expenses	3(d)	(2,538)	(68)
PROFIT BEFORE INCOME TAX		131,576	115,148
Income tax expense	4	(36,509)	(31,931)
PROFIT AFTER INCOME TAX		95,067	83,217
PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	16(a)	95,067	83,217
Basic earnings per share (cents per share)	21	108.84	96.86
Diluted earnings per share (cents per share)	21	106.87	95.46
Dividends per share (cents per share)	5	95.00	83.00

MONADELPHOUS GROUP LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

26

	Consolidated	
	2011	2010
	\$'000	\$'000
NET PROFIT FOR THE PERIOD	95,067	83,217
OTHER COMPREHENSIVE INCOME		
Net fair value gains on available-for-sale financial assets	8,995	3,627
Foreign currency translation	38	(183)
Income tax on items of other comprehensive income	(2,698)	(1,088)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	6,335	2,356
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	101,402	85,573

MONADELPHOUS GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

27

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	17(b)	172,479	149,192
Trade and other receivables	6	168,028	121,400
Inventories	7	26,134	23,547
Total current assets		366,641	294,139
Non-current assets			
Available-for-sale financial assets	8	25,875	16,880
Property, plant and equipment	9	113,442	91,151
Deferred tax assets	4	24,933	15,981
Intangible assets and goodwill	10	5,349	2,551
Total non-current assets		169,599	126,563
TOTAL ASSETS		536,240	420,702
LIABILITIES			
Current liabilities			
Trade and other payables	12	183,264	167,963
Interest bearing loans and borrowings	13	13,654	11,529
Income tax payable	4	17,920	8,906
Provisions	14	93,637	63,543
Total current liabilities		308,475	251,941
Non-current liabilities			
Interest bearing loans and borrowings	13	29,302	21,072
Provisions	14	5,106	3,304
Deferred tax liabilities	4	123	99
Total non-current liabilities		34,531	24,475
TOTAL LIABILITIES		343,006	276,416
NET ASSETS		193,234	144,286
EQUITY			
Contributed equity	15	46,612	30,083
Reserves	16	29,326	14,933
Retained earnings	16	117,296	99,270
TOTAL EQUITY		193,234	144,286

MONADELPHOUS GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

28

Consolidated	<i>Attributable to equity holders</i>					Total \$'000
	Issued Capital \$'000	Net Unrealised Gains Reserve \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	
At 1 July 2010	30,083	6,098	9,152	(317)	99,270	144,286
Other comprehensive income	-	6,297	-	38	-	6,335
Profit for the period	-	-	-	-	95,067	95,067
Total comprehensive income for the period	-	6,297	-	38	95,067	101,402
Transactions with owners in their capacity as owners						
Share-based payments	-	-	2,726	-	-	2,726
Exercise of employee options	11,123	-	-	-	-	11,123
Shares issued on acquisition of subsidiary	5,406	-	-	-	-	5,406
Deferred tax asset recognised on Employee Share Trust	-	-	5,332	-	-	5,332
Dividends paid	-	-	-	-	(77,041)	(77,041)
At 30 June 2011	46,612	12,395	17,210	(279)	117,296	193,234

Consolidated	<i>Attributable to equity holders</i>					Total \$'000
	Issued Capital \$'000	Net Unrealised Gains Reserve \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	
At 1 July 2009	28,941	3,559	6,271	(134)	83,928	122,565
Other comprehensive income	-	2,539	-	(183)	-	2,356
Profit for the period	-	-	-	-	83,217	83,217
Total comprehensive income for the period	-	2,539	-	(183)	83,217	85,573
Transactions with owners in their capacity as owners						
Share-based payments	-	-	2,185	-	-	2,185
Exercise of employee options	1,142	-	-	-	-	1,142
Deferred tax asset recognised on Employee Share Trust	-	-	696	-	-	696
Dividends paid	-	-	-	-	(67,875)	(67,875)
At 30 June 2010	30,083	6,098	9,152	(317)	99,270	144,286

MONADELPHOUS GROUP LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

29

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		1,560,124	1,416,157
Payments to suppliers and employees (inclusive of GST)		(1,403,578)	(1,290,491)
Interest received		5,164	4,366
Borrowing costs		(2,672)	(1,932)
Other income		1,855	635
Income tax paid		(35,694)	(32,768)
NET CASH FLOWS FROM OPERATING ACTIVITIES	17(a)	125,199	95,967
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	9(c)	17,018	1,726
Purchase of property, plant and equipment		(31,129)	(17,081)
Purchase of available-for-sale financial assets		-	(4,302)
Acquisition of subsidiary	27	(7,218)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(21,329)	(19,657)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(77,041)	(67,875)
Proceeds from issue of shares		11,123	1,142
Repayment of borrowings		(71)	(577)
Payment of finance leases		(12,975)	(12,483)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(78,964)	(79,793)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Net foreign exchange differences		(1,619)	440
Cash and cash equivalents at beginning of period		149,192	152,235
CASH AND CASH EQUIVALENTS AT END OF PERIOD	17(b)	172,479	149,192

1. CORPORATE INFORMATION

The financial report of Monadelphous Group Limited (the Company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of directors on 22 August 2011.

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

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

2. 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) Changes in Accounting Policies

Australian Accounting Standards and Interpretations that have recently been issued or amended and are effective 1 July 2010 have resulted in no material changes in accounting policies and therefore no material impact on Monadelphous Group Limited's financial performance or position for the year ended 30 June 2011.

Monadelphous Group Limited and its subsidiaries ('the Group') has adopted all Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2010, including:

- AASB 2009-5 Amendments to Australian Accounting arising from the Annual Improvements Project
- AASB 2009-8 Amendments to Australian Accounting - Group Cash-settled Share-based Payment Transactions (AASB 2)
- AASB 2010-3 Amendments to Australian Accounting arising from the Annual Improvements Project

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

c) 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 2011. These are outlined below:

Reference	Title	Application date of standard	Application date for Group	Impact on the Group financial report
AASB 9	Financial Instruments	1 January 2013	1 July 2013	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.
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	1 January 2013	1 July 2013	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.
AASB 124 (Revised)	Related Party Disclosures (December 2009)	1 January 2011	1 July 2011	These amendments simplify and clarify the definition of a related party. There will be no affect on the Group as a result of these amendments.
AASB 2009-12	Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	1 January 2011	1 July 2011	No material impact on the Group expected based on analysis to date.
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	1 July 2011	These amendments affect defined benefit pension plans. As such, these amendments are not applicable to the Group.
AASB 1054	Australian Additional Disclosures	1 July 2011	1 July 2011	No material impact on the Group expected based on analysis to date.
AASB 2010-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134 and Interpretation 13]	1 January 2011	1 July 2011	No material impact on the Group expected based on analysis to date.
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 and 1038 and Interpretations 112, 115, 127, 132 and 1042]	1 January 2011	1 July 2011	No material impact on the Group expected based on analysis to date.
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 and 7]	1 July 2011	1 July 2011	No material impact on the Group expected based on analysis to date.

