

**MONADELPHOUS GROUP LIMITED**

**A.B.N. 28 008 988 547**

**CONSOLIDATED FINANCIAL REPORT**

**30 JUNE 2018**

**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

**Helen Jane Gillies**  
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

**Postal Address**

PO Box 600  
Victoria Park  
Western Australia 6979

**Share Registry**

**Computershare Investor Services Pty Ltd**

Level 11, 172 St George's Terrace  
Perth  
Western Australia 6000  
Telephone: 1300 364 961  
Facsimile: +61 8 9473 2500

**ASX Code**

MND – Fully Paid Ordinary Shares

**Bankers**

**National Australia Bank Limited**

100 St George's Terrace  
Perth  
Western Australia 6000

**HSBC**

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

**Bankers (continued)**

**Westpac Banking Corporation**

109 St George's Terrace  
Perth  
Western Australia 6000

**Auditors**

**Ernst & Young**  
11 Mounts Bay Road  
Perth  
Western Australia 6000

**Solicitors**

**Johnson, Winter & Slattery**  
Level 4, 167 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&ISS Pty Ltd  
M Maintenance Services Pty Ltd  
Monadelphous Engineering NZ Pty Ltd  
Monadelphous Marcellus LLC  
MKT Pipelines Limited  
Evo Access Pty Ltd  
Monadelphous Inc.  
MGJV Pty Ltd  
M Workforce Pty Ltd  
Monadelphous Investments Pty Ltd  
MWOG Pty Ltd  
Arc West Group Pty Ltd  
MOAG Pty Ltd  
Monadelphous International Holdings Pty Ltd  
Monadelphous Sdn Bhd  
R.I.G. Installations (Newcastle) Pty Ltd  
R E & M Services Pty Ltd  
Pilbara Rail Services Pty Ltd

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

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The Directors of Monadelphous Group Limited are pleased to report the Company's financial results for the year ended 30 June 2018.

### **Revenue**

Monadelphous recorded sales revenue of \$1,784.0 million\*, an increase of 41.1 per cent on the previous year, as a result of a strong demand for the Company's services in its core resources and energy markets in Australia, and growth from diversification into overseas and infrastructure markets. Construction revenues were particularly strong during the period on the back of a surge in activity on the Company's oil and gas projects, while the demand for maintenance services strengthened across all sectors.

### **Earnings**

Net profit after tax (NPAT) attributable to equity holders of the parent was \$71.5 million, an increase of 24.2 per cent on the previous year. The Company experienced moderating margins resulting from continued high levels of competition across all markets.

Earnings per share (EPS) was 76.1 cents.

### **Dividend**

The Board of Directors has declared a final dividend of 32 cents per share. This takes the full-year dividend to 62 cents per share fully franked, giving a dividend payout ratio of 82 per cent of net profit after tax. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the final dividend.

### **Strong balance sheet**

Monadelphous ended the year with a healthy cash balance of \$208.8 million and a cash flow from operations of \$51.6 million. Increased activity levels and working capital requirements resulted in a cash flow conversion rate for the period of 69.4 per cent. The Company's strong balance sheet provides substantial capacity to invest in new business opportunities.

### **Strategic Progress**

During the year, Monadelphous made good progress in its markets and growth strategy to maximise returns from core markets, build an infrastructure business and deliver core services to overseas markets.

The Engineering Construction division had, by year end, substantially completed its work on the Ichthys Project Onshore LNG Facilities in Darwin, Northern Territory. The division achieved an outstanding safety record on the project and its strong overall performance resulted in the award of a significant amount of additional work throughout the duration of the project.

The Maintenance and Industrial Services division experienced higher levels of activity in its core markets of resources and energy due to a significant increase in demand for maintenance and sustaining capital works and the ramp up of a number of new offshore oil and gas contracts. The division continued to offer a broad range of maintenance services to its customers, with services added in prior years, including corrosion management, protective coatings, marine maintenance and rope access, successfully embedded into operations and supporting core activities. It also expanded geographically during the year with the acquisition of RIG Installations, a Newcastle-based maintenance services business, and the establishment of workshop facilities in Newman. This geographical diversification provides the Company with the opportunity to on-sell its diverse range of services to new and existing customers in new regions.

Monadelphous' EPC business, Mondium, which was established last year in conjunction with Lycopodium, continued to pursue opportunities in the mining and mineral processing market and successfully delivered its first contract during the year at Talison Lithium's Greenbushes mine site, in the south west of Western Australia (WA). Towards the end of the financial year, it was awarded a contract with Galaxy Lithium Australia for design, engineering, construction and upgrade work at the Mt Cattlin Mine in Ravensthorpe, Western Australia.

\* Includes Monadelphous' share of joint venture revenue - refer to page 8 for reconciliation

The Company's push into the infrastructure sector continued during the year, with increasing levels of activity in the renewable energy and water and irrigation markets.

Zenviron, the Company's renewable energy business, substantially completed the Sapphire Wind Farm project and made good progress on the delivery of the Salt Creek Wind Farm. It secured a number of new contracts during the period, including the balance of plant works for the Moorabool North, Crudine Ridge and Lal Lal Wind Farms. The focus for Zenviron into next year will be on executing these projects and securing further opportunities in the renewable energy sector.

The water and irrigation business focussed its efforts on successfully delivering the large number of contracts secured in the prior year. During the period it also secured a contract with Pukaki Irrigation Company Limited for the design, supply, installation and commissioning of a gravity pressurised irrigation scheme in the Mackenzie Basin, New Zealand.

The Company's strategy to deliver core services to overseas markets was bolstered during the year by the award of two packages of work on the Oyu Tolgoi Underground Project in Mongolia, which includes mechanical decommissioning, demolition, civil, structural, mechanical, piping, and electrical and instrumentation works.

In total, Monadelphous secured new contracts and additional work valued at approximately \$600 million since the beginning of the financial year.

### **Productivity and Innovation**

Enhancing productivity and competitiveness through the application of technology and the creation of innovative solutions is a focal point of the Company's overall strategy, and essential to the sustainable delivery of value for Monadelphous and its customers.

A key focus during the year has been on developing and implementing technological solutions that improve the Company's operational productivity levels. A variety of new site and workshop based innovations have been implemented that enable more efficient work practices, including robotic welding technologies, remote-operated inspection devices, 3D visualisation tools, process automation and cloud collaboration technology.

During the year, the Company implemented a purpose-built capability library and customer relationship management database and continued the enhancement of its resource management and workforce optimisation solution. In addition, the development and implementation of the Monadelphous Innovation Framework facilitated enhanced collaboration across the business and with customers.

Monadelphous continues to identify and embed opportunities to deliver operational support services within a centralised and standardised operating model. In this regard, the Company's offshore support service centre in Manila has seen further growth in the last year and continues to provide a range of cost effective business and project related services, including providing support directly to its customers' operations.

## **OPERATIONAL OVERVIEW**

### **Markets**

Monadelphous provides construction, maintenance and industrial services to the resources, energy and infrastructure markets.

The Australian resources and energy sectors continue to show signs of recovery, with an increase in capital projects announced or under feasibility studies. The outlook for bulk commodities such as coal and iron ore reflects an ongoing focus on efficient operating cost and prudent capital investment to maintain the current high levels of production.

Activity in the maintenance sector is forecast to remain positive as production ramps up on newly commissioned LNG projects, and levels of maintenance and support required on aging resources assets continue to increase.

Investment in infrastructure remains healthy, with increasing public investment providing good prospects in the water and irrigation and renewable energy markets.

### **Health and Safety**

During the year the Company focussed on critical risk controls and the importance of enhancing behavioural safety, encouraging conscious reflection and modifications to behaviours to improve our safety performance across the business. The Company also undertook a number of other safety improvement initiatives identified through the Group-wide safety survey and implemented the inaugural Managing Director's Safety Innovation Award to promote and recognise health and safety innovations across the Group.

These initiatives, combined with the growing maturity of operations in the new markets and environments entered in previous years, contributed to the 12-month total case injury frequency rate (TCIFR) for the year improving by 23.2% compared to the previous period, to 3.28 incidents per million man-hours worked. The lost time injury frequency rate (LTIFR) for the year was 0.19 incidents per million man-hours worked.

### **People**

At Monadelphous, our people are our greatest asset in our journey towards long term, sustainable growth and we are committed to the attraction, development and retention of high calibre employees who live our values and actively contribute to the achievement of our vision and strategic objectives. We continued to focus on developing our people through initiatives such as the safety leadership and emerging leaders programs, the graduate and apprenticeship programs and the senior leadership framework. Monadelphous sustained high levels of key talent retention during the year, and will continue to focus on this important success factor as market conditions continue to improve and the employment market tightens.

The Company's total workforce at 30 June 2018 was 5,828, a slight decrease on 12 months earlier. Engineering Construction employee numbers were declining towards the year end as a number of large contracts approached completion. This was, however, largely offset by the increase in activity on the three offshore oil and gas maintenance contracts and an overall general increase in maintenance services activity.

## **OPERATIONAL ACTIVITY**

### **Engineering Construction**

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported sales revenue of \$949.9 million\*, an increase of 54.4 per cent on the previous year. This result reflects an increase in oil and gas construction activity and growth in water and renewables.

