

**MONADELPHOUS GROUP LIMITED**  
**A.B.N. 28 008 988 547**  
**CONSOLIDATED FINANCIAL REPORT**  
**30 JUNE 2015**

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

**CORPORATE DIRECTORY**

**Directors**

**Calogero Giovanni Battista Rubino**  
Chairman

**Robert Velletri**  
Managing Director

**Peter John Dempsey**  
Lead Independent Non-Executive Director

**Christopher Percival Michelmore**  
Independent Non-Executive Director

**Dietmar Robert Voss**  
Independent Non-Executive Director

**Company Secretaries**

**Kristy Glasgow**  
**Philip Trueman**

**Principal Registered Office in Australia**

59 Albany Highway  
Victoria Park  
Western Australia 6100  
Telephone: +61 8 9316 1255  
Facsimile: +61 8 9316 1950  
Website: [www.monadelphous.com.au](http://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

**Bankers (continued)**

**HSBC**

188-190 St George's Terrace  
Perth  
Western Australia 6000

**Auditors**

**Ernst & Young**

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

**Solicitors**

**Clifford Chance**

190 St George's Terrace  
Perth  
Western Australia 6000

**King and Wood Mallesons**

152 St George's Terrace  
Perth  
Western Australia 6000

**Controlled Entities**

Monadelphous Engineering Associates Pty Ltd  
Monadelphous Engineering Pty Ltd  
Monadelphous Properties Pty Ltd  
Monadelphous Workforce Pty Ltd  
Genco Pty Ltd  
Monadelphous Electrical & Instrumentation Pty Ltd  
Monadelphous PNG Ltd  
Monadelphous Holdings Pty Ltd  
Moway International Limited  
SinoStruct Pty Ltd  
Moway AustAsia Steel Structures Trading (Beijing)  
Company Limited  
Monadelphous Group Limited Employee Share Trust  
Monadelphous KT Pty Ltd  
Monadelphous Energy Services Pty Ltd  
Monadelphous Singapore Pte Ltd  
Monadelphous Mongolia LLC  
M Workforce Pty Ltd  
M&ISS Pty Ltd  
M Maintenance Services Pty Ltd  
Monadelphous Engineering NZ Pty Ltd  
Monadelphous Engineering US Inc.  
MGJV Pty Ltd  
MKT Pipelines Limited (incorporated on 2 July 2015)

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

<b>Contents</b>	<b>Page</b>
Chairman's Report	1
Company Performance	7
Directors' Report	8
Independent Audit Report	24
Directors' Declaration	26
Consolidated Income Statement	27
Consolidated Statement of Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes in Equity	30
Consolidated Statement of Cash Flows	31
Notes to the Consolidated Financial Statements	32

The Directors of Monadelphous Group Limited are pleased to report the Company's financial results for the year ended 30 June 2015.

### **Revenue**

Sales revenue for the year was \$1,865 million, down 19.9 per cent on the previous corresponding period. This result reflected further deterioration of market conditions and the continued focus by customers on reducing capital and operating expenditure.

### **Earnings**

Net profit after tax (NPAT) was \$105.8 million, down 23.6 per cent when compared to the underlying result in the previous corresponding period (which excluded the one-off gain from the sale of aviation support services business, Skystar Airport Services).

Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$168.0 million, a decrease of 24.1 per cent on an underlying basis<sup>^</sup>. The Company's focus on improving efficiency and productivity largely offset the downward pressure on margins arising from customer cost reduction programmes and an increasingly competitive environment.

Earnings per share (EPS) was 113.9 cents.

### **Dividend**

The Board of Directors is pleased to declare a final dividend of 46 cents per share fully franked. This takes the full-year dividend to 92 cents per share fully franked. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the final dividend.

### **Healthy balance sheet**

Monadelphous' disciplined approach to working capital management ensured the maintenance of a healthy balance sheet. Net cash was \$186.6 million at 30 June 2015, a 3.2 per cent increase on 12 months earlier, and cash flow from operations was \$117.8 million.

During the period the Company renewed its banking facilities for a further two years. The renewal was completed on improved pricing and terms and conditions, reflecting the strong long term performance of the business.

### **Productivity improvement and cost reduction**

Monadelphous continued its company-wide cost reduction program during the year, implementing a number of initiatives to protect margins and ensure overheads remain aligned to business activity levels. Structural changes and functional consolidations were undertaken during the period to lower the overhead costs of the business.

Over the past two years, the cost reduction program has delivered cost savings in excess of \$100 million on an annualised basis, including \$56 million in 2014/15, of which \$19 million relates to overhead reductions.

### **Secured \$450 million in new work**

Monadelphous secured approximately \$450 million in new contracts and contract extensions during the year. This included work won in new service markets, such as water and pipelines, which demonstrated the success of the Company's diversification strategy.

Subsequent to the reporting period, Monadelphous secured additional contracts valued at approximately \$430 million.

<sup>^</sup> Refer to page 7 for reconciliation of underlying EBITDA

### **Diversification strategy**

During the year, Monadelphous undertook a number of initiatives to broaden its services in core markets, further expand into infrastructure and extend core services to overseas locations.

In March 2015, the Company announced it had concluded the purchase agreement with Water Infrastructure Group (WI Group), to acquire the contracts and net assets of its design, build and maintain business.

WI Group is a leading provider of water infrastructure services and has provided Monadelphous with strong capability in water design solutions. It will expand the Company's geographical presence into the New Zealand market, which includes the growing irrigation sector, as well as provide opportunities in the infrastructure maintenance sector within Australia. It has well established customer relationships with councils, utilities and the private sector and supports the Company's long term market diversification strategy.

The Company continued its overseas expansion strategy and has commenced a process to establish a presence in North America to pursue opportunities in the shale oil and gas market. Monadelphous is also actively developing prospects to extend its core services, such as water and pipelines, in Papua New Guinea and Canada as well as pursuing opportunities to provide fabrication services to customers internationally.

### **Wiggins Island Coal Export Terminal**

In June 2015, Monadelphous announced that MMM, an unincorporated joint arrangement in which Monadelphous holds a 50 per cent interest, will be lodging a counterclaim in the Supreme Court of Queensland in response to a claim filed against Monadelphous by the owners of Wiggins Island Coal Export Terminal Pty Ltd (WICET).

MMM has to date received successful adjudication from the Building and Construction Industry Payment Agency ("BCIPA") (a Queensland statutory agency designed to facilitate the adjudication of payments in the construction industry by expert adjudicators) for payments relating to the project totalling approximately \$90 million.

WICET filed a claim relating to the MMM contracts in the Supreme Court of Queensland totalling approximately \$130 million (net of the proceeds of bank guarantees plus general damages, interest and costs), in which it seeks to recover monies, the majority of which include those paid to MMM under BCIPA and variations previously approved by WICET.

Monadelphous rejects WICET's position as outlined in the claim and will vigorously defend the proceedings. Further, it will pursue a counterclaim through MMM in excess of \$200 million to recover costs associated with changes in scope and nature of the works required to be completed, and the value of bank guarantees drawn down. Monadelphous considers that MMM has good grounds for making such claims.

## **OPERATIONAL OVERVIEW**

### **Health and Safety**

A record total case injury frequency rate (TCIFR) of 2.81 incidents per million man-hours worked was attained during the year. The Company finished the year with a TCIFR of 3.16, an improvement of 3 per cent on the previous year.

The lost time injury frequency rate (LTIFR) remained at 0.08 incidents per million man-hours worked, with only one incident recorded during the year.

The performance demonstrates Monadelphous' reputation as an industry leader in health and safety management. An enduring focus on safety leadership and the continued development of processes and systems underlies the Company's improvement in this area.

### **People**

The achievements of this year, in a deteriorating market, were only made possible by the dedication and efforts of our people. Monadelphous remains committed to attracting, developing and retaining highly competent people, who live our values, and actively contribute to our long-term, overall success.

As a result of the challenging market conditions, the Company's total workforce reduced by 15 per cent to 4,536 at 30 June 2015. This reduction was in line with project completions and the slowdown in construction activity. The review and consolidation of support and services functions as part of the cost reduction program further contributed to this decrease. Key talent retention rates, however, continue to be strong.

Cost saving initiatives helped to drive improved productivity during the year. Tight market conditions contributed to improved availability in the labour talent pool and downward pressure on wages, with the Company renegotiating a number of labour agreements during the period.

In November 2014, Zoran Bebic, formerly the Company's Chief Financial Officer, was appointed to the role of Executive General Manager of the Maintenance and Industrial Services division, following the retirement of Arif Erdash. The Board of Monadelphous extends its gratitude to Arif for his valued contribution to the Company's successful growth and development and wishes him well for his retirement.

Philip Trueman, a Chartered Accountant and previously the Company's General Manager, Human Resources, was appointed to the role of Chief Financial Officer.

### **Productivity improvement and cost reduction**

Monadelphous continued its company-wide cost reduction program during the year, implementing a number of initiatives to protect margins and ensure overheads remain aligned to business activity levels.

Key initiatives undertaken during the year included:

- Rationalising staffing levels;
- Adjustments to remuneration levels to align to changed market conditions;
- Consolidation across the group of support and service functions, including human resources, procurement, plant and equipment and facilities, to drive increased efficiency and process effectiveness;
- Improving project management practices, labour productivity and innovation in project execution;
- Office lease renegotiation and sub-leasing surplus premises; and
- Negotiation of improved supply arrangements.

## **OPERATIONAL ACTIVITY**

Monadelphous provides a broad range of services to the resources, energy and infrastructure markets.

### **Engineering Construction**

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported sales revenue of \$1,245 million, down 25.5 per cent compared to the previous year. This reflected the reducing volume of project activity in the resources and energy markets.

Monadelphous cemented its position in the Queensland coal seam gas (CSG) sector, undertaking a number of projects for Australia Pacific LNG (APLNG). It also successfully completed projects in resources, energy, transmission pipelines, marine and water.

The WI Group business acquired during the year was integrated into the division.

During the year, major contract activity included:

- Installation of onshore pipelines, cables and tubes and construction of a CO<sub>2</sub> injection pipeline for the Chevron Australia-operated Gorgon Project on Barrow Island, Western Australia (WA);
- Structural, mechanical and piping works, with JKC, for the utility and offsite area of the Ichthys Project Onshore LNG Facility in Darwin, Northern Territory (NT);
- Engineering, procurement and construction, with JKC, of the gas export pipeline works for the Ichthys Project Onshore LNG Facility in Darwin, NT;
- Construction of an approach jetty and ship berth, through the Monadelphous Muhibbah Marine (MMM) Joint Venture, and a further contract to construct and commission a ship loader, associated with the Wiggins Island Coal Export Terminal Project at Gladstone, Queensland;
- Supply and installation of a screen house, two car dumpers and associated conveyor and transfer stations for Rio Tinto Iron Ore at its Cape Lambert Port B Project, WA;
- Construction of the Fortescue River Gas Pipeline from Compressor Station 1 on the Dampier to Bunbury Natural Gas Pipeline to the Fortescue Metals Group-operated Solomon Iron Ore Mines for the Fortescue River Gas Pipeline Joint Venture in the Pilbara, WA;
- Design and construction of the East Nogoia Water Treatment Plant for the Central Highlands Regional Council in Emerald, Queensland;
- Construction and commissioning of APLNG's upstream gas processing facilities associated with its coal seam gas projects at Roma, Queensland; and
- Design and construction of a 240 km irrigation scheme for Ashburton Lyndhurst Irrigation Ltd in Methven, New Zealand.

New contracts worth \$250 million were secured and undertaken during the year. They include:

- Structural, mechanical and piping installation and commissioning works within Concentrator Lines 3 to 6, valued at approximately \$160 million, with Sino Iron at Cape Preston, near Karratha, WA;
- Construction of the Spring Gully Pipeline Compression Facility for APLNG at Roma, Queensland;
- Design, supply, construction and commissioning of the flood-affected stages 1-4 and Flood Resilience works of the Oxley Creek Sewage Treatment Plant in Brisbane for Queensland Urban Utilities; and
- Construction for DDG Ashburton of a 24 km gas pipeline from its Ashburton West facilities to a new power station near Onslow, WA.

The division also secured preferred contractor status on new construction work valued at approximately \$150 million.