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

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

Reference	Title	Application date of standard	Application date for Group	Impact on the Group financial report
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 and 1038 and Interpretations 2, 5, 10, 12, 19 and 127]	1 January 2013	1 July 2013	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.
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	1 January 2012	1 July 2012	No material impact on the Group expected based on analysis to date.
Amendments to International Financial Reporting Standards	IFRS 10 – Consolidated Financial Statements	1 January 2013	1 July 2013	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	IFRS 11 – Joint Arrangements	1 January 2013	1 July 2013	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	IFRS 12 – Disclosure of Interests in other Entities	1 January 2013	1 July 2013	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	IFRS13 – Fair Value Measurement	1 January 2013	1 July 2013	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.

d) 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.

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

d) Basis of consolidation (cont'd)

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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 2(e)).

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

e) Business combinations

Subsequent to 1 July 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability will be recognised in accordance with AASB 139 whether in the profit and loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Prior to 1 July 2009

The purchase method of accounting was used to account for all business combinations regardless of whether equity instruments or other assets were acquired. Cost was 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 were issued in a business combination, the fair value of the instruments was their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments were recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which were measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were 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 was recognised as goodwill. If the cost of acquisition was less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference was recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

e) Business combinations (cont'd)

Where settlement of any part of the consideration was deferred, the amounts payable in the future were discounted to their present value as at the date of exchange. The discount rate used was 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.

f) 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 rate 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 rate at the date when the fair value was determined.

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 the income statements are 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.

g) 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.

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

h) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable 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.

Collectability of trade receivables is reviewed on an ongoing basis at a Company and business unit level. Individual debts that are known to be uncollectable 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.

i) Inventories

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

j) 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.

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.

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

k) 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 the 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 the profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through the 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 the 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 the 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 securities are those non-derivative financial assets, principally equity securities that are designated as available-for-sale, or are not classified in 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 the profit or loss.

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.

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

l) 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 a 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:

	2011	2010
▪ 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.

m) 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 the recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value.

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

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

n) 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 the 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.

o) Interest in jointly controlled operation

The group has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than the establishment of a separate entity. The group recognises its interest in the jointly controlled operation by recognising its interest in the assets and liabilities of the joint venture. The group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods and services by the jointly controlled operation.

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

p) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration over the fair value of the Group's identifiable assets acquired and liabilities assumed.

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 five 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.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite and amortised over their useful life. They are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for the intangible assets is reviewed at least each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

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

q) 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 25 for further details), entered into a deed of indemnity on 12 April 1995, 3 July 2001, 30 June 2005, 29 June 2007 and 9 June 2011. 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.

r) Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve 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).

s) 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.

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

t) 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, vesting 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-vesting 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.

(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 Engineering and Construction 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.

u) 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 is measured by reference to the fair value of the equity instruments at the date on 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).

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

u) Share-based payment transactions (cont'd)

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.

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.

v) 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 the profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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

w) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of Services

Where the contract outcome can be reliably measured:

- revenue is recognised at the time of billing to the customer for maintenance contracts or for construction contracts refer to the accounting policy for construction contracts, for method of revenue recognition.

Where the contract outcome cannot be reliably measured:

- contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised only to the extent that costs have been incurred.

Dividends

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

Interest income

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

x) 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.

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

y) 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:

- 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.

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

y) Taxation (cont'd)

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.

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

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

z) 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.

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

aa) 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.

Impairment of non-financial assets other than goodwill

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

Impairment of goodwill and intangibles with indefinite useful lives

The group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 10.

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 the 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 on which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in note 22. 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.

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

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

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.

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 Engineering and Construction 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.

ab) Comparatives

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

MONADELPHOUS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2011

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	Notes	Consolidated	
		2011 \$'000	2010 \$'000
3. REVENUES AND EXPENSES			
(a) Revenue			
Rendering of services		1,443,896	1,275,420
Finance revenue		5,356	4,442
		1,449,252	1,279,862
(b) Other income			
Net gains on disposal of property, plant and equipment		-	498
Other income		1,855	635
		1,855	1,133
(c) Finance costs			
Bank loans and overdrafts		56	90
Finance charges payable under finance leases and hire purchase contracts		2,616	1,842
		2,672	1,932
(d) Other expenses			
Net foreign exchange differences		1,654	-
Adjustment to contingent consideration of acquisition	27	694	-
Other		190	68
		2,538	68
(e) Depreciation and Amortisation			
Depreciation expense		23,341	16,789
Amortisation of intangible assets		1,074	-
		24,415	16,789
(f) Employee benefits expense			
Employee benefits expense		757,626	591,772
Defined contribution superannuation expense		42,011	28,960
Share based payment expense		2,726	2,185
		802,363	622,917
(g) Lease payments and other expenses included in the income statement			
Minimum lease payments – operating lease		14,582	14,088
Bad and doubtful debts		601	248
Net (gain)/loss on held for trading foreign currency derivatives		-	(327)

	Consolidated	
4. INCOME TAX	2011	2010
	\$'000	\$'000
(a) Income tax expense		
The major components of income tax expense are:		
<i>Income statement</i>		
<i>Current income tax</i>		
Current income tax charge	48,445	37,523
Adjustments in respect of current income tax of previous years	(3,606)	(2,456)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(7,952)	(3,978)
Adjustments in respect of deferred income tax of previous years	(378)	842
Income tax expense reported in the income statement	36,509	31,931
(b) Amounts charged or credited directly to equity		
<i>Deferred income tax related to items charged (credited) directly to equity – see Note 16</i>		
Net unrealised gains reserve	2,698	1,088
Share-based payment reserve	(5,332)	(696)
Income tax benefit reported in equity	(2,634)	392
(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	131,576	115,148
At the Parent Entity's statutory income tax rate of 30% (2010: 30%)	39,473	34,544
- Adjustments in respect of current and deferred income tax of previous years	(3,984)	(1,614)
- General business tax break	(36)	(1,028)
- Share based payment expense	221	-
- Other	835	29
Aggregate income tax expense	36,509	31,931

4. INCOME TAX (cont'd)

(d) Recognised deferred tax assets and liabilities

	Consolidated			
	2011 \$'000 Current Income Tax	2011 \$'000 Deferred Income Tax	2010 \$'000 Current Income Tax	2010 \$'000 Deferred Income Tax
Opening balance	(8,906)	15,882	(6,629)	13,138
Acquisition	(1,649)	(257)	-	-
Charged to income	(44,839)	8,330	(35,066)	3,136
Charged to equity	1,777	857	-	(392)
Other / payments	35,697	(2)	32,789	-
Closing balance	<u>(17,920)</u>	<u>24,810</u>	<u>(8,906)</u>	<u>15,882</u>
Tax expense in income statement		36,509		31,931
Amounts recognised in the balance sheet:				
Deferred tax asset		24,933		15,981
Deferred tax liability		<u>(123)</u>		<u>(99)</u>
		<u>24,810</u>		<u>15,882</u>

	Consolidated	
	2011 \$'000	2010 \$'000
Deferred income tax at 30 June relates to the following:		
<i>(i) Deferred tax liabilities</i>		
Accelerated depreciation	4,531	2,516
Available-for-sale securities	5,312	2,613
Other	-	406
Gross deferred tax liabilities	<u>9,843</u>	<u>5,535</u>
Set-off against deferred tax assets	<u>9,720</u>	<u>5,436</u>
Net deferred tax liabilities	<u>123</u>	<u>99</u>
<i>(ii) Deferred tax assets</i>		
Provisions	28,203	19,205
Share-based payments	6,298	2,146
Other	152	66
Gross deferred tax assets	<u>34,653</u>	<u>21,417</u>
Set-off of deferred tax liabilities	<u>9,720</u>	<u>5,436</u>
Net deferred tax assets	<u>24,933</u>	<u>15,981</u>

(e) Unrecognised temporary differences

At 30 June 2011, 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 (2010: \$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.