Work on the Ichthys Project Onshore LNG Facilities in Darwin, Northern Territory, neared completion at the end of the year. Monadelphous performed strongly throughout the project and received numerous awards from JKC Australia LNG for its excellent safety performance.

In Infrastructure, the Company continued to grow its renewable energy business, Zenviron, as well as its water and irrigation business, both in Australia and New Zealand.

Zenviron, in consortium with Vestas Australian Wind Technology (Vestas), substantially completed the 270MW Sapphire Wind Farm, which is the largest wind farm in New South Wales. It also secured a further four wind farm contracts, including two in consortium with Vestas to provide engineering, procurement, construction and commissioning of the Salt Creek and Lal Lal Wind Farms in regional Victoria. Additionally, Zenviron secured contracts with CWP Renewables for the Crudine Ridge Wind Farm located in regional New South Wales (in consortium with GE Renewable Energy), and with Goldwind Australia for the Moorabool North Wind Farm in regional Victoria.

\* Includes Monadelphous' share of joint venture revenue

Work with Sydney Water Corporation continued to grow, strengthening the Company's position in the water market. Construction of the Amuri Irrigation Scheme, north of Christchurch, New Zealand, was completed, and work continued on the major upgrade to Unitywater's Kawana Sewage Treatment Plant, on the Sunshine Coast, Queensland. The Company also commenced work on the upgrade to the Cleveland Bay Purification Plant for Townsville City Council, and on the Pukaki Irrigation Project in the South Island, New Zealand.

During the year, the division secured two packages of work on the Oyu Tolgoi Underground Project in Mongolia, and through SinoStruct, provided supporting procurement and logistics expertise to the project. The Company's strategy of developing project execution capability through the secondment of expatriate management and supervision and the employment of local skilled labour, providing upskilling and development opportunities, and establishing relationships with local suppliers proved successful. To support this objective, during the period the Company established a registered training organisation in Ulaanbaatar.

SinoStruct continued to supply and fabricate wellhead skids for upstream coal seam gas developments in northern Queensland, securing a number of contract extensions from both Santos and APLNG.

The Company's heavy lift services business expanded its fleet, acquiring a number of all-terrain cranes ranging from 25 tonnes to 400 tonnes, increasing its capacity and capability to service internal clients as well as external customers. In support of its diversification strategy and to better alignment service delivery to customer requirements, a Heavy Lift Operations Centre was opened in Port Hedland, WA, expanding the Company's footprint in the Pilbara region and increasing its ability to service customers' evolving requirements.

Other work undertaken during the year included:

- Fixed plant maintenance and shutdown crane services with Fortescue Metals Group at the Solomon Hub site in the Pilbara, WA;
- Various structural, mechanical, piping, electrical and instrumentation integration packages of work for BHP under an existing panel contract with BHP in the Pilbara, WA;
- Structural, mechanical and piping works associated with the Santos Roma West Phase 2B Project, in the Surat Basin, Queensland;
- An upgrade to a wastewater treatment plant for Selwyn District Council in Rolleston, New Zealand;
- The supply of additional wellhead skids for Australia Pacific LNG, under an existing agreement;
- An upgrade to the Water Treatment Plant providing the potable water supply, treatment and distribution system at BHP Billiton Western Australia Iron Ore's Mining Area C operation in the northwest of WA;
- Structural, mechanical and piping works for Nyrstar at its Port Pirie Smelter in South Australia (SA);
- The supply of structural steel, fabricated spooling and preassembled modular pipe racks for Jacobs, as part of a plant expansion project in the USA; and
- The supply of approximately 7,000 tonnes of structural steel, plate work and conveyers to Kiewit Corporation.

### **Maintenance and Industrial Services**

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustaining capital works and turnarounds, continued to strengthen its position as a leading maintenance services provider. The division reported a record sales revenue of \$841.1 million, up 28.9 per cent on the previous year, due to increased levels of demand for its services in both resources and energy.

Activity increased significantly during the year on the division's three offshore oil and gas maintenance services contracts, namely the Woodside-operated gas production facilities contract, the contract associated with the INPEX-operated Ichthys LNG Project and the Shell Prelude FLNG maintenance and modification services contract.

The division continued to support BHP's Olympic Dam copper-uranium operation at Roxby Downs in South Australia, and expanded its service offering to include concrete remediation, asset integrity, blast and paint and electrical and instrumentation. During the year, Monadelphous celebrated 30 years of providing maintenance and shutdown services at Olympic Dam.

The division continued to strengthen its position as the leading maintenance service provider in the Pilbara with the award of various integrated structural, mechanical, piping and electrical and instrumentation packages for BHP's iron ore operations, and the establishment of a facility in Newman.

In addition, the division secured the following contracts, bringing the total value of awards during the period to approximately \$300 million:

- A two-year contract to continue to supply fixed plant maintenance services for Rio Tinto at its coastal and inland operations in the Pilbara;
- A 12-month contract extension on the Woodside-operated Karratha Gas Plant Life Extension Program through its joint venture MGJV, which includes the delivery of mechanical, electrical, access, coatings and insulation services;
- A three-year contract for the supply of rope access based mechanical maintenance, inspection and protective coating services for Dalrymple Bay Coal Terminal in Mackay, Queensland;
- A three-year contract for the operation and maintenance of the coal handling facility at the Muja Power Station for Synergy in Collie, WA;
- A two-year contract extension for the supply of mechanical services for Queensland Alumina Limited in Gladstone, Queensland; and
- A three-year contract to provide shutdown maintenance, breakdown and repair services, minor projects and ad hoc services for BHP at Mount Arthur Coal in the Hunter Valley, NSW.

Other significant contract activity undertaken during the year included:

- Engineering, procurement and construction services, in joint operation with Jacobs Engineering, on Oil Search's oil and gas production and support facilities in the Highlands region of Papua New Guinea;
- Facilities maintenance management and support services at Chevron Australia's facilities at Barrow Island and Onslow, WA;
- Abrasive blasting, cleaning and relining of carbon steel ore wagons for The Pilbara Infrastructure (a wholly owned subsidiary of Fortescue Metals Group) in Port Hedland, WA;
- Maintenance and major shutdown services at the Woodside-operated Karratha Gas Plant at Karratha, WA;
- Maintenance and shutdown services for BHP's Nickel West operations in the Goldfields, WA;
- Maintenance and dragline shutdown works for BM Alliance Coal Operations in Queensland;
- Maintenance and shutdown services for QGC's Curtis LNG Plant, on Curtis Island, Queensland; and
- Maintenance and turnarounds for Yancoal in the Hunter Valley, NSW.

## **Outlook**

The outlook for the resources and energy sector continues to improve with commodity prices having stabilised. As production demand strengthens, investments in new operations and expansions of existing facilities, as well as operating and sustaining capital expenditure levels, are expected to increase.

Project pipeline visibility continues to improve with several major iron ore projects having entered the early stages of development, and an increasing number of opportunities in the base metals and lithium markets. The Company is experiencing high levels of tendering activity, with planned major resources construction projects expected to generate significant revenue opportunities in 2019/20 and beyond.

Prospects for the Company are positive as this future major resources construction work comes to market. However, as a result of the expected timing of this work, and the significant revenue contribution earned from the Ichthys project in the prior period, the Company is forecasting lower construction revenues in 2018/19.

Maintenance activity is forecast to increase as production volumes remain high and essential maintenance works are undertaken. Oil and gas services revenue is expected to grow as LNG projects ramp up production and offshore work volumes increase.

Investment in infrastructure remains healthy, with good prospects in the water and irrigation market in Australia and New Zealand, while the Australian renewables market is expected to remain buoyant for the foreseeable future.

A strong balance sheet provides the capacity to invest in the right opportunities, and enable the Company to continue to progress its markets and growth strategy. Productivity improvements will remain a priority as competition levels in the industry remain high and customers remain focussed on cost competitive solutions.

In summary, Monadelphous is in good shape and well positioned to capitalise on the upcoming market conditions.

Finally, I would like to take the opportunity to thank all our stakeholders for their loyalty and support and, in particular, our people for their continued commitment and dedication and for their contribution to an outstanding result.