Subsequent to the end of the year, a number of new contracts were secured. They included a three-year contract with two one-year extensions with APLNG for the fabrication and supply of wellhead separator skids, to be commissioned at various locations in the Surat Basin, Queensland, and a contract with the Barrhill Chertsey Irrigation Ltd and Electricity Ashburton Limited Joint Venture for the design, construction and commissioning of a 40 km long, gravity and pressurised piped irrigation scheme for farming properties in Methven, New Zealand.

The New Zealand agreement was the first irrigation contract for Monadelphous following the successful acquisition of WI Group.

### **Maintenance and Industrial Services**

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustaining capital projects and shutdowns, reported sales revenue of \$621 million for the year, a 6.4 per cent reduction compared to the previous year.

During the year, the division secured a 13-month extension, valued at approximately \$200 million, to the facilities management services contract associated with the Gorgon Project, operated by Chevron Australia, on Barrow Island, Western Australia (WA). The contract, originally secured in 2009, underlines the importance the Company places on long term relationships with its customers.

Other major contract activity undertaken included:

- Shutdown and maintenance services for Rio Tinto's coastal and inland operations in the Pilbara, WA;
- Maintenance and shutdown services for BHP Billiton's Nickel West operations in the Goldfields, WA;
- Maintenance and major shutdown services at the Woodside-operated Karratha Gas and Pluto LNG plants at Karratha, WA;
- Field construction services and project work for Oil Search Limited at its oil and gas production and support facilities in Papua New Guinea;
- Multidisciplinary services and a major shutdown at the Darwin LNG facility operated by ConocoPhillips in the Northern Territory;
- Multidisciplinary services for BHP Billiton's Olympic Dam operation at Roxby Downs, South Australia; and
- Maintenance services for QGC at its QCLNG Project on Curtis Island, Queensland.

Subsequent to the end of the financial year, \$380m of new contracts were secured, including:

- A new three-year facilities maintenance services contract associated with the Barrow Island, WA, assets operated by Chevron Australia Pty Ltd, for the operation and maintenance of facilities and utilities, and includes water and wastewater treatment plants, power generation and distribution systems, as well as the management and maintenance of various buildings, vehicles, plant and equipment;
- A three-year contract with a one-year extension option for the provision of labour for maintenance and shutdown services for South 32 Ltd at Worsley Alumina in Collie, WA;
- A three-year contract to provide project, maintenance and shutdown works for Queensland Alumina Limited in Gladstone, Queensland; and
- A contract with BM Alliance Coal Operations Pty Ltd to provide maintenance works for a major dragline shutdown at Blackwater Mine in Blackwater, Queensland.

## **Outlook**

Australian market conditions are expected to remain soft on the back of historically low commodity prices across most sectors of the resources and energy market. Customers will continue to focus on reducing operating costs, improving productivity and restraining capital expenditure. Opportunities for new major construction contracts in the resources and energy sector are likely to remain at reduced levels.

Prospects for maintenance and industrial services are expected to be positive particularly in the oil and gas sector. Activity is expected to ramp up over the next few years as a number of multi-billion dollar LNG projects move to the operational phase. More broadly, maintenance service activity is expected to normalise following a long period of deferred activity. Monadelphous' leading position in the services market places it in a strong position to capitalise on these opportunities.

Margins will remain under pressure as competition is high for a smaller pipeline of work, with capital expenditure decisions delayed and operating expenditure tightened. The company will focus on additional initiatives aimed at reducing costs to protect margins and improve sustainability. Further consolidation of the Company's fixed cost base will be a priority.

Monadelphous also remains committed to advance its long term market growth strategy and diversification of revenue sources through a number of key initiatives including:

- Extending engineering capability and broadening services to undertake multidisciplinary projects and provide more cost-effective solutions for customers;
- Expanding the range of industrial services provided to customers;
- Continued expansion of its position in growing infrastructure markets throughout Australia and New Zealand including leveraging of the Company's recent acquisition of Water Infrastructure Group;
- Pursuing opportunities to provide our China based fabrication services to international customers;
- Progressing expansion opportunities in PNG and Mongolia; and
- Entering the growing oil and gas market in North America.

Importantly, the Company's strong balance sheet provides the capacity to pursue investment opportunities that support these diversification objectives.

On behalf of the Board, I take this opportunity to thank all our stakeholders for their loyalty and support and particularly our people for their dedication, commitment and highly valued contribution.



John Rubino  
Monadelphous Chairman  
17 August 2015

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

	<b>2015</b>	2014	2013	2012	2011
	<b>\$'000</b>	\$'000	\$'000	\$'000	\$'000
Revenue	<b>1,869,505</b>	2,332,960	2,617,459	1,904,984	1,449,252
Underlying EBITDA	<b>167,975</b>	221,242	251,591	203,660	157,555
Profit before income tax expense	<b>147,041</b>	205,203	221,159	194,456	135,824
Income tax expense	<b>41,216</b>	58,693	64,845	57,121	40,757
Profit after income tax expense	<b>105,825</b>	146,510	156,314	137,335	95,067
Basic earnings per share	<b>113.91c</b>	159.05c	173.03c	155.24c	108.84c
Interim dividends per share (fully franked)	<b>46.00c</b>	60.00c	62.00c	50.00c	40.00c
Final dividends per share (fully franked)	<b>46.00c</b>	63.00c	75.00c	75.00c	55.00c
Net tangible asset backing per share	<b>391.75c</b>	387.22c	333.45c	270.34c	214.54c
Total equity and reserves	<b>368,098</b>	362,665	308,034	245,642	193,234
Depreciation	<b>22,932</b>	25,656	28,726	26,541	23,341
Debt to equity ratio	<b>6.3%</b>	10.2%	17.9%	20.6%	22.2%
Return on equity	<b>28.7%</b>	40.4%	50.7%	55.9%	49.2%
EBITDA margin	<b>9.0%</b>	9.9%	9.6%	11.6%	10.9%

Underlying EBITDA is a non-IFRS earnings measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. This measure is important to management as an additional way to evaluate the Company's performance.

Reconciliation of profit before income tax to underlying EBITDA (unaudited)

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
Profit before income tax	<b>147,041</b>	205,203
Profit on sale of subsidiaries	-	(10,353)
Interest expense	<b>1,701</b>	3,101
Interest revenue	<b>(4,478)</b>	(3,371)
Depreciation expense	<b>22,932</b>	25,656
Amortisation expense	<b>779</b>	1,006
Underlying EBITDA	<b>167,975</b>	221,242

Your directors submit their report for the year ended 30 June 2015.

## **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

49 years experience in the construction and engineering services industry

Also a director of one other publicly listed entity, Tech Mpire Limited (formerly Fortunis Resources Limited) (ASX: TMP) – appointed 20 March 2012, resigned 29 June 2015.

#### **Robert Velletri**

*Managing Director*

Appointed 26 August 1992

Mechanical Engineer, Corporate Member of Engineers Australia

Appointed as Managing Director on 30 May 2003

36 years experience in the construction and engineering services industry

#### **Peter John Dempsey**

*Lead Independent Non-Executive Director*

Appointed 30 May 2003

Civil Engineer, Fellow of Engineers Australia

43 years experience in the construction and engineering services industry

Also a non-executive director of the following other publicly listed entities, Service Stream Limited (ASX: SSM) – appointed 1 November 2010 and Becton Property Group Limited (ASX: BEC) – appointed 25 July 2008, resigned 26 February 2013

#### **Christopher Percival Michelmore** *Independent Non-Executive Director*

Appointed 1 October 2007

Civil Engineer, Fellow of Engineers Australia

Member Institution of Structural Engineers, UK

43 years experience in the construction and engineering services industry

#### **Dietmar Robert Voss**

*Independent Non-Executive Director*

Appointed 10 March 2014

Chemical Engineer

41 years experience in the oil and gas, and mining and minerals industries

## **COMPANY SECRETARIES**

#### **Zoran Bebic**

*Company Secretary and Chief Financial Officer*

Appointed 24 August 2009, resigned 8 December 2014

Certified Practising Accountant, Member of CPA Australia

22 years experience in the construction and engineering services industry

#### **Philip Trueman**

*Company Secretary and Chief Financial Officer*

Appointed 21 December 2007

Chartered Accountant, Member Chartered Accountants Australia and New Zealand and the South African Institute of Chartered Accountants

15 years experience in the construction and engineering services industry

**COMPANY SECRETARIES (continued)**

**Kristy Glasgow**

*Company Secretary*

Appointed 8 December 2014

Chartered Accountant, Member Chartered Accountants Australia and New Zealand.

10 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:

	<b>Ordinary Shares</b>	<b>Options over Ordinary Shares</b>
C. G. B. Rubino	2,022,653	Nil
R. Velletri	2,100,000	200,000
P. J. Dempsey	78,000	Nil
C. P. Michelmore	31,753	Nil
D. R. Voss	2,852	Nil

**EARNINGS PER SHARE**

	<b>Cents</b>
Basic Earnings Per Share	113.91
Diluted Earnings Per Share	113.91

**DIVIDENDS**

	<b>Cents</b>	<b>\$'000</b>
Final dividends declared		
▪ on ordinary shares	46.00	42,869
Dividends paid during the year:		
<i>Current year interim</i>		
▪ on ordinary shares	46.00	42,779
<i>Final for 2014</i>		
▪ on ordinary shares	63.00	58,462

**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 18 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 include:

- 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
- Water and waste water asset construction and maintenance
- Construction of transmission pipelines and facilities
- Operation and maintenance of assets in the power sector

### *General*

The Monadelphous Group operates from major offices in Perth and Brisbane, with regional offices in Sydney, Adelaide, Beijing (China) and Auckland (New Zealand), and a network of workshop facilities in Kalgoorlie, Karratha, Darwin, Roxby Downs, Gladstone, Hunter Valley, Mackay and Bunbury.

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

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

## **Employees**

The consolidated entity employed 4,536 employees as of 30 June 2015 (2014: 5,321 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**

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
Revenue from services	<b>1,865,027</b>	2,329,589
Profit after income tax expense	<b>105,825</b>	146,510

## **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 REPORTING PERIOD**

### **Contract awards**

On 31 July 2015 Monadelphous announced it had been awarded new construction and maintenance contracts for customers in the resources, energy and infrastructure markets, with a combined value of approximately \$130 million. The contracts included:

- A three-year contract to provide project, maintenance and shutdown works for Queensland Alumina Limited in Gladstone, Queensland.
- A three-year contract with two one-year extension options for Australia Pacific LNG Pty Ltd for the fabrication and supply of wellhead separator skids to be commissioned at various locations around the Surat Basin, Queensland. This contract is with SinoStruct, Monadelphous' China fabrication business.
- A contract with the Barrhill Chertsey Irrigation Limited and Electricity Ashburton Limited Joint Venture for the design, construction and commissioning of a 40 km long, gravity and pressurised piped irrigation scheme for farming properties in Methven, New Zealand.
- A three-year contract with a one-year extension option for the provision of labour services for South32 Worsley Alumina Pty Ltd at Worsley Alumina in Collie, Western Australia.
- A contract with BM Alliance Coal Operations Pty Ltd to provide maintenance works for a major dragline shutdown at Blackwater Mine in Blackwater, Queensland.

On 17 August 2015 Monadelphous announced it had been awarded a new three-year facilities maintenance services contract associated with the Barrow Island assets operated by Chevron Australia Pty Ltd ("Chevron"). The contract is for the operation and maintenance of facilities and utilities, and includes water and wastewater treatment plants, power generation and distribution systems, as well as the management and maintenance of various buildings, vehicles, plant and equipment.

### **Dividends declared**

On 17 August 2015, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is \$42,869,313 which represents a fully franked final dividend of 46 cents per share. This dividend has not been provided for in the 30 June 2015 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

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**

Refer to the Chairman's report for information regarding the likely developments and future results.

## **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 strives to continually improve its environmental performance.

## **SHARE OPTIONS**

### **Unissued shares**

As at the date of this report, there were 2,105,000 unissued ordinary shares under options as follows:

- 1,620,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$17.25. The options expire between 9 September 2015 and 14 September 2015.
- 20,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$19.31. The options expire between 9 September 2015 and 14 September 2015.
- 375,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$19.70. The options expire between 9 September 2015 and 14 September 2016.
- 90,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$17.05. The options expire between 14 September 2015 and 14 September 2017.