Consolidated	
2011	2010
\$'000	\$'000

5. DIVIDENDS PAID AND PROPOSED

(a) Recognised amounts

Declared and paid during the year

(i) Current year interim

Interim franked dividend for 2011 (40 cents per share) (2010: 35 cents per share)

35,031	30,113
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(ii) Previous year final

Final franked dividend for 2010 (48 cents per share) (2009: 44 cents per share final)

42,010	37,763
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(b) Unrecognised amounts

Current year final

Final franked dividend for 2011 (55 cents per share) (2010: 48 cents per share)

48,167	41,500
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		Consolidated	
		2011	2010
		\$'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	50,252	45,673
	- franking credits that will arise from the payment of income tax payable as at the end of the financial year	17,410	8,712
		67,662	54,385
	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	(20,643)	(17,785)
		47,019	36,600

(d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2010: 30%). Dividends payable will be franked at the rate of 30% (2010: 30%).

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
6. TRADE AND OTHER RECEIVABLES			
CURRENT			
Trade receivables		143,458	119,039
Less allowance for impairment loss	6(a)	(3,135)	(2,534)
		140,323	116,505
Other debtors	6(b)	27,705	4,895
		168,028	121,400

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 \$601,000 (2010: \$248,000) has been recognised by the Group in the current year. These amounts have been included in the administrative expenses item in the income statement.

	Consolidated	
	2011 \$'000	2010 \$'000
Movements in the allowance for impairment loss were as follows:		
Balance at the beginning of the year	2,534	2,264
Charge for the year	601	248
Other	-	22
Balance at the end of the year	3,135	2,534

6. TRADE AND OTHER RECEIVABLES (cont'd)

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

Impaired Trade Receivables:

At 30 June 2011, the current trade receivables of the Group were \$143,458,000 (2010: \$119,039,000). The amount of the allowance for impairment loss was \$3,135,000 (2010: \$2,534,000). 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 2011, the ageing of receivables past due but not considered impaired is as follows:

	Consolidated	
	2011	2010
	\$'000	\$'000
31 – 60 Days	30,449	24,222
61 – 90 Days	5,085	5,896
91+ Days	1,235	3,021
TOTAL	36,769	33,139

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) 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 28.

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
7. INVENTORIES			
Construction work in progress			
Cost incurred to date plus profit recognised		1,714,594	1,216,549
Consideration received and receivable as progress billings		(1,832,927)	(1,317,551)
		(118,333)	(101,002)
Amounts due to customers	7(a),12	144,467	124,549
Amounts due from customers		26,134	23,547

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

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
8. AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT)			
At fair value			
Shares – Australian listed	8(a)	25,875	16,880

Available-for-sale investments consist of investments in ordinary shares at fair value in Norfolk Group Limited (ASX: NFK).

(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.

9. PROPERTY, PLANT AND EQUIPMENT

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

	Consolidated					Total \$'000
	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	
Year ended 30 June 2011						
At 1 July 2010						
net of						
accumulated						
depreciation	4,924	5,859	692	43,147	36,529	91,151
Additions	-	7,759	29	23,370	23,372	54,530
Additions						
through business						
combinations						
(Note 27)	-	110	-	8,409	-	8,519
Assets						
transferred	-	-	-	5,173	(5,173)	-
Disposals						
(Note 9(c))	-	(4)	-	(17,413)	-	(17,417)
Depreciation						
charge	-	(529)	(82)	(15,193)	(7,537)	(23,341)
At 30 June 2011						
net of						
accumulated						
depreciation	4,924	13,195	639	47,493	47,191	113,442
At 30 June 2011						
Cost	4,924	17,100	915	118,636	59,264	200,839
Accumulated						
depreciation	-	(3,905)	(276)	(71,143)	(12,073)	(87,397)
Net carrying						
amount	4,924	13,195	639	47,493	47,191	113,442

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

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

	Consolidated					Total \$'000
	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	
Year ended 30 June 2010						
At 1 July 2009 net of accumulated depreciation	4,976	6,290	910	27,994	29,905	70,075
Additions	114	431	-	17,795	20,753	39,093
Assets transferred	-	130	(130)	8,302	(8,302)	-
Disposals	(166)	(627)	-	(435)	-	(1,228)
Depreciation charge	-	(365)	(88)	(10,509)	(5,827)	(16,789)
At 30 June 2010 net of accumulated depreciation	4,924	5,859	692	43,147	36,529	91,151
At 30 June 2010						
Cost	4,924	9,391	886	97,376	55,116	167,693
Accumulated depreciation	-	(3,532)	(194)	(54,229)	(18,587)	(76,542)
Net carrying amount	4,924	5,859	692	43,147	36,529	91,151

(b) Property, Plant and Equipment pledged as security

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

	Consolidated	
	2011 \$'000	2010 \$'000
Assets pledged as security	47,191	36,529

(c) Disposals

Included within plant and equipment disposals for the year ended 30 June 2011 is an amount of \$15,306,026 relating to cranes that were sold and immediately leased back under operating leases.

	Notes	Consolidated		
		Intangible Assets \$'000	Goodwill \$'000	Total \$'000
10. INTANGIBLE ASSETS AND GOODWILL				
Year ended 30 June 2011				
At 1 July 2010		-	2,551	2,551
Acquisition of subsidiary	27	3,490	382	3,872
Amortisation		(1,074)	-	(1,074)
At 30 June 2011		2,416	2,933	5,349
Year ended 30 June 2010				
At 1 July 2009		-	2,551	2,551
At 30 June 2010		-	2,551	2,551

(a) Description of the Group's Intangible Assets and Goodwill

(i) Intangible assets

Intangible assets have been acquired through business combinations and are carried at cost less accumulated amortisation. The intangible asset has been assessed as having a finite life and is amortised using the straight line method over a three year period. The amortisation has been recognised in the income statement in the cost of services rendered classification. Intangible assets include the fair value of contracts acquired on acquisition of KT Pty Ltd (Note 27).

(ii) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at 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 (refer to section (b) of this note).

(b) Impairment Testing of Goodwill

Goodwill acquired through a business combination has been allocated to cash generating units ('CGU') for impairment testing purposes. The cash generating units are the entity MI & E Holdings Pty Ltd (goodwill of \$2,311,000), the Hunter Valley business unit (Ellavale) (goodwill of \$240,000) and the entity KT Pty Ltd (goodwill of \$382,000). 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 five year period have not been used in the calculation.

The discount rate applied to the cash flow projections is 15% for the entity MI & E Holdings Pty Ltd (2010: 15%), the Hunter Valley business unit (2010: 15%) and the entity KT Pty Ltd (2010: not applicable). The cash flows are based on the entities' and business unit's budgeted cash flows. No reasonable possible changes in key assumptions would result in the carrying amount exceeding the recoverable amount.

11. INTEREST IN A JOINTLY CONTROLLED OPERATION

(a) Commitments relating to the jointly controlled operation

The were no capital commitments relating to the jointly controlled operation as at 30 June 2011 (2010: nil).