John Rubino  
Monadelphous Chairman  
20 August 2018

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

	<b>2018</b>	2017	2016	2015	2014
	<b>\$'000</b>	\$'000	\$'000	\$'000	\$'000
Revenue	<b>1,737,632</b>	1,249,085	1,368,849	1,869,505	2,332,960
EBITDA	<b>119,046</b>	98,184	113,630	167,975	221,242
Profit before income tax expense	<b>102,845</b>	82,664	95,610	147,041	205,203
Income tax expense	<b>30,570</b>	24,144	28,702	41,216	58,693
Profit after income tax expense attributable to equity holders of the parent	<b>71,479</b>	57,563	67,014	105,825	146,510
Basic earnings per share	<b>76.11c</b>	61.41c	71.77c	113.91c	159.05c
Interim dividends per share (fully franked)	<b>30.00c</b>	24.00c	28.00c	46.00c	60.00c
Final dividends per share (fully franked)	<b>32.00c</b>	30.00c	32.00c	46.00c	63.00c
Net tangible asset backing per share	<b>415.86c</b>	398.23c	390.64c	391.75c	387.22c
Total equity and reserves attributable to equity holders of the parent	<b>394,481</b>	377,393	368,995	368,098	362,665
Depreciation	<b>17,222</b>	17,892	21,094	22,932	25,656
Debt to equity ratio	<b>5.3%</b>	3.6%	4.8%	6.3%	10.2%
Return on equity	<b>18.1%</b>	15.3%	18.2%	28.7%	40.4%
EBITDA margin	<b>6.7%</b>	7.8%	8.3%	9.0%	9.9%

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 EBITDA (unaudited):**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Profit before income tax	<b>102,845</b>	82,664
Interest expense	<b>452</b>	734
Interest revenue	<b>(2,573)</b>	(3,848)
Depreciation expense	<b>17,222</b>	17,892
Amortisation expense	<b>625</b>	562
Share of interest, depreciation, amortisation and tax of joint ventures #	<b>475</b>	180
EBITDA	<b>119,046</b>	98,184

# Represents Monadelphous' proportionate share of the interest, depreciation, amortisation and tax of joint ventures accounted for using the equity method.

**Reconciliation of Statutory Sales Revenue**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Total sales revenue including joint ventures	<b>1,783,999</b>	1,264,747
Share of revenue from joint ventures ~	<b>(49,118)</b>	(19,564)
Statutory sales revenue	<b>1,734,881</b>	1,245,183

~ Represents Monadelphous' proportionate share of the revenue of joint ventures accounted for using the equity method.

Your directors submit their report for the year ended 30 June 2018.

## **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  
52 years experience in the construction and engineering services industry

**Robert Velletri**

*Managing Director*  
Appointed 26 August 1992  
Mechanical Engineer, Corporate Member of Engineers Australia  
Appointed as Managing Director on 30 May 2003  
39 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, Member of the Australian Institute of Company Directors  
46 years experience in the construction and engineering services industry  
Also a non-executive director of the following other publicly listed entity, Service Stream Limited (ASX: SSM) – appointed 1 November 2010

**Christopher Percival Michelmore**

*Independent Non-Executive Director*  
Appointed 1 October 2007  
Civil Engineer, Fellow of Engineers Australia  
46 years experience in the construction and engineering services industry

**Dietmar Robert Voss**

*Independent Non-Executive Director*  
Appointed 10 March 2014  
Chemical Engineer, Member of the Australian Institute of Company Directors  
44 years experience in the oil and gas, and mining and minerals industries

**Helen Jane Gillies**

*Independent Non-Executive Director*  
Appointed 5 September 2016  
Solicitor, Master of Business Administration and Construction Law, Fellow of the Australian Institute of Company Directors  
22 years experience in the construction and engineering services industry  
Also a non-executive director of the following other publicly listed entity, Yancoal Australia Limited (ASX: YAL) – appointed 30 January 2018

## **COMPANY SECRETARIES**

**Philip Trueman**

*Company Secretary and Chief Financial Officer*  
Appointed 21 December 2007  
Chartered Accountant, Member of Chartered Accountants Australia and New Zealand  
18 years experience in the construction and engineering services industry

**Kristy Glasgow**

*Company Secretary*  
Appointed 8 December 2014  
Chartered Accountant, Member of Chartered Accountants Australia and New Zealand  
13 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	1,022,653	Nil
R. Velletri	2,100,000	Nil
P. J. Dempsey	78,000	Nil
C. P. Michelmore	30,000	Nil
D. R. Voss	2,852	Nil
H. J. Gillies	4,078	Nil

**EARNINGS PER SHARE**

	<b>Cents</b>
Basic Earnings Per Share	76.11
Diluted Earnings Per Share	76.07

**DIVIDENDS**

	<b>Cents</b>	<b>\$'000</b>
Final dividends declared		
▪ on ordinary shares	32.00	30,115
Dividends paid during the year:		
<i>Current year interim</i>		
▪ on ordinary shares	30.00	28,199
<i>Final for 2017</i>		
▪ on ordinary shares	30.00	28,174

**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 19 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
- Electrical and instrumentation services
- Process and non-process maintenance services
- Front-end scoping, shutdown planning, management and execution
- Water and waste water asset construction and maintenance
- Irrigation services
- Construction of transmission pipelines and facilities
- Operation and maintenance of power and water assets
- Heavy lift and specialist transport
- Access solutions
- Dewatering services
- Corrosion management services

### *General*

Monadelphous operates from major offices in Perth and Brisbane, with regional offices in Sydney, Newcastle, Houston (USA), Beijing (China), Auckland and Christchurch (New Zealand), Ulaanbaatar (Mongolia) and Manila (Philippines), and a network of workshop facilities in Kalgoorlie, Karratha, Port Hedland, Newman, Tom Price, Darwin, Roxby Downs, Gladstone, Hunter Valley, Mackay, Bibra Lake 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 5,828 employees as of 30 June 2018 (2017: 6,164 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>2018</b>	2017
	<b>\$'000</b>	\$'000
Revenue from services	<b>1,734,881</b>	1,245,183
Profit after income tax expense attributable to equity holders of the parent	<b>71,479</b>	57,563

**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**

**Dividends declared**

On 20 August 2018, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is \$30,114,660 which represents a fully franked final dividend of 32 cents per share. This dividend has not been provided for in the 30 June 2018 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

Other than the items noted above, no matters or circumstances 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 no unissued ordinary shares under options.

### **Shares issued as a result of the exercise of options**

During the financial year, no employees and directors have exercised any options.

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 \$432,614 (2017: \$351,568).

## **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)**

The Remuneration Report for the year ended 30 June 2018 outlines the Key Management Personnel remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001*.

For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having the 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 (MD), Chief Financial Officer (CFO) and Executive General Managers (EGM) of the Group.

*Details of Key Management Personnel*

(i) *Directors*

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

(ii) *Senior executives*

D. Foti	Executive General Manager, Engineering Construction
Z. Bebic	Executive General Manager, Maintenance & Industrial Services
P. Trueman	Chief Financial Officer and Company Secretary

*Remuneration Philosophy*

The performance of the Company depends predominantly and primarily 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 and retain high calibre executives, and the linking of executive rewards to the creation of shareholder value.

*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 remuneration 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 remuneration levels of directors and executives, the Remuneration Committee takes into consideration the performance of the Group, divisions and business units as well as that of the individual.

*Remuneration Structure*

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

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

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

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.

*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.

Executive remuneration consists of a fixed remuneration element and a variable remuneration element. The variable remuneration element can be provided under the Combined Reward Plan and/or the Employee Option Plan.

Remuneration element	Individual components	Purpose	Link to performance
Fixed remuneration	Comprises base salary, superannuation and other benefits.	To provide market competitive fixed remuneration appropriate to the position and competitive in the market, taking into account the individual's skills, experience and qualifications.	Assessed at an individual level based on performance of responsibilities and cultural alignment with the Company's values.
Variable remuneration - Combined Reward Plan	Comprises cash payment, and performance rights issued under the Monadelphous Group Limited Performance Rights Plan.	To recognise and reward the senior leaders of the business who contribute to the Group's success, to align these rewards to the creation of shareholder wealth over time and ensure the long term retention of employees.	Performance assessed against financial, safety, people, customer satisfaction and strategic progress targets set by the Board on an annual basis. Vesting of awards is dependent on continuity of employment.
Variable remuneration - Employee Option Plan	Comprises options issued under the Monadelphous Group Limited Employee Option Plan.	To retain and reward key employees in a manner aligned to the creation of shareholder wealth.	Vesting of awards is dependent on exceeding EPS growth targets and continuity of employment.

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

Historically, the variable component of remuneration for executives has been in the form of short term additional cash payments and long term share options. As disclosed in the 2016 and 2017 Financial Statements, Monadelphous undertook a review of its historical short term and long term incentive programs to identify the most appropriate incentive plan for both executives and other employees that is best aligned to delivering long term sustainable growth for the benefit of shareholders. The review led to the implementation of the Combined Reward Plan (CR Plan) which combines the key elements of the previous short and long term incentive plans, while staying true to Monadelphous' remuneration philosophy which has proven successful over many years. The CR Plan rewards performance of both the Company and the employee, acts as a retention mechanism and links rewards to the creation of shareholder value through long term share ownership.

The review also concluded that the Monadelphous Group Limited Employee Option Plan should be retained, as an alternative or additional incentive scheme for the executive management team, for use as appropriate at the discretion of the Board.

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 21 and 22 of this report detail the proportion of fixed and variable remuneration for each of the executive directors and the senior executives of the Company.

***Fixed remuneration***

*Objective*

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.

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, taking into account the individual's skills, experience and qualifications.

Fixed remuneration levels are considered annually by the Remuneration Committee having reviewed an individual's performance, alignment with the Company's values and comparative remuneration levels in the market.

*Structure*

Executive team members are given the opportunity to receive their fixed remuneration in a variety of forms including base salary, superannuation and other 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 21 and 22 of this report.