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 210,500 options at a weighted average exercise price of \$14.84. As a result of the exercise of 210,500 options, 118,440 new fully paid ordinary shares were issued.

No options have been exercised since the end of the financial year.

## **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During 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 during the financial year was \$258,545 (2014: \$77,923).

## **INDEMNIFICATION OF AUDITORS**

The Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against certain liabilities to third parties arising from the audit to the extent permitted by law. The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by Ernst & Young. No payment has been made to indemnify Ernst & Young during or since the audit.

## **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 for the year ended 30 June 2015 outlines the Key Management Personnel remuneration arrangements of 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.

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

*Details of Key Management Personnel*

(i) *Directors*

C. G. B. Rubino	Chairman
R. Velletri	Managing Director
P. J. Dempsey	Lead Independent Non-Executive Director
C. P. Michelmore	Independent Non-Executive Director
D. R. Voss	Independent Non-Executive Director

(ii) *Executives*

D. Foti	Executive General Manager, Engineering Construction
A. Erdash	Executive General Manager, Maintenance & Industrial Services (resigned 21 November 2014)
Z. Bebic	Executive General Manager, Maintenance & Industrial Services
P. Trueman	Chief Financial Officer and Company Secretary (appointed 21 November 2014)

*Remuneration Philosophy*

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

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.

In determining the levels of remuneration of directors and executives, the remuneration committee takes into consideration the performance of the Group, business unit and the individual.

## **REMUNERATION REPORT (Audited) (continued)**

### *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 based on their experience, contributions to the Company and the prevailing market conditions. The most recent determination was at the Annual General Meeting held on 20 November 2014 when shareholders approved an aggregate remuneration of \$600,000 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 2015 is detailed in Table 1 on page 18 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) (continued)**

**Executive remuneration (continued)**

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 18 and 19 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 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 and relevant comparative remuneration in the market and internally.

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 executives of the Company is detailed in Tables 1 and 2 on pages 18 and 19 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) (continued)**

**Executive remuneration (continued)**

***Variable remuneration – Short term incentive (STI) (continued)***

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 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.

The overall performance rating for the Company was not at a level to result in the award of the STI for the 2014 or 2015 financial year. No amounts were paid or are payable in relation to Key Management Personnel.

***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. No Directors or Key Management Personnel received options during the year ended 30 June 2015. 75,000 options were forfeited by Key Management Personnel during the year. 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

In addition, 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.

**REMUNERATION REPORT (Audited) (continued)**

**Executive remuneration (continued)**

*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.

***Proposed incentive plan for 30 June 2016***

Over the past 12 months, Monadelphous has undertaken a review of its STI and LTI programs for KMP and other employees, to identify the most appropriate incentive plan that is best aligned to the creation of shareholder wealth.

The Board is considering the conversion of the current separate STI and LTI programs into a simplified combined incentive model that rewards past performance of both the Company and the employee, continues to act as a retention mechanism and motivates the employee to grow the Company through long term share ownership, thereby aligning the incentive model with the interests of shareholders in an optimal manner.

Proposed awards under the plan will be comprised of cash and performance rights (effectively zero priced options) which convert to shares over a vesting period. Service period and disposal restrictions will be incorporated within the plan to ensure employee retention and long term share ownership. In order to drive shareholder value any rewards provided will be based on the performance of the Company and will be comparable to the current STI and LTI plans.

Performance targets will include measures that are linked to the achievement of Company strategy.

Awards may be granted annually, to allow flexibility and alignment to the business cycle and prevailing market environment, and will be at the Board's discretion.

It is expected that the new model will take effect for the performance year ending 30 June 2016.

***Employment contracts***

All executives have non-fixed term employment contracts. The Company or executive may terminate the employment contract by providing 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 income tax expense and basic earnings per share for the Group for the last five years is as follows:

	<b>2015</b>	2014	2013	2012	2011
	<b>\$'000</b>	\$'000	\$'000	\$'000	\$'000
Profit after income tax expense	<b>105,825</b>	146,510	156,314	137,335	95,067
Basic earnings per share	<b>113.91</b>	159.05c	173.03c	155.24c	108.84c
Share Price	<b>\$9.37</b>	\$15.71	\$16.14	\$21.86	\$18.40

A review of the Company's performance and returns to shareholders over the last five years has been provided on page 7 of this report.

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2015

	Short Term Benefits			Post Employment		Long Term Benefits	Total excluding Share Based Payments	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>											
P. J. Dempsey	124,201	4,446	-	11,799	-	-	140,446	-	140,446	-	-
C. P. Michelmore	107,777	3,858	-	4,848	-	-	116,483	-	116,483	-	-
D. R. Voss	106,604	3,817	-	10,127	-	-	120,548	-	120,548	-	-
<b>Subtotal Non-Executive Directors</b>	<b>338,582</b>	<b>12,121</b>	<b>-</b>	<b>26,774</b>	<b>-</b>	<b>-</b>	<b>377,477</b>	<b>-</b>	<b>377,477</b>	<b>-</b>	<b>-</b>
<i>Executive Directors</i>											
C. G. B. Rubino	418,717	14,740	-	18,783	-	10,894	463,134	-	463,134	-	-
R. Velletri	964,275	40,778	-	18,783	-	31,103	1,054,939	(539,655)	515,284	(104.73)	(104.73)
<b>Subtotal Executive Directors</b>	<b>1,382,992</b>	<b>55,518</b>	<b>-</b>	<b>37,566</b>	<b>-</b>	<b>41,997</b>	<b>1,518,073</b>	<b>(539,655)</b>	<b>978,418</b>	<b>(55.16)</b>	<b>(55.16)</b>
<i>Other Key Management Personnel</i>											
D. Foti	700,303	29,430	-	18,783	-	26,388	774,904	(290,387)	484,517	(59.93)	(59.93)
A. Erdash *	472,540	21,197	-	14,449	-	8,548	516,734	(174,232)	342,502	(50.87)	(50.87)
Z. Bebic	518,505	22,038	-	18,783	-	26,468	585,794	(174,232)	411,562	(42.33)	(42.33)
P. Trueman ^	224,371	9,547	-	10,837	-	10,787	255,542	-	255,542	-	-
<b>Subtotal Other Key Management Personnel</b>	<b>1,915,719</b>	<b>82,212</b>	<b>-</b>	<b>62,852</b>	<b>-</b>	<b>72,191</b>	<b>2,132,974</b>	<b>(638,851)</b>	<b>1,494,123</b>	<b>(42.76)</b>	<b>(42.76)</b>
<b>Total</b>	<b>3,637,293</b>	<b>149,851</b>	<b>-</b>	<b>127,192</b>	<b>-</b>	<b>114,188</b>	<b>4,028,524</b>	<b>(1,178,506)</b>	<b>2,850,018</b>	<b>(41.35)</b>	<b>(41.35)</b>

\* A Erdash ceased to meet the definition of Key Management Personnel on 21 November 2014 following his resignation from the Company. Remuneration receivable for the period up to the date of resignation is disclosed in Table 1.

^ P. Trueman met the definition of Key Management Personnel from 21 November 2014 following his appointment as a Chief Financial Officer. Remuneration in Table 1 is remuneration from the date of his appointment.

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel (continued)

Table 2: Remuneration for the year ended 30 June 2014

	Short Term Benefits			Post Employment		Long Term Benefits	Total excluding Share Based Payments	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>											
P. J. Dempsey	121,101	1,425	-	11,202	-	-	133,728	-	133,728	-	-
C. P. Michelmore	110,000	1,294	-	-	-	-	111,294	-	111,294	-	-
D. R. Voss *	22,469	264	-	2,134	-	-	24,867	-	24,867	-	-
I. Tollman ^	46,667	549	-	-	-	-	47,216	-	47,216	-	-
<b>Subtotal Non-Executive Directors</b>	<b>300,237</b>	<b>3,532</b>	<b>-</b>	<b>13,336</b>	<b>-</b>	<b>-</b>	<b>317,105</b>	<b>-</b>	<b>317,105</b>	<b>-</b>	<b>-</b>
<i>Executive Directors</i>											
C. G. B. Rubino	436,419	4,707	-	17,775	-	7,966	466,867	-	466,867	-	-
R. Velletri	898,589	16,633	-	17,775	-	17,809	950,806	391,064	1,341,870	29.14	29.14
<b>Subtotal Executive Directors</b>	<b>1,335,008</b>	<b>21,340</b>	<b>-</b>	<b>35,550</b>	<b>-</b>	<b>25,775</b>	<b>1,417,673</b>	<b>391,064</b>	<b>1,808,737</b>	<b>21.62</b>	<b>21.62</b>
<i>Other Key Management Personnel</i>											
D. Foti	701,209	11,774	-	17,775	-	13,872	744,630	209,729	954,359	21.98	21.98
A. Erdash	480,154	11,015	-	17,775	-	15,522	524,466	125,837	650,303	19.35	19.35
Z. Bebic	466,566	8,511	-	17,775	-	8,730	501,582	125,837	627,419	20.06	20.06
<b>Subtotal Other Key Management Personnel</b>	<b>1,647,929</b>	<b>31,300</b>	<b>-</b>	<b>53,325</b>	<b>-</b>	<b>38,124</b>	<b>1,770,678</b>	<b>461,403</b>	<b>2,232,081</b>	<b>20.67</b>	<b>20.67</b>
<b>Total</b>	<b>3,283,174</b>	<b>56,172</b>	<b>-</b>	<b>102,211</b>	<b>-</b>	<b>63,899</b>	<b>3,505,456</b>	<b>852,467</b>	<b>4,357,923</b>	<b>19.56</b>	<b>19.56</b>

\* D. R. Voss met the definition of Key Management Personnel from 10 March 2014 following his appointment as a Director. Remuneration in Table 2 is remuneration from the date of his appointment.

^ I. Tollman ceased to meet the definition of Key Management Personnel on 31 January 2014 following his resignation from the Company. Remuneration receivable for the period up to the date of resignation is disclosed in Table 2.

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel (continued)

*Table 3: Compensation options: Granted during the year ended 30 June 2015*

During and year ended 30 June 2015, no options were granted as equity compensation benefits to Key Management Personnel.

*Table 4: Compensation options: Granted during the year ended 30 June 2014*

During the financial year ended 30 June 2014, no options were granted as equity compensation benefits to Key Management Personnel.

*Table 5: Shares issued on exercise of compensation options during the year ended 30 June 2015*

During and year ended 30 June 2015, no shares were issued on exercise of compensation options by Key Management Personnel.

Additional disclosures relating to options and shares

*Table 6: Option holdings of Key Management Personnel*

<i>Options held in Monadelphous Group Limited</i>	<b>Balance at Beginning of Period 1 July 2014</b>	<b>Granted as Remuneration</b>	<b>Options Vested and Lapsed #</b>	<b>Net Change Other</b>	<b>Balance at End of Period 30 June 2015</b>
<b>Directors</b>					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	300,000	-	(100,000)	-	200,000
P. J. Dempsey	-	-	-	-	-
C. P. Michelmore	-	-	-	-	-
D. R. Voss	-	-	-	-	-
<b>Executives</b>					
D. Foti	187,500	-	(62,500)	-	125,000
A. Erdash*	112,500	-	(37,500)	(75,000)	-
Z. Bebic	112,500	-	(37,500)	-	75,000
P. Trueman^	-	-	-	45,000	45,000
<b>Total</b>	<b>712,500</b>	<b>-</b>	<b>(237,500)</b>	<b>(30,000)</b>	<b>445,000</b>

\* A Erdash ceased to meet the definition of Key Management Personnel on 21 November 2014 following his resignation from the Company. Net change other represents options granted in 2011 which were forfeited on resignation.

^ P. Trueman met the definition of Key Management Personnel from 21 November 2014 following his appointment as Chief Financial Officer. Net change other represents options held on date of appointment as Chief Financial Officer.

# During the year ended 30 June 2015, 237,500 compensation options held by Key Management Personnel vested but were not exercised. These options lapsed on 30 September 2014. The value of options lapsed during the year was \$nil.

No options held by Key Management Personnel at 30 June 2015 had vested or were exercisable at that date.