(b) Contingent liabilities relating to the jointly controlled operation

The were no contingent liabilities relating to the jointly controlled operation as at 30 June 2011 (2010: nil).

(c) Impairment

No assets employed in the jointly controlled operation were impaired during the year ended 30 June 2011 (2010: nil).

	Notes	Consolidated	
		2011	2010
		\$'000	\$'000
12. TRADE AND OTHER PAYABLES			
CURRENT			
Trade payables	12(a)	24,293	32,956
Advances on construction work in progress – Amounts due to customers	7	144,467	124,549
Sundry creditors and accruals	12(a)	14,504	10,458
		183,264	167,963
		183,264	167,963

(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) 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 28.

	Notes	Consolidated	
		2011	2010
		\$'000	\$'000
13. INTEREST BEARING LOANS AND BORROWINGS			
CURRENT			
Hire purchase liability – secured	13(a),19	13,581	11,462
Bank loan – secured	13(a)	73	67
		13,654	11,529
NON-CURRENT			
Hire purchase liability – secured	13(a),19	29,273	20,966
Bank loan – secured	13(a)	29	106
		29,302	21,072

(a) Terms and conditions

- (i) The bank loan is repayable monthly. Interest is charged at the bank's fixed rate. The bank loan is secured by way of a registered first mortgage over land and 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 7.00% (2010: 7.00%).
- (ii) Hire purchase agreements have an average term of three years. The average discount rate implicit in the hire purchase liability is 7.68% (2010: 7.73%). 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 28.

(c) Defaults and breaches

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

	Notes	Consolidated	
		2011	2010
		\$'000	\$'000
14. PROVISIONS			
CURRENT			
Employee benefits	14(a)	75,117	44,695
Workers' compensation	14(b)	18,520	18,848
		93,637	63,543
NON-CURRENT			
Employee benefits – long service leave		5,106	3,304

14. PROVISIONS (Cont'd)

(a) Employee benefits

Employee benefits includes liabilities for wages and salaries, annual leave, rostered days off, vesting sick leave, project incentives and project redundancies. It is customary within the Engineering and Construction 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. The increase in the balance of the provision from the prior period is attributable to a number of major projects being in the latter stages of completion at year end.

(b) Workers' compensation

It is customary for all entities within the Engineering and Construction 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.

	Consolidated 2011 \$'000
(c) Movements in provisions	
Workers compensation	
Carrying amount at the beginning of the year	18,848
Additional provision	9,528
Amounts utilised during the year	(9,856)
	<hr/>
Carrying amount at the end of the financial year	18,520

15. CONTRIBUTED EQUITY

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Ordinary shares	15(a)	46,612	30,083
Reserved shares	15(b)	-	-
		<hr/> 46,612	<hr/> 30,083
(a) Ordinary shares			
Issued and fully paid		<hr/> 46,612	<hr/> 30,083

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.

15. CONTRIBUTED EQUITY (Cont'd)

(a) Ordinary shares (cont'd)

	Notes	2011		2010	
		Number of shares	\$'000	Number of shares	\$'000
Beginning of the financial year		86,036,700	30,083	85,948,449	29,711
Exercise of employee options		1,117,500	11,123	212,500	1,142
Transfer from reserved shares		-	-	(124,249)	(770)
Acquisition consideration	27	422,627	5,406		-
End of the financial year		87,576,827	46,612	86,036,700	30,083

During the year ended 30 June 2011, under the Monadelphous Group Limited Employee Option Plan, employees and directors have exercised the option to acquire 1,117,500 fully paid ordinary shares at a weighted average exercise price of \$9.95. All 1,117,500 shares were issued as new fully paid ordinary shares.

(b) Reserved shares

	2011		2010	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of the financial year	-	-	124,249	(770)
Transfer to share capital on issue to employees	-	-	(124,249)	770
End of the financial year - Reserved shares	-	-	-	-

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 prior year, 124,249 reserved shares were transferred to ordinary shares and issued upon exercise of options under the Monadelphous Group Limited Employee Option Plan. At 30 June 2010, no reserved shares remained and during the year ended 30 June 2011, no own equity instruments were reacquired.

(c) Share options

Options over ordinary shares

During the financial year, there were 631,000 options issued over ordinary shares.

At the end of the year there were 3,928,500 (2010: 4,860,000) unissued ordinary shares in respect of which options were outstanding (Note 22).

(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 the current ratio, interest cover ratio and operating leverage ratio debt covenants. At 30 June 2011, the Group is in a net cash position of \$129,523,000 (2010: \$116,591,000) and has a debt to equity ratio of 22.2% (2010: 22.6%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2011, management paid dividends of \$77,041,208. The policy is to payout dividends of 80% to 100% of net profit, subject to ongoing strong trading conditions and the need for significant cash requirements for investment opportunities.

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

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
16. RESERVES AND RETAINED EARNINGS			
Foreign currency translation reserve	16(b)	(279)	(317)
Share-based payment reserve	16(b)	17,210	9,152
Net unrealised gains reserve	16(b)	12,395	6,098
		29,326	14,933
Retained earnings	16(a)	117,296	99,270

(a) Movements in retained earnings

Balance at the beginning of the year	99,270	83,928
Net profit attributable to members of Monadelphous Group Limited	95,067	83,217
Total available for appropriation	194,337	167,145
Dividends paid	(77,041)	(67,875)
Balance at the end of the year	117,296	99,270

(b) Movements in reserves

	Consolidated			Total \$'000
	Net unrealised gains reserve \$'000	Foreign currency translation reserve \$'000	Share- based payment reserve \$'000	
At 1 July 2009	3,559	(134)	6,271	9,696
Foreign currency translation	-	(183)	-	(183)
Share-based payment	-	-	2,185	2,185
Net fair value gains on available-for-sale financial assets	2,539	-	-	2,539
Deferred tax asset recognised on Employee Share Trust	-	-	696	696
At 30 June 2010	6,098	(317)	9,152	14,933
Foreign currency translation	-	38	-	38
Share-based payment	-	-	2,726	2,726
Net fair value gains on available-for-sale financial assets	6,297	-	-	6,297
Deferred tax asset recognised on Employee Share Trust	-	-	5,332	5,332
At 30 June 2011	12,395	(279)	17,210	29,326

(c) Nature and purpose of reserves

Net unrealised gains reserve

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

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 22 for further details of these plans.