***Variable remuneration – Combined Reward Plan (CR Plan)***

*Objective*

The objective of the Combined Reward Plan (the CR Plan) is to recognise and reward the senior leaders of the business who positively contribute to the Company's success, to align these rewards to the creation of shareholder wealth over time and to ensure the long term retention of the company's key talent.

The CR Plan includes service vesting conditions to ensure employee retention, and disposal restrictions to enable long term share ownership.

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

*Structure*

Under the CR Plan, the Board has the discretion to make awards on an annual basis subject to Company and individual performance. Awards are delivered in the form of a combination of cash and Performance Rights.

For the year ended 30 June 2018 awards comprised of a 25% cash payment, which was paid shortly after award, with 75% of the award to be issued in the form of Performance Rights. The number of Performance Rights to be issued is calculated using the arithmetic average of the ten-day daily volume weighted average market price of the Company's shares commencing on the second trading day after the record date in respect of the FY18 Final Dividend. This calculation is the same as that used to determine the undiscounted share price for the dividend reinvestment plan.

The Performance Rights component vests into shares in equal instalments, one, two and three years subsequent to award, subject to the employee remaining in the employ of the company at those particular dates. The Performance Rights are exercisable into shares at those dates, with one share issued for each vested Performance Right. The total number of shares issued are held in escrow until a date three years after the Performance Rights were originally issued.

Unvested performance rights remain subject to Monadelphous' clawback policy. The Board has the discretion as to the circumstances that would result in a clawback of unvested performance rights. Factors resulting in material financial misstatement or underperformance, gross negligence, material lack of compliance, significant personal underperformance or behaviour that is likely to damage the Company's reputation, would likely result in a clawback of unvested Performance Rights.

*Performance Requirements*

At the beginning of each financial year, the Board sets quantified, challenging, performance targets for the key performance areas of the business, taking into account the prevailing economic conditions for the year ahead, the Company's strategic objectives and the key risk factors facing the business at that time. The targets are designed to focus the activities of the business on the key areas of performance that deliver long term sustainable growth for shareholders.

For the year ended 30 June 2018, the Managing Director had a target opportunity of 40% of fixed remuneration, and a maximum opportunity of 60%. Executives had a target opportunity of 30% of fixed remuneration, and a maximum opportunity of 45%. The target opportunity is awarded for achieving the objectives set by the Board at the beginning of each financial year. In order for the maximum opportunity to be awarded, performance must be a clear margin above the planned targets that were set.

At the end of each financial year, the Board assesses the Group's net profit before tax performance against the budgeted target prior to any awards being considered under the CR Plan.

Once the Board has approved that an award can be made under the CR Plan, executive performance is assessed against the relevant targets set at the beginning of the financial year at a Group, division, business unit and individual level. This assessment is taken into account when determining the amount, if any, of the award to be made to each individual under the CR Plan, with annual awards being subject to approval by the Remuneration Committee and Board. The following key performance areas (KPA) are considered in the assessment process, covering a number of financial and non-financial, Group and divisional measures of performance. The table below provides an overview of these KPAs and the weighting applied when assessing performance.

	Earnings performance		Other	
	Earnings per share	Divisional contribution	Group KPAs	Divisional KPAs
MD	60%	-	40%	-
CFO	60%	-	-	40%
EGM	30%	30%	-	40%

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

Other Group or divisional KPAs relate to:

- Working capital management
- Safety performance
- People performance
- Customer satisfaction
- Strategic progress

The Board determined, based on the financial performance of the company for the year ended 30 June 2018, that an award could be made under the CR Plan. Post 30 June 2018, 89 employees were notified of their eligibility for performance rights under the CR plan.

Group and Divisional performance for the year ended 30 June 2018 was as follows:

	Earnings Performance		Other				
	EPS	Divisional contribution	Working capital management	Safety	People	Customer satisfaction	Strategic Progress
Group	▲		■	●	●	●	●
Engineering Construction		●	■	▲	●	●	●
Maintenance & Industrial Services		▲	■	■	●	●	●

Between target and maximum	▲
On target	●
Between threshold and target	■

The following table sets out the awards under the CR Plan for each executive for the financial year ended 30 June 2018:

Executive	Total award \$	Cash component \$ (25%)	Performance Rights component \$ (75%)	% of maximum opportunity earned
R. Velletri	419,700	104,925	314,775	68%
P. Trueman	183,200	45,800	137,400	77%
D. Foti	251,700	62,925	188,775	70%
Z. Bebic	238,700	59,675	179,025	74%

Tables 1 and 2 on pages 21 and 22 of this report detail the proportion of fixed and variable remuneration for each of the executive directors and the senior executives of the Company for the financial year ended 30 June 2018, and includes the cash component of the awards detailed in the table above. The deferred performance right component of the award to be allocated early in the 2019 financial year will be amortised over the one to three year service periods. Further details of the performance rights to be issued will be provided in the 2019 financial report.

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

*Variable remuneration – Employee Option Plan*

*Objective*

The objective of the Employee Option Plan is to retain and reward key employees in a manner which aligns this element of remuneration with the creation of shareholder wealth. As previously mentioned, the Company has utilised the CR Plan to reward executives and other employees for the year ended 30 June 2018, but retains the Employee Option Plan as an alternative or additional scheme for the executive management team.

*Structure*

Monadelphous Group Limited Employee Option Plan

Equity-based grants to executives are at the discretion of the Remuneration Committee and Board, and may be delivered in the form of options. Should any issue of options be considered, the individual performance rating of each executive and the annual cost to the Company, on an individual basis, is taken into account when determining the amount, if any, of options granted.

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 Board 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 prescribed performance hurdle has been achieved. 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.

There are currently no options on issue under the Monadelphous Group Limited Employee Option Plan.

*Hedging of equity awards*

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

*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. The most recent determination was at the Annual General Meeting held on 22 November 2016 when shareholders approved an aggregate remuneration of \$750,000 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.

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

Non-executive director fees consist of base fees and committee chair fees. The Deputy Chair/Lead Independent Non-executive Director also receives an additional fee. The payment of committee chair fees recognises the additional time commitment required by non-executive directors to chair the Board committees. Committee members do not receive a separate fee for sitting on a committee.

The table below summarises Board and Committee fees payable to non-executive directors for the financial year ended 30 June 2018 (inclusive of superannuation):

<b>Board Fees</b>	\$
Non-executive Director fee	110,000
Board Deputy Chair and Lead Independent Non-executive Director additional fee	20,000
<b>Committee Chair Fees</b>	
Audit	10,000
Remuneration	10,000
Nomination	*

\* The Nomination Committee is chaired by the Executive Chairman.

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.

Fees for non-executive directors are not linked to the performance of 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 year ending 30 June 2018 is detailed in Table 1 on page 21 of this report.

***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>2018</b>	2017	2016	2015	2014
	<b>\$'000</b>	\$'000	\$'000	\$'000	\$'000
Profit after income tax expense attributable to equity holders of the parent	<b>71,479</b>	57,563	67,014	105,825	146,510
Basic earnings per share	<b>76.11c</b>	61.41c	71.77c	113.91c	159.05c
Share Price as at 30 June	<b>\$15.06</b>	\$13.99	\$7.46	\$9.37	\$15.71

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 2018*

	Short Term Benefits			Post Employment		Long Term Benefits	Share-Based Payments	Total	Total Performance Related	Total Options Related
	Salary & Fees	Non Monetary	Cash STI	Super-annuation	Retirement Benefits	Leave	Options LTI			
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<i>Non-Executive Directors</i>										
P. J. Dempsey	127,854	7,753	-	12,146	-	-	-	147,753	-	-
C. P. Michelmore	109,589	6,645	-	10,411	-	-	-	126,645	-	-
D. R. Voss	100,457	6,092	-	9,543	-	-	-	116,092	-	-
H. J. Gillies	100,457	6,092	-	9,543	-	-	-	116,092	-	-
<b>Subtotal Non-Executive Directors</b>	<b>438,357</b>	<b>26,582</b>	<b>-</b>	<b>41,643</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>506,582</b>	<b>-</b>	<b>-</b>
<i>Executive Directors</i>										
C. G. B. Rubino	433,802	26,306	-	20,049	-	8,640	-	488,797	-	-
R. Velletri	914,398	65,671	104,925	20,049	-	30,322	-	1,135,365	9.24	-
<b>Subtotal Executive Directors</b>	<b>1,348,200</b>	<b>91,977</b>	<b>104,925</b>	<b>40,098</b>	<b>-</b>	<b>38,962</b>	<b>-</b>	<b>1,624,162</b>	<b>6.46</b>	<b>-</b>
<i>Other Key Management Personnel</i>										
D. Foti	706,478	47,550	62,925	20,049	-	25,405	-	862,407	7.30	-
Z. Bebic	614,608	46,192	59,675	20,049	-	36,123	-	776,647	7.68	-
P. Trueman	459,440	35,328	45,800	20,049	-	13,669	-	574,286	7.98	-
<b>Subtotal Other Key Management Personnel</b>	<b>1,780,526</b>	<b>129,070</b>	<b>168,400</b>	<b>60,147</b>	<b>-</b>	<b>75,197</b>	<b>-</b>	<b>2,213,340</b>	<b>7.61</b>	<b>-</b>
<b>Total</b>	<b>3,567,083</b>	<b>247,629</b>	<b>273,325</b>	<b>141,888</b>	<b>-</b>	<b>114,159</b>	<b>-</b>	<b>4,344,084</b>	<b>6.29</b>	<b>-</b>