**REMUNERATION REPORT (Audited) (continued)**

**Additional disclosures relating to options and shares (continued)**

**Table 7: Shareholdings of Key Management Personnel**

<i>Shares held in Monadelphous Group Limited</i>	<b>Balance at Beginning of Period 1 July 2014</b>	<b>Granted as Remuneration</b>	<b>On Exercise of Options</b>	<b>Net Change Other</b>	<b>Balance at End of Period 30 June 2015</b>
<b>Directors</b>					
C. G. B. Rubino	2,022,653	-	-	-	2,022,653
R. Velletri	2,100,000	-	-	-	2,100,000
P. J. Dempsey	78,000	-	-	-	78,000
C. P. Michelmore	20,374	-	-	11,379	31,753
D. R. Voss	-	-	-	2,852	2,852
<b>Executives</b>					
D. Foti	359,316	-	-	-	359,316
A. Erdash*	472,053	-	-	(472,053)	-
Z. Bebic	120,000	-	-	(92,500)	27,500
P. Trueman^	-	-	-	-	-
<b>Total</b>	<b>5,172,396</b>	<b>-</b>	<b>-</b>	<b>(550,322)</b>	<b>4,622,074</b>

\* A Erdash ceased to meet the definition of Key Management Personnel on 21 November 2014 following his resignation from the Company. Net change other represents shares held on resignation date.

^ P. Trueman met the definition of Key Management Personnel from 21 November 2014 following his appointment as a Chief Financial Officer.

***Loans to Key Management Personnel and their related parties***

No directors or executives, or their related parties, had any loans during the reporting period.

***Other transactions and balances with Key Management Personnel and their related parties***

There were no other transactions and balances with Key Management Personnel or their related parties.

**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
<b>Number of meetings held:</b>	18	7	5	1
<b>Number of meetings attended:</b>				
C. G. B. Rubino	16	-	-	1
R. Velletri	18	-	-	-
P. J. Dempsey	18	7	5	1
C. P. Michelmore	18	7	5	1
D. R. Voss	17	7	5	-

**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)
C. P. Michelmore	P. J. Dempsey	C. P. Michelmore
D. R. Voss	D. R. Voss	P. J. Dempsey

Note: (c) Designates the chair 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 98/100. 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 the company's website.

**AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

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



Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
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 2015, 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  
17 August 2015

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

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 2001*. 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	29,500
Assurance related	-
	<u>29,500</u>

Signed in accordance with a resolution of the directors.

C. G. B. Rubino  
Chairman  
Perth, 17 August 2015



Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

## 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 2015, 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 the notes to the financial statements, 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 2015 and of its performance for the year ended on that date
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in the notes to the financial statements.

## Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G H Meyerowitz  
Partner  
Perth  
17 August 2015

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 2015 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 on page 32.

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 2015.

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

On behalf of the Board



C. G. B. Rubino  
Chairman  
Perth, 17 August 2015

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2015**

27

	Notes	2015 \$'000	2014 \$'000
<b>Continuing Operations</b>			
<b>REVENUE</b>	1	<b>1,869,505</b>	2,332,960
Cost of services rendered		<u>(1,676,143)</u>	<u>(2,089,319)</u>
<b>GROSS PROFIT</b>		<b>193,362</b>	243,641
Other income	1	<b>4,099</b>	5,696
Profit on disposal of subsidiaries		-	10,353
Business development and tender expenses		<b>(17,688)</b>	(16,375)
Occupancy expenses		<b>(2,999)</b>	(2,783)
Administrative expenses		<b>(28,430)</b>	(33,181)
Finance costs	2	<b>(1,701)</b>	(3,101)
Unrealised foreign currency gain		<b>398</b>	953
<b>PROFIT BEFORE INCOME TAX</b>		<b>147,041</b>	205,203
Income tax expense	3	<u><b>(41,216)</b></u>	<u>(58,693)</u>
<b>PROFIT AFTER INCOME TAX</b>		<b>105,825</b>	146,510
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED</b>	17	<u><b>105,825</b></u>	<u>146,510</u>
Basic earnings per share (cents per share)	4	<b>113.91</b>	159.05
Diluted earnings per share (cents per share)	4	<b>113.91</b>	158.95

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2015**

---

28

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>NET PROFIT FOR THE PERIOD</b>	<b>105,825</b>	146,510
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Foreign currency translation	41	58
Income tax effect	-	-
	<hr/> 41	<hr/> 58
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<hr/> 41	<hr/> 58
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED</b>	<hr/> <b>105,866</b>	<hr/> 146,568

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2015**

29

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	209,835	217,859
Trade and other receivables	6	375,167	230,833
Inventories	7	80,544	157,580
<b>Total current assets</b>		<b>665,546</b>	<b>606,272</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	96,190	109,277
Intangible assets and goodwill	9	3,012	3,791
Deferred tax assets	3	28,204	28,086
Other non-current assets	10	1,247	2,731
<b>Total non-current assets</b>		<b>128,653</b>	<b>143,885</b>
<b>TOTAL ASSETS</b>		<b>794,199</b>	<b>750,157</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	287,228	225,862
Interest bearing loans and borrowings	12	11,891	20,001
Income tax payable	3	4,288	3,352
Provisions	13	105,777	113,346
<b>Total current liabilities</b>		<b>409,184</b>	<b>362,561</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	12	11,334	17,030
Provisions	13	5,583	7,782
Deferred tax liabilities	3	-	119
<b>Total non-current liabilities</b>		<b>16,917</b>	<b>24,931</b>
<b>TOTAL LIABILITIES</b>		<b>426,101</b>	<b>387,492</b>
<b>NET ASSETS</b>		<b>368,098</b>	<b>362,665</b>
<b>EQUITY</b>			
Contributed equity	16	117,310	112,115
Reserves	17	30,441	34,787
Retained earnings	17	220,347	215,763
<b>TOTAL EQUITY</b>		<b>368,098</b>	<b>362,665</b>

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2015**

30

	<i>Attributable to equity holders</i>				
	<b>Issued Capital \$'000</b>	<b>Share- Based Payment Reserve \$'000</b>	<b>Foreign Currency Translation Reserve \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Total \$'000</b>
At 1 July 2014	112,115	34,667	120	215,763	362,665
Other comprehensive income	-	-	41	-	41
Profit for the period	-	-	-	105,825	105,825
<b>Total comprehensive income for the period</b>	-	-	41	105,825	105,866
<b>Transactions with owners in their capacity as owners</b>					
Share-based payments	-	(4,387)	-	-	(4,387)
Exercise of employee options	1,640	-	-	-	1,640
Acquisition of reserved shares	(1,269)	-	-	-	(1,269)
Dividend reinvestment plan	4,824	-	-	-	4,824
Dividends paid	-	-	-	(101,241)	(101,241)
At 30 June 2015	<b>117,310</b>	<b>30,280</b>	<b>161</b>	<b>220,347</b>	<b>368,098</b>

	<i>Attributable to equity holders</i>				
	<b>Issued Capital \$'000</b>	<b>Share- Based Payment Reserve \$'000</b>	<b>Foreign Currency Translation Reserve \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Total \$'000</b>
At 1 July 2013	83,448	30,855	62	193,669	308,034
Other comprehensive income	-	-	58	-	58
Profit for the period	-	-	-	146,510	146,510
<b>Total comprehensive income for the period</b>	-	-	58	146,510	146,568
<b>Transactions with owners in their capacity as owners</b>					
Share-based payments	-	3,591	-	-	3,591
Exercise of employee options	17,609	-	-	-	17,609
Dividend reinvestment plan	11,058	-	-	-	11,058
Adjustment to deferred tax asset recognised on Employee Share Trust	-	221	-	-	221
Dividends paid	-	-	-	(124,416)	(124,416)
At 30 June 2014	<b>112,115</b>	<b>34,667</b>	<b>120</b>	<b>215,763</b>	<b>362,665</b>

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

31

	Notes	2015 \$'000	2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		1,844,858	2,677,254
Payments to suppliers and employees (inclusive of GST)		(1,698,941)	(2,495,554)
Interest received		4,478	3,267
Borrowing costs		(1,701)	(3,101)
Other income		1,410	2,091
Income tax paid		(32,341)	(66,338)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	5	<b>117,763</b>	117,619
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		4,354	9,321
Purchase of property, plant and equipment		(3,117)	(4,240)
Proceeds from disposal of subsidiaries		-	15,547
Loan to associates	6, 27	(5,957)	-
Acquisition of controlled entities	19	(6,000)	-
<b>NET CASH FLOWS FROM/(USED) IN INVESTING ACTIVITIES</b>		<b>(10,720)</b>	20,628
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(96,418)	(113,358)
Proceeds from issue of shares		1,640	17,609
Purchase of reserved shares		(1,269)	-
Proceeds from borrowings		-	3,000
Repayment of borrowings		(4,098)	(4,882)
Payment of finance leases		(15,361)	(19,109)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(115,506)</b>	(116,740)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Net foreign exchange differences		439	1,011
Cash and cash equivalents at beginning of period		217,859	195,341
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	5	<b>209,835</b>	217,859

**GENERAL INFORMATION**

The consolidated financial report of Monadelphous Group Limited (the Group) and its subsidiaries for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of directors on 17 August 2015.

Monadelphous Group Limited is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group's registered office is in Victoria Park, Western Australia.

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

**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 ("AASB") and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as applicable to a for-profit entity.
- has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.
- 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.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2014.
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control.

A list of controlled entities (subsidiaries) at year end is contained in note 18. Consolidation of subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed.

**GENERAL INFORMATION (continued)****Business combinations**

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.

*Prior to 1 July 2009*

The purchase method of accounting was used to account for all business combinations.

**Foreign currency translation***Functional and presentation currency*

Each entity in the Group determines its own functional 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\$).

The functional currency is United States dollars (US\$) for the Hong Kong subsidiary (Moway International Limited), the Singapore subsidiary (Monadelphous Singapore Pte Ltd), the Mongolian subsidiary (Monadelphous Mongolia LLC) and the US subsidiary (Monadelphous Engineering US Inc.). The functional currency of the Chinese subsidiary (Moway AustAsia Steel Structures Trading (Beijing) Company Limited) is Chinese Renminbi (RMB). The functional currency of the New Zealand subsidiary (Monadelphous Engineering NZ Pty Ltd) is New Zealand Dollars (NZD).

*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 reporting 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.

*Translation of Group companies' functional currency to presentation currency*

As at the reporting date the assets and liabilities of the Hong Kong, Chinese, Singaporean, New Zealand, US and Mongolian subsidiaries are translated into the presentation currency of Monadelphous Group Limited at the rate of exchange ruling at the reporting date and the income statements are translated at the weighted average exchange rates for the year. Exchange variations arising from the translation are recognised in the foreign currency translation reserve in equity.

**Other accounting policies**

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements or at note 30.

**GENERAL INFORMATION (continued)****Key judgements and estimates**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. 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.

Management have identified the following critical accounting policies for which significant judgements, estimates and assumptions are made:

*Revenue*

Revenue and cost of sales are recognised in the income statement by reference to the stage of completion for construction contracts. Fundamental to the calculation of the percentage of completion is a reliable estimate of project revenues and project costs. Various factors contribute to the Group's reliability of those estimates including, but not limited to, a thorough review process of all project costs and revenues, and the experience and knowledge of project management.

In determining revenues and expenses for construction contracts, management make key assumptions regarding estimated revenues and expenses over the life of the contracts. Key assumptions regarding costs to complete contracts include estimation of labour, technical costs, impact of delays and productivity. Changes in these estimation methods could have a material impact on the reported results of the Group.

Judgement is used in determining the point at which profit recognition commences. Generally profit does not commence recognition on contracts in the early stages of completion.

*Taxation*

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the consolidated statement of financial position. 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 in the statement of financial position 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.

*Share based payments*

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. 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.

*Workers Compensation*

Refer note 13 for details.

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>1. REVENUE AND OTHER INCOME</b>		
Rendering of services	<b>1,865,027</b>	2,329,589
Finance revenue	<b>4,478</b>	3,371
<b>Revenue</b>	<b>1,869,505</b>	2,332,960
Net gains on disposal of property, plant and equipment	<b>2,689</b>	3,605
Other income	<b>1,410</b>	2,091
<b>Other income</b>	<b>4,099</b>	5,696

### **Recognition and measurement**

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 as services are rendered to the customer for maintenance contracts. For construction contracts refer to the accounting policy below.

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. This also applies to construction contracts.

#### *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.

#### *Interest income*

Revenue is recognised as interest accrues using the effective interest method.