	Consolidated	
	2011	2010
	\$'000	\$'000
17. CASH FLOW STATEMENT		
(a) Reconciliation of net profit after tax to the net cash flows from operations		
Net profit	95,067	83,217
Adjustments for		
Depreciation of non-current assets	23,341	16,789
Amortisation of intangible assets	1,074	-
Net profit/(loss) on sale of property, plant and equipment	399	(498)
Share-based payment expense	2,726	2,185
Unrealised foreign exchange (gain)/loss	1,659	(616)
Other	(2)	(7)
Changes in assets and liabilities		
(Increase)/decrease in receivables	(42,594)	(10,796)
(Increase)/decrease in inventories	(2,587)	(8,187)
(Increase)/decrease in deferred tax assets	(3,401)	(1,830)
Increase/(decrease) in payables	14,125	(3,618)
Increase/(decrease) in provisions	31,177	18,684
Increase/(decrease) in derivative instruments	-	(327)
Increase/(decrease) in income tax payable	7,365	2,277
Increase/(decrease) in deferred tax liabilities	(3,150)	(1,306)
Net cash flows from operating activities	125,199	95,967

(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	92,479	119,192
- Short term deposits	80,000	30,000
	172,479	149,192

	Notes	Consolidated	
		2011	2010
		\$'000	\$'000
17. CASH FLOW STATEMENT (cont'd)			
(c) Financing facilities available			
At balance date the following financing facilities had been negotiated and were available			
Total facilities:			
- Bank guarantee and insurance bonds	(i)	195,000	195,000
- Revolving credit	(ii)	78,236	55,267
		<u>273,236</u>	<u>250,267</u>
Facilities used at balance date:			
- Bank guarantee and insurance bonds		129,180	116,000
- Revolving credit		42,956	32,601
		<u>172,136</u>	<u>148,601</u>
Facilities unused at balance date:			
- Bank guarantee and insurance bonds		65,820	79,000
- Revolving credit		35,280	22,666
		<u>101,100</u>	<u>101,666</u>

(i) Bank guarantees and insurance bonds

The contractual term of the bank guarantees and insurance bonds match the underlying obligation to which it relates.

(ii) Revolving credit

The revolving credit includes bank loans and hire purchase/leasing facilities. Refer to Note 13(a) for terms and conditions.

(d) Non-cash financing and investing activities

Hire purchase transactions:

During the year the consolidated entity acquired plant and equipment by means of hire purchase agreements with an aggregate fair market value of \$23,372,201 (2010: \$20,752,934).

18. CHANGE IN COMPOSITION OF ENTITY

On 1 July 2010, Monadelphous Group Limited acquired 100% of the voting shares of KT Pty Ltd, a private company based in Australia. Details of the acquisition are contained in note 27.

Subsequent to the year end, Monadelphous Group Limited acquired 100% of the voting shares of PearlStreet Energy Services Pty Ltd, a private company based in Australia. Details of the acquisition are contained in note 26.

	Notes	Consolidated	
		2011	2010
		\$'000	\$'000
19. COMMITMENTS AND CONTINGENCIES			
(a) Hire purchase commitments			
Payable:			
- Within one year		16,350	13,479
- Later than one year but not later than five years		32,170	22,992
		<hr/>	<hr/>
Minimum lease payments		48,520	36,471
Less future finance charges		(5,666)	(4,043)
		<hr/>	<hr/>
Present value of minimum lease payments		42,854	32,428
		<hr/>	<hr/>
Current liability	13	13,581	11,462
Non-current liability	13	29,273	20,966
		<hr/>	<hr/>
		42,854	32,428
		<hr/> <hr/>	<hr/> <hr/>

Hire purchase agreements have an average term of three years.

(b) Operating lease commitments	Properties	Other	Total	Total
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments				
- Within one year	12,597	3,681	16,278	13,538
- Later than one year but not later than five years	37,240	10,673	47,913	34,258
- Later than five years	37,727	-	37,727	41,625
- Aggregate lease expenditure contracted for at balance date but not provided for	<hr/>	<hr/>	<hr/>	<hr/>
	87,564	14,354	101,918	89,421
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Other operating leases includes motor vehicles and cranes. Properties include the Victoria Park office lease, the Brisbane office lease and other rental properties. Other operating leases have an average lease term of three years. Properties under operating leases have an average lease term of three years.

(c) Capital commitments

The consolidated group has capital commitments of \$10,953,443 at 30 June 2011 (2010: \$8,610,827).

19. COMMITMENTS AND CONTINGENCIES (cont'd)

(d) Guarantees

	Consolidated	
	2011	2010
	\$'000	\$'000
Guarantees given to various clients for satisfactory contract performance	129,180	116,000

Monadelphous Group Limited and all controlled entities marked * in Note 25 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, 29 June 2007 and 9 June 2011 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. It is anticipated that Ellavale Engineering Pty Ltd and MBF Workforce Pty Ltd will be removed from the deed of cross guarantee with effect from 9 December 2011 as they are no longer operating entities.

20. OPERATING SEGMENTS

Revenue is derived by the consolidated entity from the provision of engineering services to the resources, energy and infrastructure industry sector. For the year ended 30 June 2011, the Engineering Construction division contributed revenue of \$929.8 million (2010: \$843.6 million *), Maintenance and Industrial Services division contributed revenue of \$401.3 million (2010: \$376.2 million), and the Infrastructure division contributed revenue of \$157.8 million (2010: \$59.1 million *). Included in these amounts is \$45.0 million (2010: \$3.5 million) of inter-entity revenue, which is eliminated on consolidation. The operating divisions are exposed to similar risks and rewards from operations, and are only segmented to facilitate appropriate management structures.

The directors believe that the aggregation of the operating divisions is appropriate for segment reporting purposes as they:

- have similar economic characteristics;
- perform similar services for the same industry sector;
- have similar operational business processes;
- provide a diversified range of similar engineering services to a large number of common clients;
- utilise a centralised pool of engineering assets and shared services in their service delivery models, and the services provided to customers allow for the effective migration of employees between divisions; and
- operate predominately in one geographical area, namely Australia.

Skystar Airport Services is not considered material for segment reporting purposes.

Accordingly all services divisions have been aggregated to form one segment.

The Group has a number of customers to which it provides services. The largest customer represented 28% of the Group's revenue. The other three customers contributing over 10% of revenue represented 20%, 15% and 10% respectively. There are multiple contracts with these customers, across a number of their subsidiaries, divisions within those subsidiaries and locations.

* Note, the 2010 comparative for Infrastructure includes Skystar sales revenue and reclassification of revenues previously reported with Engineering Construction.

	2011	2010
	\$'000	\$'000

21. 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	<u>95,067</u>	83,217
Earnings used in calculation of basic and diluted earnings per share	<u>95,067</u>	83,217

	2011	2010
	No.	No.
No. of Shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	87,343,032	85,910,364
Effect of dilutive securities		
Share options	<u>1,611,257</u>	1,261,848
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u>88,954,289</u>	87,172,212

Conversions, calls, subscriptions or issues after 30 June 2011:

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

22. 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 167 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 particular 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

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

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

In addition, for options issued under the Monadelphous Group Limited Employee Option Plan during the years ended 30 June 2009, 30 June 2010 and 30 June 2011, 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 on average. 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.

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.

	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the year	4,860,000	\$10.24	4,922,500	\$9.79
- Granted during the year	631,000	\$14.84	580,000	\$12.22
- Forfeited during the year	(445,000)	\$10.67	(430,000)	\$10.10
- Exercised during the year	(1,117,500)	\$9.95	(212,500)	\$5.38
Balance at the end of the year	3,928,500	\$11.01	4,860,000	\$10.24
Exercisable during the next year	1,092,500	\$10.26	1,122,500	\$9.95

The weighted average share price at the date of exercise of options during the year was \$14.90 (2010: \$12.85).

A total of 631,000 options were granted by Monadelphous Group Limited during the year ended 30 June 2011. 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	5.5%
Expected volatility	35.0% - 45.0%
Historical volatility	35.0% - 45.0%
Risk-free interest rate	4.65% - 4.76%
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.