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

**Remuneration of Key Management Personnel**

*Table 2: Remuneration for the year ended 30 June 2017*

	Short Term Benefits			Post Employment		Long Term Benefits	Share-Based Payments	Total	Total Performance Related	Total Options Related
	Salary & Fees	Non Monetary	Cash STI	Super-annuation	Retirement Benefits	Leave	Options LTI			
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<i>Non-Executive Directors</i>										
P. J. Dempsey	124,201	6,296	-	11,799	-	-	-	142,296	-	-
C. P. Michelmore	103,653	5,255	-	9,847	-	-	-	118,755	-	-
D. R. Voss	93,607	4,745	-	8,893	-	-	-	107,245	-	-
H. J. Gillies*	72,005	3,650	-	6,840	-	-	-	82,495	-	-
<b>Subtotal Non-Executive Directors</b>	<b>393,466</b>	<b>19,946</b>	<b>-</b>	<b>37,379</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>450,791</b>	<b>-</b>	<b>-</b>
<i>Executive Directors</i>										
C. G. B. Rubino	441,619	22,388	-	19,616	-	8,013	-	491,636	-	-
R. Velletri	914,543	53,929	-	19,616	-	17,377	-	1,005,465	-	-
<b>Subtotal Executive Directors</b>	<b>1,356,162</b>	<b>76,317</b>	<b>-</b>	<b>39,232</b>	<b>-</b>	<b>25,390</b>	<b>-</b>	<b>1,497,101</b>	<b>-</b>	<b>-</b>
<i>Other Key Management Personnel</i>										
D. Foti	713,137	42,072	-	19,616	-	9,305	-	784,130	-	-
Z. Bebic	596,600	39,018	-	19,616	-	32,767	-	688,001	-	-
P. Trueman	436,603	29,407	-	19,616	-	10,038	-	495,664	-	-
<b>Subtotal Other Key Management Personnel</b>	<b>1,746,340</b>	<b>110,497</b>	<b>-</b>	<b>58,848</b>	<b>-</b>	<b>52,110</b>	<b>-</b>	<b>1,967,795</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,495,968</b>	<b>206,760</b>	<b>-</b>	<b>135,459</b>	<b>-</b>	<b>77,500</b>	<b>-</b>	<b>3,915,687</b>	<b>-</b>	<b>-</b>

\* H. Gillies was appointed as a Non-Executive Director on 5 September 2016. The balances shown in Table 2 comprise remuneration from the date of appointment.

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

**Remuneration of Key Management Personnel (continued)**

*Table 3: Compensation options: Granted during the years ended 30 June 2018 and 30 June 2017*

During the years ended 30 June 2018 and 30 June 2017, no options were granted as equity compensation benefits to Key Management Personnel.

*Table 4: Shares issued on exercise of compensation options during the year ended 30 June 2018*

During the year ended 30 June 2018, no shares were issued on exercise of compensation options by Key Management Personnel.

**Additional disclosures relating to options and shares**

*Table 5: Option holdings of Key Management Personnel*

<i>Options held in Monadelphous Group Limited</i>	<b>Balance at Beginning of Period 1 July 2017</b>	<b>Granted as Remuneration</b>	<b>Options Exercised and Lapsed</b>	<b>Net Change Other</b>	<b>Balance at End of Period 30 June 2018</b>
<b>Directors</b>					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
C. P. Michelmore	-	-	-	-	-
D. R. Voss	-	-	-	-	-
H. J. Gillies	-	-	-	-	-
<b>Executives</b>					
D. Foti	-	-	-	-	-
Z. Bebic	-	-	-	-	-
P. Trueman	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

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

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

**Table 6: Shareholdings of Key Management Personnel**

<i>Shares held in Monadelphous Group Limited</i>	<b>Balance at Beginning of Period 1 July 2017</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 2018</b>
<b>Directors</b>					
C. G. B. Rubino	2,022,653	-	-	(1,000,000)	1,022,653
R. Velletri	2,100,000	-	-	-	2,100,000
P. J. Dempsey	78,000	-	-	-	78,000
C. P. Michelmores	50,000	-	-	(20,000)	30,000
D. R. Voss	2,852	-	-	-	2,852
H. J. Gillies	-	-	-	4,078	4,078
<b>Executives</b>					
D. Foti	359,316	-	-	(230,000)	129,316
Z. Bebic	-	-	-	-	-
P. Trueman	-	-	-	-	-
<b>Total</b>	4,612,821	-	-	(1,245,922)	3,366,899

***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 are shown in the table below.

	Directors' Meetings	Meetings of Committees		
		Audit	Remuneration	Nomination
<b>Number of meetings held:</b>	12	7	3	2
<b>Number of meetings attended:</b>				
C. G. B. Rubino	11	-	-	2
R. Velletri	12	-	-	-
P. J. Dempsey	12	7	-	2
C. P. Michelmore	11	-	3	2
D. R. Voss	12	7	3	2
H. J. Gillies	12	7	3	2

**COMMITTEE MEMBERSHIP**

As at the date of this report, the Company had an audit committee, a remuneration committee and a nomination committee.

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

Audit	Remuneration	Nomination
P. J. Dempsey (c)	C. P. Michelmore (c)	C. G. B. Rubino (c)
D. R. Voss	D. R. Voss	C. P. Michelmore
H. J. Gillies	H. J. Gillies	P. J. Dempsey
		H. J. Gillies
		D. R. Voss

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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the legislative instrument 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 have received an independence declaration from the auditor of Monadelphous Group Limited, as shown on page 27.

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	30,411
Assurance related	31,000
	<u>61,411</u>

Signed in accordance with a resolution of the directors.



C. G. B. Rubino  
Chairman  
Perth, 20 August 2018



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

As lead auditor for the audit of Monadelphous Group Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized, handwritten signature in blue ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'D S Lewsen'.

D S Lewsen  
Partner  
20 August 2018



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 audit of the financial report

#### Opinion

We have audited the financial report of Monadelphous Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## Recognition of revenues and profits on long-term contracts

Why significant	How our audit addressed the key audit matter
<p>The Group's business involves entering into contractual relationships with customers to provide a range of services. A significant proportion of the Group's revenues and profits are derived from long-term contracts.</p> <p>Revenue recognition involves a significant degree of judgement, with estimates being made to:</p> <ul style="list-style-type: none"> <li>▶ Assess the total contract costs</li> <li>▶ Assess the stage of completion of the contract</li> <li>▶ Forecast the profit margin after taking into consideration additional revenue arising from variations to the original contract</li> <li>▶ Appropriately provide for loss making contracts.</li> </ul> <p>The Group's accounting policies and disclosures for revenue are detailed in <i>General Information - Key Judgements - Revenue, Note 1 Revenue and Other Income and Note 7 Inventories</i> of the financial report.</p>	<p>We examined all key contracts and enquired with the Group for each of these contracts to understand the specific terms and risks, which in turn allowed us to assess the recognition of revenue.</p> <p>We evaluated and tested the relevant IT systems and assessed the operating effectiveness of controls over the recording of revenue recognised in the financial report, including controls relating to:</p> <ul style="list-style-type: none"> <li>▶ Contract reviews performed by the Group that included estimating total costs, stage of completion of contracts, profit margin and evaluating contract profitability</li> <li>▶ Revenue recording and billing processes</li> <li>▶ Contract cost recording processes including the purchases, payments and payroll processes.</li> </ul> <p>For a sample of contracts with a delivery schedule of greater than 12 months we performed the following additional procedures:</p> <ul style="list-style-type: none"> <li>▶ Understood the performance and status of the contracts through enquiries with the key executives having oversight over the various contract portfolios</li> <li>▶ Assessed the contract status through the examination of externally generated evidence, such as approved variations and customer correspondence</li> <li>▶ Analysed the Group's estimates for total contract costs and forecast costs to complete, including taking into account the historical accuracy of such estimates</li> <li>▶ Assessed the provisions for loss making contracts and whether these appropriately reflected the expected contractual positions</li> <li>▶ Assessed the Group's accounting policies and the adequacy of its related disclosures in the financial report.</li> </ul>



## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Group's internal control.



- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Monadelphous Group Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.



## Responsibilities

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.

*Ernst & Young*

Ernst & Young

A handwritten signature in blue ink, appearing to read 'D S Lewsen', is written over a faint, light blue grid background.

D S Lewsen  
Partner

Perth  
20 August 2018

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 2018 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 39.

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 2018.