	2015 \$'000	2014 \$'000
<b>2. EXPENSES</b>		
<b>Finance costs</b>		
Bank loans and overdrafts	220	619
Finance charges payable under finance leases and hire purchase contracts	1,481	2,482
	<u>1,701</u>	<u>3,101</u>
<b>Depreciation and amortisation</b>		
Depreciation expense	22,932	25,656
Amortisation of intangible assets	779	1,006
	<u>23,711</u>	<u>26,662</u>
<b>Employee benefits expense</b>		
Employee benefits expense	822,145	1,017,459
Defined contribution superannuation expense	44,852	42,822
	<u>866,997</u>	<u>1,060,281</u>
<b>Lease payments and other expenses</b>		
Minimum lease payments – operating lease	28,145	28,119
<b>Government grants included in the income statement</b>	7,626	10,463

**Recognition and measurement**

*Finance costs*

The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with the qualifying assets would be capitalised. All other finance costs are expensed as incurred.

*Depreciation and amortisation*

Refer to notes 8 and 9 for details on depreciation and amortisation.

*Employee benefits expense*

Refer to note 13 for employee benefits expense and note 25 for share-based payments expense.

Contributions to defined contribution superannuation plans are recognised as an expense as they become payable.

*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.

*Government Grants*

The Group recognises the excess of the research and development (“R&D”) tax offset over the statutory rate (‘the R&D offset’) being an additional 10% deduction as a government grant when there is reasonable assurance it will be received and any attached conditions will be complied with. As the grant relates to R&D expenditure already incurred it is recognised in the income statement in the period it became receivable as a reduction to cost of sales.

	2015 \$'000	2014 \$'000
<b>3. INCOME TAX</b>		
The major components of income tax expense are:		
<b>Income statement</b>		
<i>Current income tax</i>		
Current income tax charge	41,398	52,591
Adjustments in respect of previous years	(494)	599
<i>Deferred income tax</i>		
Temporary differences	576	6,913
Adjustments in respect of previous years	(264)	(1,410)
Income tax expense reported in the income statement	<u>41,216</u>	<u>58,693</u>

**Statement of changes in equity**

Share-based payment reserve	-	(221)
Income tax (benefit) / expense reported in equity	<u>-</u>	<u>(221)</u>

**Tax reconciliation**

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	<u>147,041</u>	205,203
Income tax rate of 30% (2014: 30%)	44,112	61,561
- Adjustments in respect of previous years	(758)	(812)
- Share based payment expense	(1,316)	254
- R&D	(2,288)	(3,139)
- Other	1,466	829
Aggregate income tax expense	<u>41,216</u>	<u>58,693</u>

**Recognised deferred tax assets and liabilities**

	2015 \$'000 Current Income Tax	2015 \$'000 Deferred Income Tax	2014 \$'000 Current Income Tax	2014 \$'000 Deferred Income Tax
Opening balance	(3,352)	27,967	(27,269)	33,730
Disposal	-	-	94	(268)
Charged to income	(40,903)	(313)	(53,190)	(5,503)
Charged to equity	-	-	241	(20)
Other / payments	39,967	-	76,772	28
Acquisition	-	550	-	-
Closing balance	<u>(4,288)</u>	<u>28,204</u>	<u>(3,352)</u>	<u>27,967</u>

Amounts recognised on the consolidated statement of financial position:

Deferred tax asset	28,204	28,086
Deferred tax liability	<u>-</u>	<u>(119)</u>
	<u>28,204</u>	<u>27,967</u>

**3. INCOME TAX (continued)**

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
Deferred income tax at 30 June relates to the following:		
<i>Deferred tax assets</i>		
Provisions	<b>31,223</b>	32,095
Share-based payments	-	53
Other	<b>1,048</b>	1,288
Gross deferred tax assets	<b>32,271</b>	33,436
Set-off of deferred tax liabilities	<b>(4,067)</b>	(5,350)
Net deferred tax assets	<b>28,204</b>	28,086
<i>Deferred tax liabilities</i>		
Accelerated depreciation	<b>4,009</b>	5,215
Other	<b>58</b>	254
Gross deferred tax liabilities	<b>4,067</b>	5,469
Set-off against deferred tax assets	<b>(4,067)</b>	(5,350)
Net deferred tax liabilities	<b>-</b>	119

**Unrecognised temporary differences**

At 30 June 2015, 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 (2014: \$nil).

**Tax consolidation**

Monadelphous Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2003. Members of the tax consolidated group have entered into a tax funding agreement. 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.

**Recognition and Measurement**

*Current taxes*

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 reporting date.

*Deferred Taxes*

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

The carrying amount of deferred income tax assets is reviewed at each reporting 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 reporting 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 reporting date. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists and they relate to the same taxable entity and the same taxation authority.

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000

**4. 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>105,825</u>	<u>146,510</u>
Earnings used in calculation of basic and diluted earnings per share	<u>105,825</u>	<u>146,510</u>
	<b>Number</b>	Number
<b>Number of shares</b>		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<b>92,901,735</b>	92,116,475
<b>Effect of dilutive securities</b>		
Share options	<u>-</u>	<u>57,510</u>
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u>92,901,735</u>	<u>92,173,985</u>

Conversions, calls, subscriptions or issues after 30 June 2015:

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

**Calculation of 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.

There are 2,105,000 share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period.

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**OPERATING ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED 30 JUNE 2015**

40

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000

**5. CASH AND CASH EQUIVALENTS**

**For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:**

Cash balances comprise:

- Cash at bank	<b>169,835</b>	172,859
- Short term deposits	<b>40,000</b>	45,000
	<b>209,835</b>	217,859

**Reconciliation of net profit after tax to the net cash flows from operating activities**

Net profit	<b>105,825</b>	146,510
<b>Adjustments for</b>		
Depreciation of non-current assets	<b>22,932</b>	25,656
Amortisation and impairment of intangible assets	<b>779</b>	1,006
Net profit on sale of property, plant and equipment	<b>(2,689)</b>	(3,605)
Profit on sale of subsidiaries	<b>-</b>	(10,353)
Impairment of other non-current assets	<b>1,170</b>	780
Share-based payment (credit)/expense	<b>(4,387)</b>	3,591
Unrealised foreign exchange gain	<b>(398)</b>	(953)
Other	<b>315</b>	-
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in receivables	<b>(132,670)</b>	(11,694)
(Increase)/decrease in inventories	<b>79,485</b>	16,152
(Increase)/decrease in deferred tax assets	<b>432</b>	5,501
Decrease in derivative instruments	<b>-</b>	263
Increase/(decrease) in payables	<b>57,734</b>	(5,522)
Increase/(decrease) in provisions	<b>(11,582)</b>	(26,105)
Increase/(decrease) in income tax payable	<b>936</b>	(23,823)
Increase/(decrease) in deferred tax liabilities	<b>(119)</b>	215
Net cash flows from operating activities	<b>117,763</b>	117,619

**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 \$5,652,437 (2014: \$2,879,421).

**Recognition and measurement**

Cash and cash equivalents in the consolidated statement of financial position 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 consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**OPERATING ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED 30 JUNE 2015**

41

	Notes	<b>2015</b> <b>\$'000</b>	2014 \$'000
<b>6. TRADE AND OTHER RECEIVABLES</b>			
CURRENT			
Trade receivables		<b>278,867</b>	192,071
Less allowance for impairment loss		<b>(3,642)</b>	(4,204)
		<b>275,225</b>	187,867
Loan to associates	27	<b>7,957</b>	2,000
Other debtors		<b>91,985</b>	40,966
		<b>375,167</b>	230,833

**Allowance for impairment loss**

	<b>2015</b> <b>\$'000</b>	2014 \$'000
Movements in the allowance for impairment loss were as follows:		
Balance at the beginning of the year	4,204	4,310
Charge/(credit) for the year reflected in administrative expenses in the income statement	<b>(562)</b>	(106)
Balance at the end of the year	<b>3,642</b>	4,204

**Trade receivables past due not impaired**

At 30 June 2015, the ageing of trade receivables, past due but not considered impaired is as follows:

	<b>2015</b> <b>\$'000</b>	2014 \$'000
31 – 60 Days	<b>23,643</b>	37,025
61 – 90 Days	<b>3,639</b>	3,914
91+ Days	<b>16,151</b>	9,235
<b>TOTAL</b>	<b>43,433</b>	50,174

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 nor 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 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.

**6. TRADE AND OTHER RECEIVABLES (continued)**

**Other debtors**

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

**Recognition and measurement**

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Bad debts are written off when identified.

Collectability of trade receivables is reviewed on an ongoing basis at a Company and business unit level. 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.

Notes	2015 \$'000	2014 \$'000
-------	----------------	----------------

**7. INVENTORIES**

**Construction work in progress**

Cost incurred to date plus profit recognised		4,708,463	4,671,662
Consideration received and receivable as progress billings		<u>(4,819,766)</u>	<u>(4,696,135)</u>
		<u>(111,303)</u>	<u>(24,473)</u>
Represented by:			
Amounts due to customers	11	<u>191,847</u>	<u>182,053</u>
Amounts due from customers		<u>80,544</u>	<u>157,580</u>

**Amounts due to customers**

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 11.

**Credit risk of amounts due from customers**

Details regarding credit risk of amounts due from customers are disclosed in note 21.

**Recognition and measurement**

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.

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**OPERATING ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED 30 JUNE 2015**

43

**8. PROPERTY, PLANT AND EQUIPMENT**

**Reconciliation of carrying amounts at the beginning and end of the period**

	<b>PROPERTY</b>		<b>PLANT AND EQUIPMENT</b>			<b>Total \$'000</b>
	<b>Freehold land \$'000</b>	<b>Buildings \$'000</b>	<b>Leasehold improve- ments \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Plant and equipment under hire purchase \$'000</b>	
<b>Year ended 30 June 2015</b>						
Net carrying amount at 1 July 2014	13,411	17,608	1,559	37,427	39,272	109,277
Additions	-	1,280	-	1,837	5,653	8,770
Additions through business combinations (Note 19)	-	-	-	2,740	-	2,740
Assets transferred	-	-	-	8,123	(8,123)	-
Disposals	-	(16)	-	(1,649)	-	(1,665)
Depreciation charge	-	(1,118)	(226)	(13,685)	(7,903)	(22,932)
Net carrying amount at 30 June 2015	<b>13,411</b>	<b>17,754</b>	<b>1,333</b>	<b>34,793</b>	<b>28,899</b>	<b>96,190</b>
<b>At 30 June 2015</b>						
Cost	13,411	24,553	2,261	143,111	48,393	231,729
Accumulated depreciation	-	(6,799)	(928)	(108,318)	(19,494)	(135,539)
Net carrying amount	<b>13,411</b>	<b>17,754</b>	<b>1,333</b>	<b>34,793</b>	<b>28,899</b>	<b>96,190</b>
<b>Year ended 30 June 2014</b>						
Net carrying amount at 1 July 2013	13,411	18,320	1,807	51,028	51,090	135,656
Additions	-	13	-	4,227	2,879	7,119
Assets transferred	-	21	(21)	4,478	(4,478)	-
Disposals through sale of subsidiaries	-	-	-	(2,126)	-	(2,126)
Disposals	-	(8)	-	(5,708)	-	(5,716)
Depreciation charge	-	(738)	(227)	(14,472)	(10,219)	(25,656)
Net carrying amount at 30 June 2014	<b>13,411</b>	<b>17,608</b>	<b>1,559</b>	<b>37,427</b>	<b>39,272</b>	<b>109,277</b>
<b>At 30 June 2014</b>						
Cost	13,411	23,347	2,261	139,166	61,308	239,493
Accumulated depreciation	-	(5,739)	(702)	(101,739)	(22,036)	(130,216)
Net carrying amount	<b>13,411</b>	<b>17,608</b>	<b>1,559</b>	<b>37,427</b>	<b>39,272</b>	<b>109,277</b>

**8. PROPERTY, PLANT AND EQUIPMENT (continued)**

**Property, plant and equipment pledged as security**

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

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
Assets pledged as security	<b>30,232</b>	40,831

**Recognition and measurement**

*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 income statement as incurred.

Depreciation is calculated on a straight line basis on all classes of property, plant and equipment other than freehold land. The estimated useful life of buildings is 40 years; plant and equipment is between 3 and 20 years.

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

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.