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

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

The resulting weighted average fair values for options outstanding at 30 June 2011 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option at Grant Date
2,857,500	31/10/2008	30/09/2012	\$1.15
460,000	28/09/2009	30/09/2013	\$3.53
611,000	25/10/2010	30/09/2014	\$3.74

The share-based payment expense for the year ended 30 June 2011 was \$2,726,332 (2010: \$2,184,687) for the consolidated entity.

Options granted during the reporting period

There were 631,000 options granted by Monadelphous Group Limited to 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 2011:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price
962,500	31/10/2008	01/09/2011	30/09/2012	\$10.00
1,895,000	31/10/2008	01/09/2012	30/09/2012	\$10.00
130,000	28/09/2009	01/09/2011	30/09/2013	\$12.22
110,000	28/09/2009	01/09/2012	30/09/2013	\$12.22
220,000	28/09/2009	01/09/2013	30/09/2013	\$12.22
152,750	25/10/2010	01/09/2012	30/09/2014	\$14.84
152,750	25/10/2010	01/09/2013	30/09/2014	\$14.84
305,500	25/10/2010	01/09/2014	30/09/2014	\$14.84

(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.

23. KEY MANAGEMENT PERSONNEL

(a) Compensation for Key Management Personnel

	Consolidated	
	2011	2010
	\$	\$
Short Term Benefits	3,973,942	3,960,733
Post Employment	114,307	100,707
Long Term Benefits	116,100	56,123
Share-Based Payments	359,866	490,378
Total Compensation	4,564,215	4,607,941

23. KEY MANAGEMENT PERSONNEL (cont'd)

(b) Option holdings of Key Management Personnel

<i>Options held in Monadelphous Group Limited</i>	Balance at beginning of period 1 July 2010	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of period 30 June 2011
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	500,000	-	(125,000)	-	375,000
I. Tollman	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
C. P. Michelmore	-	-	-	-	-
Executives					
D. Foti	280,000	-	(70,000)	-	210,000
A. Erdash	140,000	-	(35,000)	-	105,000
M. Jansen *	140,000	-	-	(140,000)	-
C. Tabrett #	-	-	(35,000)	140,000	105,000
Z. Bebic	140,000	-	(35,000)	-	105,000
S. Murray	95,000	-	(42,500)	-	52,500
Total	1,295,000	-	(342,500)	-	952,500

C. Tabrett met the definition of Key Management Personnel from the date of his appointment as General Manager, Maintenance & Industrial Services Eastern Region on 1 July 2010. Net change other represents options held at the date of his appointment.

* M. Jansen resigned as General Manager, Maintenance & Industrial Services Eastern Region, effective from 1 July 2010. Net change other represents options forfeited on resignation.

<i>Options held in Monadelphous Group Limited</i>	Balance at beginning of period 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of period 30 June 2010
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	500,000	-	-	-	500,000
I. Tollman	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
C. P. Michelmore	-	-	-	-	-
Executives					
D. Foti	280,000	-	-	-	280,000
A. Erdash	140,000	-	-	-	140,000
M. Jansen	140,000	-	-	-	140,000
Z. Bebic #	-	-	-	140,000	140,000
S. Murray	107,500	-	(12,500)	-	95,000
G. Everist *	140,000	-	-	(140,000)	-
Total	1,307,500	-	(12,500)	-	1,295,000

Z. Bebic met the definition of Key Management Personnel from the date of his appointment as Chief Financial Officer on 24 August 2009. Net change other represents options held at the date of his appointment.

* G. Everist resigned as Chief Financial Officer, effective from 24 August 2009. Net change other represents options forfeited on resignation.

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23. KEY MANAGEMENT PERSONNEL (cont'd)

(c) Shareholdings of Key Management Personnel

<i>Shares held in Monadelphous Group Limited</i>	Balance at beginning of period 1 July 2010	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance at end of period 30 June 2011
Directors					
C. G. B. Rubino	3,004,000	-	-	(1,000,000)	2,004,000
R. Velletri	2,000,000	-	125,000	-	2,125,000
I. Tollman	667,586	-	-	-	667,586
P. J. Dempsey	78,000	-	-	-	78,000
C. P. Michelmore	17,597	-	-	1,000	18,597
Executives					
D. Foti	646,816	-	70,000	-	716,816
A. Erdash	340,000	-	35,000	(5,000)	370,000
M. Jansen *	320,244	-	-	(320,244)	-
C. Tabrett #	-	-	35,000	(25,000)	10,000
Z. Bebic	50,000	-	35,000	(5,000)	80,000
S. Murray	12,500	-	42,500	(55,000)	-
Total	7,136,743	-	342,500	(1,409,244)	6,069,999

C. Tabrett met the definition of Key Management Personnel from the date of his appointment as General Manager, Maintenance & Industrial Services Eastern Region on 1 July 2010. Net change other represents shares held at the date of his appointment.

* M. Jansen resigned as General Manager, Maintenance & Industrial Services Eastern Region, effective from 1 July 2010. Net change other represents the shares held on resignation.

All other net changes represent the purchase and sale of shares on-market.

<i>Shares held in Monadelphous Group Limited</i>	Balance at beginning of period 1 July 2009	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance at end of period 30 June 2010
Directors					
C. G. B. Rubino	3,004,000	-	-	-	3,004,000
R. Velletri	2,000,000	-	-	-	2,000,000
I. Tollman	667,586	-	-	-	667,586
P. J. Dempsey	78,000	-	-	-	78,000
C. P. Michelmore	12,294	-	-	5,303	17,597
Executives					
D. Foti	646,816	-	-	-	646,816
A. Erdash	345,540	-	-	(5,540)	340,000
M. Jansen	350,244	-	-	(30,000)	320,244
Z. Bebic #	-	-	-	50,000	50,000
S. Murray	445,400	-	12,500	(445,400)	12,500
G. Everist *	410,000	-	-	(410,000)	-
Total	7,959,880	-	12,500	(835,637)	7,136,743

Z. Bebic met the definition of Key Management Personnel from the date of his appointment as Chief Financial Officer on 24 August 2009. Net change other represents shares held at the date of appointment.

* G. Everist resigned as Chief Financial Officer, effective from 24 August 2009. Net change other represents the shares held on resignation.

All other net changes represent the purchase and sale of shares on-market.

23. KEY MANAGEMENT PERSONNEL (cont'd)

(d) Loans to Key Management Personnel

(i) *Details of aggregates of loans to Key Management Personnel are as follows:*

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

(e) Other transactions and balances with Key Management Personnel

There were no other transactions and balances with Key Management Personnel.

Consolidated	
2011	2010
\$	\$

24. 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	174,650	147,955
- Other services in relation to the entity and any other entity in the consolidated entity		
- tax compliance	21,546	42,255
- assurance related	6,074	6,580
	202,270	196,790

Amounts received or due and receivable by other accounting firms for:

- tax compliance *	631,653	683,478
- other services	41,108	63,957
	672,761	747,435

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 2011 relate predominantly to the application for Research and Development Tax Concessions and Fuel Tax Credits.