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

On behalf of the Board



C. G. B. Rubino  
Chairman  
Perth, 20 August 2018

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2018**

34

	Notes	2018 \$'000	2017 \$'000
<b>Continuing Operations</b>			
<b>REVENUE</b>	1	<b>1,737,632</b>	1,249,085
Cost of services rendered		<u>(1,590,821)</u>	<u>(1,119,327)</u>
<b>GROSS PROFIT</b>		<b>146,811</b>	129,758
Other income	1	<b>5,430</b>	6,865
Business development and tender expenses		<b>(17,221)</b>	(22,096)
Occupancy expenses		<b>(3,525)</b>	(3,305)
Administrative expenses		<b>(29,871)</b>	(27,065)
Finance costs	2	<b>(452)</b>	(734)
Unrealised foreign currency gain/(loss)		<b>1,673</b>	(759)
<b>PROFIT BEFORE INCOME TAX</b>		<b>102,845</b>	82,664
Income tax expense	3	<b>(30,570)</b>	(24,144)
<b>PROFIT AFTER INCOME TAX</b>		<b>72,275</b>	58,520
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT NON-CONTROLLING INTERESTS</b>		<b>71,479</b>	57,563
		<b>796</b>	957
		<u><b>72,275</b></u>	<u>58,520</u>
Basic earnings per share (cents per share)	4	<b>76.11</b>	61.41
Diluted earnings per share (cents per share)	4	<b>76.07</b>	61.34

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2018**

35

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>NET PROFIT FOR THE YEAR</b>	<b>72,275</b>	58,520
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Net gain on available-for-sale financial asset	<b>905</b>	267
Income tax effect	<b>(271)</b>	(80)
	<b>634</b>	187
Foreign currency translation	<b>(910)</b>	(134)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<b>(276)</b>	53
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>71,999</b>	58,573
<b>ATTRIBUTABLE TO</b>		
<b>EQUITY HOLDERS OF THE PARENT</b>	<b>71,203</b>	57,616
<b>NON-CONTROLLING INTERESTS</b>	<b>796</b>	957
	<b>71,999</b>	58,573

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

36

	Notes	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	208,773	241,909
Trade and other receivables	6	288,371	245,826
Inventories	7	47,200	69,774
<b>Total current assets</b>		<b>544,344</b>	<b>557,509</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	101,983	79,052
Intangible assets and goodwill	9	3,120	3,345
Investment in joint venture	10	1,437	1,911
Deferred tax assets	3	35,304	25,980
Other non-current assets	11	2,806	1,901
<b>Total non-current assets</b>		<b>144,650</b>	<b>112,189</b>
<b>TOTAL ASSETS</b>		<b>688,994</b>	<b>669,698</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	164,008	183,063
Interest bearing loans and borrowings	13	7,944	6,904
Income tax payable	3	8,522	3,603
Provisions	14	94,106	86,042
<b>Total current liabilities</b>		<b>274,580</b>	<b>279,612</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	13	13,027	6,856
Provisions	14	5,259	4,972
Deferred tax liabilities	3	-	14
<b>Total non-current liabilities</b>		<b>18,286</b>	<b>11,842</b>
<b>TOTAL LIABILITIES</b>		<b>292,866</b>	<b>291,454</b>
<b>NET ASSETS</b>		<b>396,128</b>	<b>378,244</b>
<b>EQUITY</b>			
Contributed equity	17	125,703	122,965
Reserves	18	30,292	31,048
Retained earnings	18	238,486	223,380
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		<b>394,481</b>	<b>377,393</b>
Non-Controlling Interests		1,647	851
<b>TOTAL EQUITY</b>		<b>396,128</b>	<b>378,244</b>

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2018**

37

*Attributable to equity holders*

	<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>Non- controlling Interests \$'000</b>	<b>Available- for-sale reserve \$'000</b>	<b>Total \$'000</b>
At 1 July 2017	122,965	30,142	719	223,380	851	187	378,244
Other comprehensive income	-	-	(910)	-	-	634	(276)
Profit for the period	-	-	-	71,479	796	-	72,275
<b>Total comprehensive income for the period</b>	-	-	(910)	71,479	796	634	71,999
<b>Transactions with owners in their capacity as owners</b>							
Share-based payments	-	(480)	-	-	-	-	(480)
Dividend reinvestment plan	2,738	-	-	-	-	-	2,738
Dividends paid	-	-	-	(56,373)	-	-	(56,373)
At 30 June 2018	<b>125,703</b>	<b>29,662</b>	<b>(191)</b>	<b>238,486</b>	<b>1,647</b>	<b>821</b>	<b>396,128</b>

*Attributable to equity holders*

	<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>Non- controlling Interests \$'000</b>	<b>Available- for-sale reserve \$'000</b>	<b>Total \$'000</b>
At 1 July 2016	120,723	29,102	853	218,317	(106)	-	368,889
Other comprehensive income	-	-	(134)	-	-	187	53
Profit for the period	-	-	-	57,563	957	-	58,520
<b>Total comprehensive income for the period</b>	-	-	(134)	57,563	957	187	58,573
<b>Transactions with owners in their capacity as owners</b>							
Share-based payments	-	1,040	-	-	-	-	1,040
Dividend reinvestment plan	2,242	-	-	-	-	-	2,242
Dividends paid	-	-	-	(52,500)	-	-	(52,500)
At 30 June 2017	<b>122,965</b>	<b>30,142</b>	<b>719</b>	<b>223,380</b>	<b>851</b>	<b>187</b>	<b>378,244</b>

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

38

	Notes	2018 \$'000	2017 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		1,873,522	1,430,396
Payments to suppliers and employees (inclusive of GST)		(1,793,937)	(1,305,002)
Interest received		2,573	3,395
Borrowing costs		(493)	(705)
Other income		2,496	2,726
Income tax paid		(32,692)	(19,617)
Dividends received		178	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	5	<b>51,647</b>	<b>111,193</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		3,442	6,866
Purchase of property, plant and equipment		(25,039)	(12,368)
Repayment of loans to joint ventures and associates		1,833	2,438
Payment of loans to joint ventures and associates		(2,449)	(3,753)
Investment in available-for-sale financial asset		-	(1,634)
Acquisition of controlled entities	20	(1,414)	(5,433)
Other		-	54
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(23,627)</b>	<b>(13,830)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(53,635)	(50,258)
Proceeds from borrowings		-	2,400
Repayment of borrowings		(1,500)	(2,400)
Payment of finance leases		(6,400)	(7,886)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(61,535)</b>	<b>(58,144)</b>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Net foreign exchange differences		379	(825)
Cash and cash equivalents at beginning of period		241,909	203,515
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	5	<b>208,773</b>	<b>241,909</b>

## GENERAL INFORMATION

The consolidated financial report of Monadelphous Group Limited (the Group) and its subsidiaries for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of directors on 20 August 2018.

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 59 Albany Highway, 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 financial assets held 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the legislative instrument 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 before 1 July 2017 (Refer to note 31).
- 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 2018. 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 19. Consolidation of the 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.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a debit balance.

**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.

**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) and the US subsidiaries (Monadelphous Inc. and Monadelphous Marcellus LLC). 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). The functional currency of the Mongolian subsidiary (Monadelphous Mongolia LLC) is Mongolian Tugrik (MNT).

*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 foreign operations 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 31.

**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 ability to reliably determine these 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 the Group does not commence profit 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.

*Impairment*

Refer to notes 8 and 9 for details.

*Workers Compensation*

Refer note 14 for details.

*Consolidation of MGJV Pty Ltd*

Refer to note 19 for details.

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>1. REVENUE AND OTHER INCOME</b>		
Rendering of services and construction contract revenue	<b>1,734,881</b>	1,245,183
Finance revenue	<b>2,573</b>	3,848
Dividends received	<b>178</b>	54
<b>Revenue</b>	<b>1,737,632</b>	<b>1,249,085</b>
Net gains on disposal of property, plant and equipment	<b>2,934</b>	4,139
Other income	<b>2,496</b>	2,726
<b>Other income</b>	<b>5,430</b>	<b>6,865</b>

### **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.

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>2. EXPENSES</b>		
<b>Finance costs</b>		
Loans and overdrafts	14	107
Finance charges payable under finance leases and hire purchase contracts	438	627
	<u>452</u>	<u>734</u>
<b>Depreciation and amortisation</b>		
Depreciation expense	17,222	17,892
Amortisation of intangible assets	625	562
	<u>17,847</u>	<u>18,454</u>
<b>Employee benefits expense</b>		
Employee benefits expense	923,451	697,999
Defined contribution superannuation expense	64,189	43,615
	<u>987,640</u>	<u>741,614</u>
<b>Lease payments and other expenses</b>		
Minimum lease payments – operating lease	12,971	14,620
<b>Government grants included in the income statement</b>	<b>2,501</b>	6,028

**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 14 for employee benefits expense and note 26 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 8.5% 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.