*Impairment of non-financial assets other than goodwill*

We have performed an impairment assessment based on the policy below. No material impairment was noted.

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.

	<b>Intangible Assets \$'000</b>	<b>Goodwill \$'000</b>	<b>Total \$'000</b>
<b>9. INTANGIBLE ASSETS AND GOODWILL</b>			
<b>Year ended 30 June 2015</b>			
At 1 July 2014	844	2,947	3,791
Amortisation	(779)	-	(779)
At 30 June 2015	<b>65</b>	<b>2,947</b>	<b>3,012</b>
<b>Year ended 30 June 2014</b>			
At 1 July 2012	1,850	2,947	4,797
Amortisation	(1,006)	-	(1,006)
At 30 June 2014	844	2,947	3,791

### **Description of the Group's intangible assets**

Intangible assets relate to the fair value of contracts acquired on acquisition of PearlStreet Energy Services Pty Ltd (subsequently re-named Monadelphous Energy Services Pty Ltd). Intangible assets have been assessed as having a finite life and are amortised using the straight line method over a period of 4 years.

### **Impairment testing of the Group's intangible assets and goodwill**

At 30 June 2015, no impairment loss has been recognised in the income statement (2014: \$nil).

Goodwill acquired through a business combination has been allocated to cash generating units ("CGU") for impairment testing purposes. The CGUs are the entity Monadelphous Electrical & Instrumentation Pty Ltd, the Hunter Valley business unit, the entity Monadelphous KT Pty Ltd and the entity Monadelphous Energy Services Pty Ltd. None of the CGUs are material to the Group. The recoverable amount of each CGU 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 and applying a discount rate to the cash flow projections in the range of 12% to 15%. No reasonable possible changes in key assumptions would result in the carrying amount exceeding the recoverable amount.

### **Recognition and measurement**

#### *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 CGUs or groups of CGUs 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 CGU (group of CGUs) to which the goodwill relates. If the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

**9. INTANGIBLE ASSETS AND GOODWILL (continued)**

**Recognition and measurement (continued)**

*Intangible assets*

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. The intangible assets are amortised over their useful life. Intangible assets 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 income statement in the expense category consistent with the function of the intangible asset.

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>10. OTHER NON-CURRENT ASSETS</b>		
<b>Other non-current assets</b>	<b>1,247</b>	2,731

At 30 June 2014 and 2015, other non-current assets consist of investments in AnaeCo Limited (ASX: ANQ). The Group has a 15.02% interest in AnaeCo Limited, whose principal activity is the development and commercialisation of a process for the treatment of organic municipal solid waste. During the year the investment was reclassified from available-for-sale securities to investments in associates. The investment is not considered to be material.

**Recognition and measurement**

*Available-for-sale securities*

Available-for-sale securities are equity securities that are designated as available-for-sale. 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 income statement. The fair values of investments are determined by reference to the quoted market bid price at the close of business on the reporting date.

*Investments in associates*

An associate is an entity over which the Group has significant influence, being the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The Group's investments in associates are accounted for using the equity method. The Group recognises its share of the results of operations of the associate in the consolidated income statement. The Group's investment in associates are not material.

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**OPERATING ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED 30 JUNE 2015**

47

<b>11. TRADE AND OTHER PAYABLES</b>	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
CURRENT		
Trade payables	<b>64,908</b>	28,965
Advances on construction work in progress – Amounts due to customers	<b>191,847</b>	182,053
Sundry creditors and accruals	<b>30,473</b>	14,844
	<b>287,228</b>	225,862

**Recognition and measurement**

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, non-interest bearing and are usually paid within 30 to 45 days of recognition.

Sundry creditors and accruals are non-interest bearing and have an average term of 45 days.

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>12. INTEREST BEARING LOANS AND BORROWINGS</b>		
CURRENT		
Hire purchase liability – secured	<b>10,224</b>	15,903
Bank loan – secured	<b>1,667</b>	4,098
	<b>11,891</b>	20,001
NON-CURRENT		
Hire purchase liability – secured	<b>11,334</b>	15,363
Bank loan – secured	-	1,667
	<b>11,334</b>	17,030

**Terms and conditions**

- (i) Bank loans are repayable monthly. Interest is charged at the bank's fixed rate. Bank loans are secured either by way of registered first mortgages over land and buildings of a controlled entity, with an interlocking debenture from the parent entity and controlled entities, or by a fixed and floating charge over the assets of certain companies within the group. The average discount rate implicit in the bank loans is 5.66% (2014: 5.48%).
- (ii) Hire purchase agreements have an average term of three years. The average discount rate implicit in the hire purchase liability is 5.31% (2014: 6.18%). The hire purchase liability is secured by a charge over the hire purchase assets.

**Defaults and breaches**

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

## **12. INTEREST BEARING LOANS AND BORROWINGS (continued)**

### **Recognition and measurement**

#### *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 reporting date.

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

#### *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 income statement.

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

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**OPERATING ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED 30 JUNE 2015**

49

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>13. PROVISIONS</b>		
<b>CURRENT</b>		
Employee benefits	<b>70,931</b>	78,200
Workers' compensation	<b>34,846</b>	35,146
	<u><b>105,777</b></u>	<u>113,346</u>
<b>NON-CURRENT</b>		
Employee benefits – long service leave	<u><b>5,583</b></u>	<u>7,782</u>
	<b>2015</b>	
	<b>\$'000</b>	
<b>Movements in provisions</b>		
<i>Workers compensation</i>		
Carrying amount at the beginning of the year	35,146	
Additional provision	<b>10,959</b>	
Amounts utilised during the year	<u><b>(11,259)</b></u>	
Carrying amount at the end of the financial year	<u><b>34,846</b></u>	

**Recognition and measurement**

*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 reporting 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. The increase in the provision resulting from the passage of time is recognised as a finance cost.

*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.

Liabilities for short term benefits expected to be wholly 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.

**13. PROVISIONS (continued)**

**Recognition and measurement (continued)**

*Long service leave*

The liability for long term benefits including 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.

*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.

**14 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 Group's banking facility covenants, including the gearing ratio, operating leverage ratio and fixed charge coverage ratio. At 30 June 2015, the Group is in a net cash position of \$186,610,000 (2014: \$180,828,000) and has a debt to equity ratio of 6.3% (2014: 10.2%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2015, management paid dividends of \$101,241,251. The policy is to payout dividends of 80% to 100% of annual net profit after tax, subject to the working capital requirements of the business, potential investment opportunities and business and economic conditions generally.

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

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>15. DIVIDENDS PAID AND PROPOSED</b>		
<b>Declared and paid during the year</b>		
<i>Current year interim</i>		
Interim franked dividend for 2015 (46 cents per share) (2014: 60 cents per share)	<u>42,779</u>	<u>55,385</u>
<i>Previous year final</i>		
Final franked dividend for 2014 (63 cents per share) (2013: 75 cents per share final)	<u>58,462</u>	<u>69,031</u>
<b>Unrecognised amounts</b>		
<i>Current year final</i>		
Final franked dividend for 2015 (46 cents per share) (2014: 63 cents per share)	<u>42,869</u>	<u>58,388</u>
<b>Franking credit balance</b>		
Franking credits available for future reporting years at 30% adjusted for franking credits that will arise from the payment of income tax payable as at the end of the financial year	<b>71,807</b>	72,679
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	<u>(18,373)</u>	<u>(25,023)</u>
	<u><b>53,434</b></u>	<u>47,656</u>

**Tax rates**

The tax rate at which paid dividends have been franked is 30% (2014: 30%). Dividends payable will be franked at the rate of 30% (2014: 30%).

**Recognition and measurement**

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

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**CAPITAL STRUCTURE**  
**FOR THE YEAR ENDED 30 JUNE 2015**

52

**16. CONTRIBUTED EQUITY**

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
Ordinary shares – Issued and fully paid	<b>118,579</b>	112,115
Reserved shares	<b>(1,269)</b>	-
	<b>117,310</b>	112,115

**Ordinary shares**

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

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

	<b>2015</b>		2014	
	<b>Number of</b>	<b>\$'000</b>	Number of	\$'000
	<b>Shares</b>		Shares	
Beginning of the financial year	92,679,570	112,115	90,940,258	83,448
Exercise of employee options	<b>118,440</b>	<b>1,640</b>	1,101,371	17,609
Dividend reinvestment plan	<b>396,149</b>	<b>4,824</b>	637,941	11,058
End of the financial year	<b>93,194,159</b>	<b>118,579</b>	92,679,570	112,115

During the year ended 30 June 2015, under the Monadelphous Group Limited Employee Option Plan, employees have exercised the option to acquire fully paid ordinary shares at a weighted average exercise price of \$14.84. All shares were issued as new fully paid ordinary shares.

**Reserved shares**

	<b>2015</b>		2014	
	<b>Number of</b>	<b>\$'000</b>	Number of	\$'000
	<b>Shares</b>		Shares	
Beginning of the financial year	-	-	-	-
Acquisition of reserved shares	<b>85,500</b>	<b>(1,269)</b>	-	-
End of the financial year	<b>85,500</b>	<b>(1,269)</b>	-	-

**Recognition and measurement**

*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 income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**CAPITAL STRUCTURE**  
**FOR THE YEAR ENDED 30 JUNE 2015**

53

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>17. RESERVES AND RETAINED EARNINGS</b>		
Foreign currency translation reserve	<b>161</b>	120
Share-based payment reserve	<b>30,280</b>	34,667
	<b>30,441</b>	34,787
Retained earnings	<b>220,347</b>	215,763
<b>Movements in retained earnings</b>		
Balance at the beginning of the year	215,763	193,669
Net profit attributable to members of Monadelphous Group Limited	<b>105,825</b>	146,510
Total available for appropriation	<b>321,588</b>	340,179
Dividends paid	<b>(101,241)</b>	(124,416)
Balance at the end of the year	<b>220,347</b>	215,763

**Movements in reserves**

	<b>Foreign currency translation reserve \$'000</b>	<b>Share- based payment reserve \$'000</b>	<b>Total \$'000</b>
At 1 July 2013	62	30,855	30,917
Foreign currency translation	58	-	58
Share-based payment	-	3,591	3,591
Adjustment to deferred tax asset recognised on Employee Share Trust	-	221	221
At 30 June 2014	120	34,667	34,787
Foreign currency translation	<b>41</b>	-	<b>41</b>
Share-based payment	-	<b>(4,387)</b>	<b>(4,387)</b>
Adjustment to deferred tax asset recognised on Employee Share Trust	-	-	-
At 30 June 2015	<b>161</b>	<b>30,280</b>	<b>30,441</b>

**Nature and purpose of reserves**

*Foreign currency translation reserve*

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

*Share-based payment reserve*

The share-based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 25 for further details of these plans.

**18. SUBSIDIARIES**

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	
		2015	2014	2015	2014
		%	%	\$'000	\$'000
Parent:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
#Monadelphous Engineering Associates Pty Ltd	Australia	<b>100</b>	100	<b>27,047</b>	30,459
#Monadelphous Properties Pty Ltd	Australia	<b>100</b>	100	<b>1,941</b>	1,941
#Monadelphous Engineering Pty Ltd	Australia	<b>100</b>	100	<b>4,219</b>	4,780
#Genco Pty Ltd	Australia	<b>100</b>	100	<b>342</b>	342
#Monadelphous Workforce Pty Ltd	Australia	<b>100</b>	100	<b>370</b>	370
#Monadelphous Electrical & Instrumentation Pty Ltd	Australia	<b>100</b>	100	<b>5,343</b>	5,541
#Monadelphous KT Pty Ltd	Australia	<b>100</b>	100	<b>16,139</b>	16,257
#Monadelphous Energy Services Pty Ltd	Australia	<b>100</b>	100	<b>4,434</b>	4,434
#M Workforce Pty Ltd	Australia	<b>100</b>	100	-	-
#M&ISS Pty Ltd	Australia	<b>100</b>	100	-	-
SinoStruct Pty Ltd	Australia	<b>100</b>	100	<b>208</b>	306
Monadelphous Group Limited Employee Share Trust	Australia	<b>100</b>	100	-	-
Monadelphous Holdings Pty Ltd	Australia	<b>100</b>	100	-	-
M Maintenance Services Pty Ltd *	Australia	<b>100</b>	-	-	-
MGJV Pty Ltd *	Australia	<b>70</b>	-	-	-
Monadelphous PNG Ltd	Papua New Guinea	<b>100</b>	100	-	-
Moway International Limited	Hong Kong	<b>100</b>	100	<b>443</b>	443
Moway AustAsia Steel Structures Trading (Beijing) Company Limited	China	<b>100</b>	100	-	-
Monadelphous Singapore Pte Ltd	Singapore	<b>100</b>	100	<b>144</b>	144
Monadelphous Mongolia LLC	Mongolia	<b>100</b>	100	-	-
Monadelphous Engineering US Inc. *	USA	<b>100</b>	-	-	-
Monadelphous Engineering NZ Pty Ltd *	New Zealand	<b>100</b>	-	-	-
				<b>60,630</b>	<b>65,017</b>

# Controlled entities subject to the Class Order (Refer to note 29)

\* Incorporated during the year

**Ultimate parent**

Monadelphous Group Limited is the ultimate holding company.