25. RELATED PARTY DISCLOSURES

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

Name	Country of Incorporation	Percentage held by consolidated entity		Parent Entity Investment	
		2011	2010	2011	2010
		%	%	\$'000	\$'000
Parent:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
*Monadelphous Engineering Associates Pty Ltd	Australia	100	100	19,127	17,353
Skystar Airport Services Pty Ltd	Australia	100	100	437	431
*Monadelphous Properties Pty Ltd	Australia	100	100	1,941	1,941
*Monadelphous Engineering Pty Ltd	Australia	100	100	2,364	2,204
*Genco Pty Ltd	Australia	100	100	342	342
*Monadelphous Workforce Pty Ltd	Australia	100	100	370	370
*MI & E Holdings Pty Ltd	Australia	100	100	4,738	4,688
*KT Pty Ltd	Australia	100	-	16,629	-
*MBF Workforce Pty Ltd	Australia	100	100	215	215
*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	443	443
SinoStruct Pty Ltd	Australia	100	100	-	-
Moway AustAsia Steel Structures Trading (Beijing) Company Limited	China	100	100	-	-
Monadelphous Group Limited Employee Share Trust	Australia	100	100	-	-
				56,450	37,831

* 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, 29 June 2007 and 9 June 2011. 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. It is anticipated that Ellavale Engineering Pty Ltd and MBF Workforce Pty Ltd will be removed from the deed of indemnity with effect from 9 December 2011 as they are no longer operating entities.

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

	CLOSED GROUP	
	2011	2010
	\$'000	\$'000
Consolidated Income Statement		
Profit before income tax	123,510	109,755
Income tax expense	(33,814)	(30,792)
Net profit after tax for the period	89,696	78,963
Retained earnings at the beginning of the period	90,758	79,670
Dividends paid	(77,041)	(67,875)
Retained earnings at the end of the period	103,413	90,758

25. RELATED PARTY DISCLOSURES (cont'd)

	CLOSED GROUP	
	2011	2010
	\$'000	\$'000
Consolidated Balance Sheet		
ASSETS		
Current assets		
Cash and cash equivalents	167,567	143,084
Trade and other receivables	151,915	113,174
Inventories	21,369	21,908
Total current assets	340,851	278,166
Non-current assets		
Investments in subsidiaries	880	874
Available-for-sale financial assets	25,875	16,880
Property, plant and equipment	104,797	87,710
Deferred tax assets	24,000	15,231
Intangible assets and goodwill	5,349	2,551
Total non-current assets	160,901	123,246
TOTAL ASSETS	501,752	401,412
LIABILITIES		
Current liabilities		
Trade and other payables	166,008	159,376
Interest bearing loans and borrowings	13,654	11,529
Income tax payable	17,412	8,734
Provisions	90,917	61,482
Total current liabilities	287,991	241,121
Non-current liabilities		
Interest bearing loans and borrowings	29,302	21,072
Provisions	4,829	3,128
Total non-current liabilities	34,131	24,200
TOTAL LIABILITIES	322,122	265,321
NET ASSETS	179,630	136,091
EQUITY		
Contributed equity	46,612	30,083
Reserves	29,605	15,250
Retained earnings	103,413	90,758
TOTAL EQUITY	179,630	136,091

25. 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 \$406,386,828 (2010: \$397,448,607). The loan to Skystar Airport Services NZ Pty Ltd totalling \$338,681 (2010: \$139,926) is interest bearing and repayable over four years. Other loans to wholly-owned controlled entities totalling \$366,713,276 (2010: \$397,308,681) 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 \$477,025,569 (2010: \$500,763,880). The amounts are interest free and repayable on demand.

Ultimate parent

Monadelphous Group Limited is the ultimate holding company.

26. EVENTS AFTER THE BALANCE SHEET DATE

On 1 July 2011, Monadelphous Group Limited acquired 100% of the voting shares of asset management company, PearlStreet Energy Services Pty Ltd ('PearlStreet'). PearlStreet manages two long term operations and maintenance contracts in the power sector in Western Australia. The acquisition forms part of Monadelphous' market growth strategy. The consideration comprised an initial cash payment of \$4,130,000 and a subsequent cash adjustment to the purchase price on finalisation of the completion accounts at the date of acquisition.

At the date the Financial Statements were authorised for issue, the initial accounting for the business combination was incomplete with the fair value assessments of the identifiable assets and liabilities acquired at acquisition and the calculation of the adjustment to the purchase price to be finalised. As a result it is not possible to disclose the carrying value or fair value of the identifiable assets and liabilities that will be recognised at 1 July 2011, the acquisition date fair value of consideration transferred or to calculate the value of goodwill.

On 14 July 2011, the company name of PearlStreet Energy Services Pty Ltd was changed to Monadelphous Energy Services Pty Ltd.

On 19 August 2011, the company announced that it had secured major maintenance and construction contracts with a combined value of approximately \$350 million. The contracts are with key customers in the Queensland coal industry and the Western Australian oil and gas and alumina industries. The contracts include:

- A three-year contract with BHP Billiton Mitsubishi Alliance (BMA) in Queensland, valued at approximately \$100 million for dragline and shovel shutdown work across its Bowen Basin coal operations;
- Two contracts totalling approximately \$100 million, for civil, structural, mechanical and electrical work to supply and install an overland conveyor and a drift conveyor as part of the extension project at the Rio Tinto Coal Australia-managed Kestrel Mine near Emerald, Queensland;
- Two contracts with BMA's Project Delivery Group for ongoing construction work on various sites in the northern region of the Bowen Basin in Queensland over two years;
- A new contract with Woodside to provide mechanical commissioning support to its Pluto LNG Plant on the Burrup Peninsula in Western Australia, expected to be completed in the first half of 2012; and
- A new three-year contract to provide minor capital project services for BHP Billiton Worsley Alumina's Refinery Project at Collie in Western Australia.

26. EVENTS AFTER THE BALANCE SHEET DATE (cont'd)

On 22 August 2011, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2011 financial year. The total amount of the dividend is \$48,167,255 which represents a fully franked final dividend of 55 cents per share. This dividend has not been provided for in the 30 June 2011 Financial Statements.

Other than the items noted above, 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.

27. BUSINESS COMBINATION

On 1 July 2010, Monadelphous Group Limited acquired 100% of the voting shares of KT Pty Ltd, a private company based in Australia specialising in high pressure gas pipeline and facilities construction throughout Australia and overseas. The acquisition will expand the capabilities and range of services offered by the Group.

The upfront consideration comprised a cash payment of \$10,000,000 and 422,627 ordinary shares. The ordinary shares were issued at a fair value of \$12.79 each, based on the quoted price of the shares of Monadelphous Group Limited at the date of acquisition. A further contingent component is payable subject to KT Pty Ltd achieving certain financial targets over the period to 31 December 2011. The total consideration payable will not exceed \$30,000,000.

The fair values of the identifiable assets and liabilities of KT Pty Ltd as of the date of acquisition were:

	Consolidated Fair Value at acquisition date \$'000
Cash	2,782
Trade and other receivables	4,034
Plant and equipment	8,519
Intangible assets	3,490
Deferred tax assets	219
	<u>19,044</u>
Trade and other payables	689
Income tax payable	1,649
Provisions	719
Deferred tax liabilities	476
	<u>3,533</u>
Fair value of identifiable net assets	15,511
Goodwill arising on acquisition	382
	<u>15,893</u>
Acquisition-date fair-value of consideration transferred	
Shares issued, at fair value	5,406
Cash paid	10,000
Contingent consideration liability	487
Consideration transferred	<u>15,893</u>

27. BUSINESS COMBINATION (cont'd)

	\$'000
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	2,782
Cash paid	(10,000)
Net consolidated cash outflow	7,218

At 30 June 2011, the contingent consideration has been recalculated to a total payment of \$1,181,000. The increase to the estimate has been charged to the Income Statement and is included within the other expenses classification.