	2018 \$'000	2017 \$'000
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### 3. INCOME TAX

The major components of income tax expense are:

#### Income statement

##### Current income tax

Current income tax charge	34,791	28,484
Adjustments in respect of previous years	644	(360)

##### Deferred income tax

Temporary differences	(4,865)	(3,980)
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Income tax expense reported in the income statement	<b>30,570</b>	24,144
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#### Statement of Comprehensive Income

Deferred tax related to items recognised in Statement of Comprehensive income during the year:

Unrealised gain on Available-for-sale financial assets	<b>271</b>	80
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#### 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	<b>102,845</b>	82,664
Income tax rate of 30% (2017: 30%)	<b>30,854</b>	24,799
- Share based payment expense	<b>240</b>	440
- R&D	<b>(750)</b>	(1,808)
- Other	<b>226</b>	713
Aggregate income tax expense	<b>30,570</b>	24,144

#### Recognised deferred tax assets and liabilities

	2018 \$'000	2018 \$'000	2017 \$'000	2017 \$'000
	Current Income Tax	Deferred Income Tax	Current Income Tax	Deferred Income Tax
Opening balance	(3,603)	25,966	(1,124)	22,066
Charged to income	<b>(35,435)</b>	<b>4,865</b>	(28,124)	3,980
Charged to equity	-	<b>(271)</b>	-	(80)
Other / payments	<b>30,516</b>	<b>4,744</b>	25,645	-
Closing balance	<b>(8,522)</b>	<b>35,304</b>	(3,603)	25,966

Amounts recognised on the consolidated statement of financial position:

Deferred tax asset	<b>35,304</b>	25,980
Deferred tax liability	-	(14)
	<b>35,304</b>	25,966

**3. INCOME TAX (continued)**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Deferred income tax at 30 June relates to the following:		
<i>Deferred tax assets</i>		
Provisions	<b>29,709</b>	25,992
Depreciation	<b>1,425</b>	-
Other	<b>4,875</b>	1,900
Gross deferred tax assets	<b>36,009</b>	27,892
Set-off of deferred tax liabilities	<b>(705)</b>	(1,912)
Net deferred tax assets	<b>35,304</b>	25,980
<i>Deferred tax liabilities</i>		
Accelerated depreciation	-	1,915
Other	<b>705</b>	11
Gross deferred tax liabilities	<b>705</b>	1,926
Set-off against deferred tax assets	<b>(705)</b>	(1,912)
Net deferred tax liabilities	<b>-</b>	14

**Unrecognised temporary differences**

At 30 June 2018, 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 (2017: \$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. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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

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

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

### **3. INCOME TAX (continued)**

#### **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>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>4. EARNINGS PER SHARE</b>		
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>71,479</u>	<u>57,563</u>
Earnings used in calculation of basic and diluted earnings per share	<u><u>71,479</u></u>	<u><u>57,563</u></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>93,916,738</b>	93,730,313
<b>Effect of dilutive securities</b>		
Shares issuable associated with Arc West Group Pty Ltd acquisition (refer to note 20)	<u>49,372</u>	<u>119,031</u>
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>93,966,110</u></u>	<u><u>93,849,344</u></u>

Conversions, calls, subscriptions or issues after 30 June 2018:

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.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**OPERATING ASSETS AND LIABILITIES**  
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	<b>2018</b>	2017
	<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>183,773</b>	156,909
Short term deposits	<b>25,000</b>	85,000
	<b>208,773</b>	241,909

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

Net profit	<b>72,275</b>	58,520
<b>Adjustments for</b>		
Depreciation of non-current assets	<b>17,222</b>	17,892
Amortisation and impairment of intangible assets	<b>625</b>	943
Net profit on sale of property, plant and equipment	<b>(2,934)</b>	(4,139)
Impairment of other non-current assets	<b>-</b>	236
Share-based payment expense/(credit)	<b>(480)</b>	1,040
Unrealised foreign exchange (gain)/loss	<b>(1,673)</b>	759
Other	<b>1,304</b>	2,211
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in receivables	<b>(40,086)</b>	79,482
(Increase)/decrease in inventories	<b>22,682</b>	(16,225)
Increase in deferred tax assets	<b>(9,252)</b>	(3,773)
Decrease in payables	<b>(20,172)</b>	(27,607)
Increase/(decrease) in provisions	<b>7,231</b>	(418)
Increase in income tax payable	<b>4,919</b>	2,479
Decrease in deferred tax liabilities	<b>(14)</b>	(207)
Net cash flows from operating activities	<b>51,647</b>	111,193

**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 \$15,152,164 (2017: \$4,069,735).

**Reconciliation of liabilities arising from financing activities**

	<b>2017</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>New leases</b>	<b>\$</b>
Hire purchase liabilities	12,219	<b>(6,400)</b>	<b>15,152</b>	<b>20,971</b>
Loan	1,541	<b>(1,541)</b>	-	-
	13,760	<b>(7,941)</b>	<b>15,152</b>	<b>20,971</b>

**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, net of outstanding bank overdrafts.

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**OPERATING ASSETS AND LIABILITIES**  
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	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>6. TRADE AND OTHER RECEIVABLES</b>		
<b>CURRENT</b>		
Trade receivables	<b>217,611</b>	166,660
Less allowance for impairment loss	<b>(3,643)</b>	(2,794)
	<b>213,968</b>	163,866
Other debtors	<b>74,403</b>	81,960
	<b>288,371</b>	245,826

**Allowance for impairment loss**

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Movements in the allowance for impairment loss were as follows:		
Balance at the beginning of the year	<b>2,794</b>	2,508
Expense for the year reflected in administrative expenses in the income statement	<b>849</b>	286
Balance at the end of the year	<b>3,643</b>	2,794

**Trade receivables past due not impaired**

At 30 June 2018, the ageing of trade receivables, past due but not considered impaired is as follows:

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
1-30 Days	<b>33,706</b>	33,904
31-60 Days	<b>9,054</b>	9,470
61+ Days	<b>19,332</b>	10,160
<b>TOTAL</b>	<b>62,092</b>	53,534

The majority of the amounts past due at 30 June 2018 have been collected subsequent to year end. Payment terms on the remaining 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 include accrued sales which are non-interest bearing and have repayment terms between 30 to 60 days.

**Recognition and measurement**

Trade receivables, which generally have 30 to 60 days 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	2018 \$'000	2017 \$'000
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**7. INVENTORIES**

**Construction work in progress**

Cost incurred to date plus profit recognised		1,432,940	1,422,765
Consideration received and receivable as progress billings		<u>(1,451,339)</u>	<u>(1,454,382)</u>
		<u>(18,399)</u>	<u>(31,617)</u>
Represented by:			
Amounts due to customers	12	<u>65,599</u>	<u>101,391</u>
Amounts due from customers		<u>47,200</u>	<u>69,774</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 12.

**Credit risk of amounts due from customers**

Details regarding credit risk of amounts due from customers are disclosed in note 22.

**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.

**8. PROPERTY, PLANT AND EQUIPMENT**

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

	PROPERTY		PLANT AND EQUIPMENT			Total \$'000
	Freehold land \$'000	Buildings \$'000	Leasehold improve- ments \$'000	Plant and equipment \$'000	Plant and equipment under hire purchase \$'000	
<b>Year ended 30 June 2018</b>						
Net carrying amount at 1 July 2017	13,411	17,197	-	31,121	17,323	79,052
Additions	-	278	-	24,761	15,152	40,191
Acquired through business combination	-	11	-	672	-	683
Assets transferred	-	-	-	4,148	(4,148)	-
Disposals	-	-	-	(508)	-	(508)
Depreciation charge	-	(1,061)	-	(13,219)	(2,942)	(17,222)
Exchange differences	-	-	-	(213)	-	(213)
Net carrying amount at 30 June 2018	<b>13,411</b>	<b>16,425</b>	<b>-</b>	<b>46,762</b>	<b>25,385</b>	<b>101,983</b>
<b>At 30 June 2018</b>						
Gross carrying amount – at cost	13,411	26,499	-	173,372	32,170	245,452
Accumulated depreciation	-	(10,074)	-	(126,610)	(6,785)	(143,469)
Net carrying amount	<b>13,411</b>	<b>16,425</b>	<b>-</b>	<b>46,762</b>	<b>25,385</b>	<b>101,983</b>

	PROPERTY		PLANT AND EQUIPMENT			Total \$'000
	Freehold land \$'000	Buildings \$'000	Leasehold improve- ments \$'000	Plant and equipment \$'000	Plant and equipment under hire purchase \$'000	
<b>Year ended 30 June 2017</b>						
Net carrying amount at 1 July 2016	13,411	16,660	696	27,682	21,539	79,988
Additions	-	12	-	12,356	4,070	16,438
Acquired through business combination (Note 20)	-	1,041	-	2,270	-	3,311
Assets transferred	-	587	(587)	4,487	(4,487)	-
Disposals	-	(31)	-	(2,696)	-	(2,727)
Depreciation charge	-	(1,072)	(109)	(12,912)	(3,799)	(17,892)
Exchange differences	-	-	-	(66)	-	(66)
Net carrying amount at 30 June 2017	<b>13,411</b>	<b>17,197</b>	<b>-</b>	<b>31,121</b>	<b>17,323</b>	<b>79,052</b>
<b>At 30 June 2017</b>						
Gross carrying amount – at cost	13,411	27,380	-	150,237	25,275	216,303
Accumulated depreciation	-	(10,183)	-	(119,116)	(7,952)	(137,251)
Net carrying amount	<b>13,411</b>	<b>17,197</b>	<b>-</b>	<b>31,121</b>	<b>17,323</b>	<b>79,052</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>2018</b>	2017
	<b>\$'000</b>	\$'000
Assets pledged as security	<b>25,385</b>	17,323

**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 2018</b>			
At 1 July 2017	625	2,720	3,345
On business combination (Note 20)	-	400	400
Amortisation	(625)	-	(625)
At 30 June 2018	-	3,120	3,120
<b>Year ended 30 June 2017</b>			
At 1 July 2016	-	2,947	2,947
On business combination (Note 20)	1,187	154	1,341
Amortisation	(562)	-	(562)
Impairment	-	(381)	(381)
At 30 June 2017	625	2,720	3,345

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

Intangible assets relate to the fair value of contracts acquired on acquisition of Arc West Group Pty Ltd. Intangible assets have been assessed as having a finite life and are amortised using the straight line method over a period of 19 months.