**19. BUSINESS COMBINATION**

**Acquisition of Water Infrastructure Group**

On 27 February 2015, Monadelphous Group Limited concluded the purchase agreement with Water Infrastructure Group Pty Ltd to acquire the contracts and net assets of its design, build and maintain business. The acquisition forms part of Monadelphous' market growth strategy.

The consideration comprised an initial cash payment of \$6,000,000 and a subsequent cash adjustment to the purchase price on finalisation of the completion accounts at the date of acquisition. The completion accounts are in the process of being finalised.

The provisional fair values of the identifiable assets and liabilities acquired from Water Infrastructure Group Pty Ltd as of the date of acquisition were:

	<b>Provisional fair value at acquisition date \$'000</b>
Trade and other receivables	5,707
Net contracts in progress and unbilled revenue	2,449
Property, plant and equipment	2,740
Deferred tax asset	550
	<u>11,446</u>
Trade and other payables	3,632
Provisions	1,814
	<u>5,446</u>
Fair value of identifiable net assets	<u>6,000</u>
Acquisition-date fair-value of consideration transferred:	
Cash paid	6,000
Total provisional consideration	<u>6,000</u>

The cash outflow on acquisition is as follows:

Net cash acquired with the business	-
Cash paid	6,000
Net consolidated cash outflow	<u>6,000</u>

The consolidated income statement includes sales revenue for the period ended 30 June 2015 of \$32,050,046 relating to Water Infrastructure Group. Net profit for the period was not material.

## 20. INTEREST IN JOINT OPERATIONS

### Joint operations interests

The Group's interests in joint operations are as follows:

Joint Arrangement	Principal Activity	Principal place of business	Group Interest	
			2015 %	2014 %
AnaeCo Monadelphous Joint Venture	To deliver design and construct waste management systems to the WMRC DiCOM facility.	Shenton Park, WA	50	50
Monadelphous Muhibbah Marine Joint Venture	To construct the approach jetty and ship berth associated with the Wiggins Island Coal Export Terminal.	Gladstone, QLD	50	50
KT-OSD Joint Venture	Design and construction of a transmission pipeline and associated facilities for Hamersley Iron.	West Angelas, WA	60	60

### Commitments and contingent liabilities relating to joint operations

Details of a contingent liability relating to a legal matter involving Monadelphous Muhibbah Marine Joint Venture are included in note 22.

There were no other capital commitments or contingent liabilities relating to the joint operations at 30 June 2015 (2014: \$nil).

### Impairment

No assets employed in the joint operations were impaired during the year ended 30 June 2015 (2014: \$nil).

### Recognition and Measurement

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Group recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method. Under the equity method, the cost of the investment is adjusted by the post-acquisition changes in the Group's share of the net assets of the venture.

**21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's policy to minimise risk from fluctuations in interest rates is to utilise fixed interest rates in its bank loans, finance leases and hire purchase contracts. Cash and short term deposits are exposed to floating interest rate risks. The Group manages its foreign currency risk arising from significant supplier contracts in foreign currencies by holding foreign currency or taking out forward exchange contracts. Analysis is performed on a customer's 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:

	<b>Notes</b>	<b>2015</b>	<b>2014</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>			
Cash and cash equivalents	5	<u>209,835</u>	217,859
Net exposure		<u><u>209,835</u></u>	<u>217,859</u>

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.

At 30 June 2015, reasonable possible movement in variable interest rates, based on a review of historical movements and forward rate curves for forward rates would not have had a material impact on the Group.

*Foreign currency risk*

As a result of operations in Papua New Guinea, China, Mongolia and New Zealand the Group's statement of financial position can be affected by movements in the US\$/A\$, PGK/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. Where possible, Monadelphous does not take on foreign exchange risk. At 30 June 2015, the Group had no forward contracts.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

*Foreign currency risk*

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 2015, the Group had the following exposure to foreign currency:

Year ended 30 June 2015	PGK AUD\$'000	USD AUD\$'000
<b>Financial assets</b>		
Cash and cash equivalents	17,140	7,605
Trade and other receivables	1,780	10,584
<b>Financial liabilities</b>		
Trade and other payables	(31)	(3)
Net Exposure	<u>18,889</u>	<u>18,186</u>
<b>Year ended 30 June 2014</b>		
<b>Financial assets</b>		
Cash and cash equivalents	11,142	16,400
Trade and other receivables	2,819	-
<b>Financial liabilities</b>		
Trade and other payables	-	(661)
Net Exposure	<u>13,961</u>	<u>15,739</u>

At 30 June 2015, reasonably possible movements in USD foreign exchanges rates, based on a review of historical movements, would not have had a material impact on the Group

At 30 June 2015, if the PGK 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 PGK:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
+10% (2014: +15%)	(1,322)	(1,466)	-	-
-10% (2014: -15%)	1,322	1,466	-	-

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

**21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(a) Risk exposures and responses (continued)**

*Credit risk*

The Group trades 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.

The Group minimises concentrations of credit risk in relation to accounts receivable by undertaking transactions with a number of customers within the resources, energy and infrastructure industry sector. There are multiple contracts with our significant customers, across a number of their subsidiaries, divisions within those subsidiaries and locations.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Chairman, Managing Director or Chief Financial Officer.

With respect to credit risk arising from the other financial assets of the Group, which comprises cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The Group minimises its exposure to credit risk for cash and cash equivalents by investing funds only with counter parties rated A+ or higher by Standard & Poor's.

The Group's maximum exposure to credit risk is its cash and trade receivables representing \$485,060,000 at 30 June 2015 (2014: \$405,729,000)

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

**21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(a) Risk exposures and responses (continued)**

*Liquidity risk*

<b>Financing facilities available</b>	<b>2015</b>	2014
	<b>\$'000</b>	\$'000

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

Total facilities:

- Bank guarantee and performance bonds	<b>675,000</b>	675,590
- Revolving credit	<b>92,015</b>	120,684
	<b>767,015</b>	796,274

Facilities used at balance date:

- Bank guarantee and performance bonds	<b>392,598</b>	507,282
- Revolving credit	<b>23,225</b>	37,031
	<b>415,823</b>	544,313

Facilities unused at balance date:

- Bank guarantee and performance bonds	<b>282,402</b>	168,308
- Revolving credit	<b>68,790</b>	83,653
	<b>351,192</b>	251,961

*Nature of bank guarantees and performance bonds*

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

*Nature of revolving credit*

The revolving credit includes bank loans and hire purchase/leasing facilities. Refer to note 12 for terms and conditions.

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 2015.

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

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>Financial liabilities</b>		
6 months or less	<b>294,924</b>	236,367
6 – 12 months	<b>5,020</b>	11,167
1 – 5 years	<b>11,867</b>	17,873
	<b>311,811</b>	265,407

**21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(a) Risk exposures and responses (continued)**

Maturity analysis of derivative financial instruments and financial liabilities:

<b>Year ended 30 June 2015</b>	<b>6 months or less \$'000</b>	<b>6 months to 1 year \$'000</b>	<b>1 year to 5 years \$'000</b>	<b>Total Contractual Cash Flows \$'000</b>	<b>Total Carrying Amount \$'000</b>
<b>Financial liabilities</b>					
Trade and other payables	287,228	-	-	287,228	287,228
Bank loan	1,700	-	-	1,700	1,667
Hire purchase liability	5,996	5,020	11,867	22,883	21,558
Net maturity	<b>294,924</b>	<b>5,020</b>	<b>11,867</b>	<b>311,811</b>	<b>310,453</b>

<b>Year ended 30 June 2014</b>	<b>6 months or less \$'000</b>	<b>6 months to 1 year \$'000</b>	<b>1 year to 5 years \$'000</b>	<b>Total Contractual Cash Flows \$'000</b>	<b>Total Carrying Amount \$'000</b>
<b>Financial liabilities</b>					
Trade and other payables	225,862	-	-	225,862	225,862
Bank loan	2,192	2,147	1,700	6,039	5,765
Hire purchase liability	8,313	9,020	16,173	33,506	31,266
Net maturity	<b>236,367</b>	<b>11,167</b>	<b>17,873</b>	<b>265,407</b>	<b>262,893</b>

**(b) Net fair values of financial assets and liabilities**

The carrying amounts and estimated aggregate net fair values of financial assets and financial liabilities at balance date are materially the same.

Interest bearing liabilities with fixed interest rates: The fair value includes the value of contracted 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.

There were no material financial assets or liabilities measured at fair value at 30 June 2015 or 30 June 2014.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: UNRECOGNISED ITEMS  
FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	2015 \$'000	2014 \$'000
<b>22. COMMITMENTS AND CONTINGENCIES</b>			
<b>Hire purchase commitments</b>			
Payable:			
- Within one year		11,016	17,333
- Later than one year but not later than five years		11,867	16,173
Minimum lease payments		22,883	33,506
Less future finance charges		(1,325)	(2,240)
Present value of minimum lease payments		21,558	31,266
Current liability	12	10,224	15,903
Non-current liability	12	11,334	15,363
		21,558	31,266

Hire purchase agreements have an average term of three years.

<b>Operating lease commitments</b>	<b>2015 Properties \$'000</b>	<b>2015 Other \$'000</b>	<b>2015 Total \$'000</b>	<b>2014 Total \$'000</b>
Minimum lease payments				
- Within one year	15,103	9,797	24,900	29,247
- Later than one year but not later than five years	35,197	2,662	37,859	55,016
- Later than five years	14,426	-	14,426	22,420
Aggregate lease expenditure contracted for at balance date but not provided for	64,726	12,459	77,185	106,683

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 remaining of two years. Properties under operating leases have an average lease term remaining of one year.

**Capital commitments**

The consolidated group has capital commitments of \$569,064 at 30 June 2015 (2014: \$1,285,629).

**Guarantees**

	2015 \$'000	2014 \$'000
Guarantees given to various clients for satisfactory contract performance	392,598	507,282

Monadelphous Group Limited and all controlled entities marked # in note 18 have entered into a deed of cross guarantee. Refer to note 29 for details.

## 22. COMMITMENTS AND CONTINGENCIES (continued)

### Legal dispute with Wiggins Island Coal Export Terminal ('WICET')

In June 2015, Monadelphous announced that MMM, an unincorporated joint arrangement in which Monadelphous holds a 50 per cent interest, will be lodging a counterclaim in the Supreme Court of Queensland in response to a claim filed against Monadelphous by the owners of Wiggins Island Coal Export Terminal Pty Ltd (WICET).

MMM has to date received successful adjudication from the Building and Construction Industry Payment Agency ("BCIPA") (a Queensland statutory agency designed to facilitate the adjudication of payments in the construction industry by expert adjudicators) for payments relating to the project totalling approximately \$90 million.

WICET filed a claim relating to the MMM contracts in the Supreme Court of Queensland totalling approximately \$130 million (net of the proceeds of bank guarantees plus general damages, interest and costs), in which it seeks to recover monies, the majority of which include those paid to MMM under BCIPA and variations previously approved by WICET. Monadelphous rejects WICET's position as outlined in the claim and will vigorously defend the proceedings.