The consolidated Income Statement includes sales revenue for the period ended 30 June 2011 of \$52,004,000. Net profit for the period was not material.

Key factors contributing to the \$382,000 of goodwill are the synergies existing within the acquired business, and synergies expected to be achieved as a result of combining KT Pty Ltd with the rest of the Group.

28. 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 main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price 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. The Group manages its foreign currency risk arising from significant supplier contracts in foreign currencies by purchasing foreign currency or taking out forward exchange contracts. 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	
		2011	2010
		\$'000	\$'000
Financial Assets			
Cash and cash equivalents	17(b)	172,479	149,192

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

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

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.

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

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income 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)		Other Comprehensive Income Higher/(Lower)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Consolidated				
+0.5% (2010: +0.5%)	604	522	-	-
-0.5% (2010: -0.5%)	(604)	(522)	-	-

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 hedge foreign exchange exposure by purchasing foreign currency or taking out forward contracts for the amount of foreign currency required. Where possible, Monadelphous does not take on foreign exchange risk. At 30 June 2011 the Group had no forward contracts.

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

At 30 June 2011, the Group had the following exposure to US\$ foreign currency:

	Consolidated	
	2011 \$'000	2010 \$'000
Financial Assets		
Cash and cash equivalents	15,162	12,658
Net exposure	15,162	12,658

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

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

At 30 June 2011, if the US\$ foreign exchange 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 denominated in US\$:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Consolidated				
+5% (2010: +5%)	(531)	(443)	-	-
-5% (2010: -5%)	531	443	-	-

The reasonably possible movements have been based on review of historical movements.

Price risk

Equity securities price risk arises from investments in equity securities. The Group has a single equity investment which is publicly traded on the ASX.

At 30 June 2011, if the share price of the single equity investment 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 share price of equity investment:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Consolidated				
+15% (2010: +15%)	-	-	2,717	1,772
-15% (2010: -15%)	-	-	(2,717)	(1,772)

The reasonably possible movements have been based on review of historical movements.

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 industry sector.

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.

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

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

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 2011 of \$140,323,000 (2010: \$116,505,000).

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.

The table below reflects all contractually fixed pay-offs, repayments and interest resulting from financial liabilities as of 30 June 2011.

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

	Consolidated	
	2011	2010
	\$'000	\$'000
6 months or less	192,378	175,010
6 – 12 months	7,323	6,525
1 – 5 years	32,210	23,120
	231,911	204,655

Maturity analysis of financial liabilities:

Year ended	6 months or	6 months to 1	1 year to 5	Total	Total
30 June 2011	less	year	years	Contractual	Carrying
	\$'000	\$'000	\$'000	Cash Flows	Amount
				\$'000	\$'000
Consolidated					
Financial Liabilities					
Trade and other payables *	183,264	-	-	183,264	183,264
Bank loan	44	43	40	127	102
Hire purchase liability	9,070	7,280	32,170	48,520	42,854
Net maturity	192,378	7,323	32,210	231,911	226,220

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

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

Year ended 30 June 2010	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 *	167,963	-	-	167,963	167,963
Bank loan	47	46	128	221	173
Hire purchase liability	7,000	6,479	22,992	36,471	32,428
Net maturity	175,010	6,525	23,120	204,655	200,564

* Note, trade and other payables includes advances on construction work in progress of \$144,467,000 (2010: \$124,549,000). This amount is expected to be settled by the performance of work rather than via contractual cash flows.

(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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Financial Assets				
Cash	172,479	149,192	172,479	149,192
Other debtors	27,705	4,895	27,705	4,895
Receivables – trade	140,323	116,505	140,323	116,505
Available-for-sale assets	25,875	16,880	25,875	16,880
Total Financial Assets	366,382	287,472	366,382	287,472
Financial Liabilities				
Payables	183,264	167,963	183,264	167,963
Bank loan	102	173	117	194
Hire Purchase liability	42,854	32,428	41,853	31,416
Total Financial Liabilities	226,220	200,564	225,234	199,573

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

(b) Net fair values of financial assets and liabilities (cont'd)

Interest bearing liabilities with fixed interest rates: The fair value includes the value of contracted interest cash flows, discounted at market rates.

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

Receivables and payables: The carrying amount approximates fair value due to short term maturity.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1: The fair value is calculated using quoted prices in active markets.

Level 2: The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Recognised financial instruments valuation method

Available-for-sale assets: Level 1 - Calculated using quoted prices in active markets.

2011	2010
\$'000	\$'000

29. PARENT ENTITY INFORMATION

Information relating to Monadelphous Group Limited parent entity

Current assets	177,365	143,083
Total assets	672,469	597,419
Current liabilities	(508,016)	(503,339)
Total liabilities	(542,602)	(506,307)
Net Assets	129,867	91,112
Contributed equity	46,612	30,083
Share-based payment reserve	17,210	9,152
Net unrealised gains reserve	12,395	6,098
Retained earnings	53,650	45,779
Total Equity	129,867	91,112
Profit after tax	84,912	63,747
Total comprehensive income of the parent entity	91,209	66,286

MONADELPHOUS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2011

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	Notes	2011 \$'000	2010 \$'000
29. PARENT ENTITY INFORMATION (cont'd)			

Contingent liabilities

Guarantees	19(d)	<u>129,180</u>	116,000
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All guarantees entered into by the Group are via the parent entity. Details are contained in Note 19(d).

Capital commitments

The parent entity has capital commitments of \$nil at 30 June 2011 (2010: \$nil).

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 relevant 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 91
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.	No	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 91
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: <ul style="list-style-type: none"> • 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 90
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> • 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 90
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 91
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 2011, 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, and the materiality thresholds set, Mr P. J. Dempsey and Mr C. P. Michelmore are considered to be independent directors.

The Board believes that while the Chairman is not independent, 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	20 years	Executive Director
R. Velletri	19 years	Executive Director
I. Tollman	19 years	Non-Executive Director
P. J. Dempsey	8 years	Lead Independent Non-Executive Director
C. P. Michelmore	4 years	Independent Non-Executive Director

Trading Policy

Under the Company's Share Trading Policy, Key Management Personnel and other employees may only trade in securities of the Company during specific periods, and then only if they do not possess any unpublished, price-sensitive information in relation to those securities.

The trading periods in which buying and selling of the Company's securities, either directly or indirectly, by a Key Management Personnel 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.

All other periods are "closed periods" during which Key Management Personnel and other employees are prohibited from dealing in Monadelphous securities. From time to time, the Board of Directors of Monadelphous may also declare that Key Management Personnel and other employees are prohibited from dealing in Monadelphous securities during trading periods even though those trading periods are not closed periods.

Before commencing to trade, a Key Management Personnel 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.

For a copy of the Share Trading Policy, please refer to our website.

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 independent 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 20 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 39 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 8 years.

C. P. Michelmore has over 39 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 20 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 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 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 three non-executive directors. Members of the remuneration committee throughout the year were:

C. P. Michelmore (Chairman)
I. Tollman
P.J. Dempsey

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to page 20 of the Directors' Report.