## 23. SUBSEQUENT EVENTS

### Contracts awards

On 31 July 2015 Monadelphous announced it had been awarded new construction and maintenance contracts for customers in the resources, energy and infrastructure markets, with a combined value of approximately \$130 million. The contracts included:

- A three-year contract to provide project, maintenance and shutdown works for Queensland Alumina Limited in Gladstone, Queensland.
- A three-year contract with two one-year extension options for Australia Pacific LNG Pty Ltd for the fabrication and supply of wellhead separator skids to be commissioned at various locations around the Surat Basin, Queensland. This contract is with SinoStruct, Monadelphous' China fabrication business.
- A contract with the Barrhill Chertsey Irrigation Limited and Electricity Ashburton Limited Joint Venture for the design, construction and commissioning of a 40 km long, gravity and pressurised piped irrigation scheme for farming properties in Methven, New Zealand.
- A three-year contract with a one-year extension option for the provision of labour services for South32 Worsley Alumina Pty Ltd at Worsley Alumina in Collie, Western Australia.
- A contract with BM Alliance Coal Operations Pty Ltd to provide maintenance works for a major dragline shutdown at Blackwater Mine in Blackwater, Queensland.

On 17 August 2015 Monadelphous announced it had been awarded a new three-year facilities maintenance services contract associated with the Barrow Island assets operated by Chevron Australia Pty Ltd ("Chevron"). The contract is for the operation and maintenance of facilities and utilities, and includes water and wastewater treatment plants, power generation and distribution systems, as well as the management and maintenance of various buildings, vehicles, plant and equipment.

**23. SUBSEQUENT EVENTS (continued)****Dividends declared**

On 17 August 2015, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is \$42,869,313 which represents a fully franked final dividend of 46 cents per share. This dividend has not been provided for in the 30 June 2015 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

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.

	Notes	2015 \$'000	2014 \$'000
<b>24. PARENT ENTITY INFORMATION</b>			
<b>Information relating to Monadelphous Group Limited parent entity</b>			
Current assets		<b>181,951</b>	196,225
Total assets		<b>1,265,124</b>	1,248,099
Current liabilities		<b>(1,012,854)</b>	(992,286)
Total liabilities		<b>(1,024,188)</b>	(1,007,650)
Net assets		<b>240,936</b>	240,449
Contributed equity		<b>117,310</b>	112,115
Share-based payment reserve		<b>30,280</b>	34,667
Retained earnings		<b>93,346</b>	93,667
Total equity		<b>240,936</b>	240,449
Profit after tax		<b>100,921</b>	123,059
Total comprehensive income of the parent entity		<b>100,921</b>	123,059
<b>Contingent liabilities</b>			
Guarantees	22	<b>392,598</b>	506,692

Guarantees entered into by the Group are via the parent entity. Details are contained in note 22.

**Capital commitments**

The parent entity has capital commitments of \$nil at 30 June 2015 (2014: \$nil).

**25. SHARE BASED PAYMENT EXPENSE**

The Monadelphous Group Limited Employee Option Plan and Employee Option Prospectus have 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 176 employees participating in these schemes.

In accordance with the rules of the Monadelphous Group Limited Employee Option Plan and Employee Option Prospectus, 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

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, exercised and forfeited during the year.

	2015		2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance at the beginning of the year	3,628,000	17.40	5,305,750	17.18
Granted during the year				
- Employee Option Plan – October 2014	-	-	90,000	17.05
Forfeited during the year	(1,312,500)	17.33	(392,500)	17.78
Exercised during the year	(210,500)	14.84	(1,375,250)	16.42
Balance at the end of the year	<b>2,105,000</b>	<b>17.70</b>	3,628,000	17.40
Exercisable during the next year	<b>1,850,000</b>	<b>17.52</b>	1,285,500	17.07

The weighted average share price at the date of exercise during the year was \$15.36 (2014: \$19.65).

The weighted average fair values for options outstanding at 30 June 2015 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option at Grant Date
1,420,000	3/11/2011	14/09/2015	\$3.49
20,000	17/11/2011	14/09/2015	\$3.39
200,000	23/11/2011	14/09/2015	\$4.05
375,000	1/11/2012	14/09/2016	\$3.52
90,000	5/11/2013	14/09/2017	\$2.91

The share-based payment expense for the year ended 30 June 2015 was a credit of \$4,386,873 (2014: expense \$3,590,880) for the consolidated entity.

**25. SHARE BASED PAYMENT EXPENSE**

*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 2015:

<b>Number of Options</b>	<b>Grant Date</b>	<b>Vesting Date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
1,420,000	3/11/2011	01/09/2015	14/09/2015	\$17.25
20,000	17/11/2011	01/09/2015	14/09/2015	\$19.31
200,000	23/11/2011	01/09/2015	14/09/2015	\$17.25
93,750	1/11/2012	01/09/2015	14/09/2016	\$19.70
93,750	1/11/2012	01/09/2015	14/09/2016	\$19.70
187,500	1/11/2012	01/09/2016	14/09/2016	\$19.70
22,500	5/11/2013	01/09/2015	14/09/2017	\$17.05
22,500	5/11/2013	01/09/2016	14/09/2017	\$17.05
45,000	5/11/2013	01/09/2017	14/09/2017	\$17.05

**Recognition and Measurement**

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). These benefits are provided through the Monadelphous Group Limited Employee Option Plan and the Monadelphous Group Limited Employee Option Prospectus.

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).

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.

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

	2015	2014
	\$	\$
<b>26. AUDITORS' REMUNERATION</b>		
The auditor of Monadelphous Group Limited is Ernst & Young.		
<i>Amounts received or due and receivable by Ernst &amp; Young Australia for:</i>		
- An audit or review of the financial report of the entity and any other entity in the consolidated entity	200,479	178,975
- Other services in relation to the entity and any other entity in the consolidated entity		
- tax compliance	29,500	43,500
- assurance related	-	5,665
	<u>229,979</u>	<u>228,140</u>

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

- tax compliance *	1,064,196	1,010,733
- other services	-	5,508
	<u>1,064,196</u>	<u>1,016,241</u>

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 2015 relate predominantly to the application for Research and Development Tax Concessions and overseas tax compliance services.

## **27. RELATED PARTY DISCLOSURES**

### **Compensation of key management personnel**

	2015	2014
	\$	\$
Short term benefits	3,787,144	3,339,346
Post employment	127,192	102,211
Long term benefits	114,188	63,899
Share-based payments	(1,178,506)	852,467
Total compensation	<u>2,850,018</u>	<u>4,357,923</u>

### **Loans to associates**

At 30 June 2015, an amount totalling \$7,957,000 (2014: \$2,000,000) had been loaned to an AnaeCo Limited. Monadelphous owns 15.02% of the ordinary share capital of AnaeCo Limited. The loan is included in the statement of financial position within other receivables. Interest is payable on the loan at a rate of 12% per annum. The loan is secured by a first ranking charge over AnaeCo Limited's assets.

## **28. 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 2015, the Engineering Construction division contributed revenue of \$1,245.5 million (2014: \$1,670.8 million), the Maintenance and Industrial Services division contributed revenue of \$621.2 million (2014: \$663.5 million), and Airport Services contributed revenue of \$nil million (2014: \$7.9 million). Included in these amounts is \$1.7 million (2014: \$12.6 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 in that they have similar gross margins;
- 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.

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 13% of the Group's revenue. Three other customers contributed over 10% of revenue, representing 12%, 11% and 11% of the Group's revenue. There are multiple contracts with these customers, across a number of their subsidiaries, divisions within those subsidiaries and locations.

**29 DEED OF CROSS GUARANTEE**

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 9 June 2011, 1 June 2012 and 9 June 2015. The effect of the deed is that Monadelphous Group Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities. The controlled entities have also given a similar guarantee in the event that Monadelphous Group Limited is wound up.

The consolidated income statement and statement of financial position of the entities that are members of the 'Deed' are as follows:

	2015 \$'000	2014 \$'000
<b>Consolidated Income Statement and comprehensive income</b>		
Profit before income tax	165,377	217,129
Income tax expense	(47,510)	(59,408)
Net profit after tax for the period	<u>117,867</u>	<u>157,721</u>
Retained earnings at the beginning of the period	181,870	148,565
Dividends paid	(101,241)	(124,416)
Retained earnings at the end of the period	<u><u>198,496</u></u>	<u><u>181,870</u></u>
<b>Consolidated Statement of Financial Position</b>		
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	183,674	205,990
Trade and other receivables	379,143	244,282
Inventories	77,536	131,892
Total current assets	<u>640,353</u>	<u>582,164</u>
Non-current assets		
Investments in subsidiaries	795	893
Property, plant and equipment	90,444	101,899
Deferred tax assets	27,280	27,398
Intangible assets and goodwill	3,011	3,791
Other non-current assets	1,247	2,731
Total non-current assets	<u>122,777</u>	<u>136,712</u>
<b>TOTAL ASSETS</b>	<u><b>763,130</b></u>	<u><b>718,876</b></u>
<b>LIABILITIES</b>		
Current liabilities		
Trade and other payables	282,030	232,605
Interest bearing loans and borrowings	11,891	20,001
Income tax payable	3,401	2,328
Provisions	102,982	110,920
Total current liabilities	<u>400,304</u>	<u>365,854</u>
Non-current liabilities		
Interest bearing loans and borrowings	11,334	17,030
Provisions	5,406	7,340
Total non-current liabilities	<u>16,740</u>	<u>24,370</u>
<b>TOTAL LIABILITIES</b>	<u><b>417,044</b></u>	<u><b>390,224</b></u>
<b>NET ASSETS</b>	<u><b>346,086</b></u>	<u><b>328,652</b></u>
<b>EQUITY</b>		
Contributed equity	117,310	112,115
Reserves	30,280	34,667
Retained earnings	198,496	181,870
<b>TOTAL EQUITY</b>	<u><b>346,086</b></u>	<u><b>328,652</b></u>

### **30. OTHER ACCOUNTING STANDARDS**

#### **Other accounting standards**

##### **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 statement of financial position.

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

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

##### **Changes in accounting policies**

Monadelphous Group Limited and its subsidiaries ('the Group') has adopted all new and amended Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2014, including:

- AASB 2012-3 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- Interpretation 21 Levies
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013 – 4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]
- AASB 2013 – 5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]
- AASB 1031 Materiality
- AASB 2013 – 9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB 2014-1 Part A – Annual Improvements 2010–2012 Cycle Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010– 2012 Cycle
- AASB 2014-1 Part A – Annual Improvements 2011–2013 Cycle Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011– 2013 Cycle

The adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Group.

**30. OTHER ACCOUNTING STANDARDS (continued)**

**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 2015.

The potential effects of the following standards and interpretations have not yet been fully determined:

<b>Reference</b>	<b>Summary</b>	<b>Application date of standard</b>	<b>Application date for Group</b>
AASB 9 <i>Financial Instruments</i>	AASB 9 contains accounting requirement for financial instruments, replacing AASB 139. The standard: (a) contains a simpler model for classification and measurement of financial assets; (b) a single, forward looking 'expected loss' impairment model that will require more timely recognition of expected credit losses; (c) a substantially reformed approach to hedge accounting including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.	1 January 2018	1 July 2018
AASB 2014-3 <i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i>	This standard sets out the guidance on the accounting for acquisition of interests in joint operations in which the activity constitutes a business.	1 January 2016	1 July 2016
AASB 2014-4 <i>Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)</i>	This standard clarifies the use of revenue-based methods to calculate depreciation on property, plant and equipment is not appropriate.	1 January 2016	1 July 2016
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:  Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation  Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.  The Group has commenced a detailed review of its contracts with customers to determine the impact, if any, of AASB 15 to revenue recognition of the Group. At the date of this report, that assessment is ongoing and it has not been possible to quantify the effect of AASB 15.	1 January 2017	1 July 2017
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	AASB 2014-10 amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016	1 July 2016
AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012– 2014 Cycle</i>	This standard provides clarification amendments to AASB 5, AASB 7, AASB 9 and AASB 134.	1 January 2016	1 July 2016

**30. OTHER ACCOUNTING STANDARDS (continued)**

**New accounting standards and interpretations (continued)**

<b>Reference</b>	<b>Summary</b>	<b>Application date of standard</b>	<b>Application date for Group</b>
<i>AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i>	<i>The Standard makes amendments to AASB 101 arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements.</i>	<i>1 January 2016</i>	<i>1 July 2016</i>
<i>AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i>	<i>The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.</i>	<i>1 July 2015</i>	<i>1 July 2015</i>
<i>AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception</i>	<i>This makes amendments to AASB 10, AASB 12 and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.</i>	<i>1 July 2015</i>	<i>1 July 2015</i>