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

Goodwill acquired through business combinations 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 Energy Services Pty Ltd, the entity Arc West Group Pty Ltd and the entity R.I.G. Installations (Newcastle) Pty Ltd. None of these 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 years period and applying a discount rate to the cash flow projections in the range of 12% to 15%. No reasonably possible changes in key assumptions would result in the carrying amount of the CGU exceeding its 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.

## **10. INTEREST IN JOINT VENTURES**

### **Mondium Pty Ltd**

On 21 October 2016, a joint venture company, Mondium Pty Ltd was formed between Monadelphous and Lycopodium Ltd. The Group has a 60% interest in the joint venture. The principal activity of Mondium is to deliver engineering, procurement and construction services in the minerals processing sector.

### **Zenviron Pty Ltd**

On 26 July 2016, a joint venture company, Zenviron Pty Ltd was formed between Monadelphous and ZEM Energy Pty Ltd. The Group has a 55% interest in the joint venture. The principal activity of Zenviron is to deliver multi-disciplinary construction services in the renewable energy market in Australia and New Zealand.

At 30 June 2018, the Group's interests in Mondium Pty Ltd and Zenviron Pty Ltd were not material individually or in aggregate.

### **Commitments and contingent liabilities relating to Joint Ventures**

The Group's share of insurance bond guarantees issued by Joint Ventures at 30 June 2018 was \$9,823,596 (2017: \$12,001,408).

Joint ventures had no capital commitments at 30 June 2018 (2017: \$nil).

### **Recognition and measurement**

A joint venture is a type of arrangement whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost. The carrying value of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. The income statement reflects the Group's share of the results of the joint venture.

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	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>11. OTHER NON-CURRENT ASSETS</b>		
<b>Other non-current assets</b>	<b>2,806</b>	1,901

Other non-current assets consist of investments as follows:

Ordinary shares at fair value in Lycopodium Limited (ASX Code: LYL). The investment is classified as available-for-sale securities. Fair value is calculated using quoted prices in active markets.

<b>12. TRADE AND OTHER PAYABLES</b>	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>CURRENT</b>		
Trade payables	<b>68,946</b>	54,109
Advances on construction work in progress –		
Amounts due to customers	<b>65,599</b>	101,391
Sundry creditors and accruals	<b>29,463</b>	27,563
	<b>164,008</b>	183,063

**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 terms of 7 to 45 days.

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	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>13. INTEREST BEARING LOANS AND BORROWINGS</b>		
<b>CURRENT</b>		
Hire purchase liability – secured	7,944	5,363
Loan – unsecured	-	1,541
	<u>7,944</u>	<u>6,904</u>
<b>NON-CURRENT</b>		
Hire purchase liability – secured	<u>13,027</u>	6,856
	<u>13,027</u>	<u>6,856</u>

**Terms and conditions**

Hire purchase agreements have an average term of three years. The average discount rate implicit in the hire purchase liability is 4.09% (2017: 4.15%). 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.

**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.

**13. INTEREST BEARING LOANS AND BORROWINGS (continued)**

**Recognition and measurement (continued)**

*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.

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>14. PROVISIONS</b>		
<b>CURRENT</b>		
Employee benefits	<b>67,837</b>	59,621
Workers' compensation	<b>26,269</b>	26,421
	<b>94,106</b>	86,042
<b>NON-CURRENT</b>		
Employee benefits – long service leave	<b>5,259</b>	4,972
	<b>2018</b>	
	<b>\$'000</b>	

**Movements in provisions**

*Workers compensation*

Carrying amount at the beginning of the year	26,421
Additional provision	<b>8,739</b>
Amounts utilised during the year	<b>(8,891)</b>
Carrying amount at the end of the financial year	<b>26,269</b>

#### **14. PROVISIONS (continued)**

##### **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, 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.

The liability for long term benefits 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 high quality corporate 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 years period through negotiation with the relevant insurance company. The provision has been created to cover the expected costs associated with closing out each insurance policy and is adjusted accordingly based on the actual payroll incurred and the severity of incidents that have occurred during each period.

**15. CAPITAL MANAGEMENT**

Capital is managed by the Group's Chief Financial Officer in conjunction with the Group's Finance and 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 2018, the Group is in a net cash position of \$187,802,000 (2017: \$228,149,000) and has a debt to equity ratio of 5.3% (2017: 3.6%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2018, management paid dividends of \$56,373,000. 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.

**16. DIVIDENDS PAID AND PROPOSED**

**Declared and paid during the year**

*Current year interim*

Interim franked dividend for 2018 (30 cents per share) (2017: 24 cents per share)

<b>2018</b>	2017
<b>\$'000</b>	\$'000

<b>28,199</b>	22,519
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*Previous year final*

Final franked dividend for 2017 (30 cents per share) (2016: 32 cents per share)

<b>28,174</b>	29,981
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**Unrecognised amounts**

*Current year final*

Final franked dividend for 2018 (32 cents per share) (2017: 30 cents per share)

<b>30,115</b>	28,174
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**Franking credit balance**

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>53,356</b>	45,103
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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

<b>(12,906)</b>	(12,075)
<b>40,450</b>	33,028

**Tax rates**

The tax rate at which paid dividends have been franked is 30% (2017: 30%). Dividends payable will be franked at the rate of 30% (2017: 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.

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	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>17. CONTRIBUTED EQUITY</b>		
Ordinary shares – Issued and fully paid	<b>126,972</b>	124,234
Reserved shares	<b>(1,269)</b>	(1,269)
	<b>125,703</b>	122,965

**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>2018</b>		2017	
	<b>Number of</b>	<b>\$'000</b>	Number of	\$'000
	<b>Shares</b>		Shares	
Beginning of the financial year	93,928,264	124,234	93,703,963	121,992
Dividend reinvestment plan	<b>180,047</b>	<b>2,738</b>	224,301	2,242
End of the financial year	<b>94,108,311</b>	<b>126,972</b>	93,928,264	124,234

During the year ended 30 June 2018, no employees exercised options to acquire fully paid ordinary shares.

**Reserved shares**

	<b>2018</b>		2017	
	<b>Number of</b>	<b>\$'000</b>	Number of	\$'000
	<b>Shares</b>		Shares	
Beginning of the financial year	85,500	(1,269)	85,500	(1,269)
End of the financial year	<b>85,500</b>	<b>(1,269)</b>	85,500	(1,269)

**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.

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	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>18. RESERVES AND RETAINED EARNINGS</b>		
Foreign currency translation reserve	(191)	719
Share-based payment reserve	29,662	30,142
Available-for-sale reserve	821	187
	<b>30,292</b>	31,048
Retained earnings	<b>238,486</b>	223,380
<b>Movements in retained earnings</b>		
Balance at the beginning of the year	223,380	218,317
Net profit attributable to equity holders of the parent	71,479	57,563
Total available for appropriation	294,859	275,880
Dividends paid	(56,373)	(52,500)
Balance at the end of the year	<b>238,486</b>	223,380

**Movements in reserves**

	<b>Foreign currency translation reserve \$'000</b>	<b>Share- based payment reserve \$'000</b>	<b>Available- for-sale reserve \$'000</b>	<b>Total \$'000</b>
At 1 July 2016	853	29,102	-	29,955
Foreign currency translation	(134)	-	-	(134)
Share-based payment	-	1,040	-	1,040
Net fair value gain of available-for-sale financial assets	-	-	187	187
At 30 June 2017	719	30,142	187	31,048
Foreign currency translation	(910)	-	-	(910)
Share-based payment	-	(480)	-	(480)
Net fair value gain of available-for-sale financial assets	-	-	634	634
At 30 June 2018	<b>(191)</b>	<b>29,662</b>	<b>821</b>	<b>30,292</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 26 for further details of these plans.

*Available-for-sale reserve*

The available-for-sale reserve is used to record the movement in fair value of available-for-sale financial assets.

## 19. 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	
		2018 %	2017 %	2018 \$'000	2017 \$'000
Parent:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
#Monadelphous Engineering Associates Pty Ltd	Australia	100	100	26,132	26,132
#Monadelphous Properties Pty Ltd	Australia	100	100	1,941	1,941
#Monadelphous Engineering Pty Ltd	Australia	100	100	4,066	4,066
#Genco Pty Ltd	Australia	100	100	342	342
#Monadelphous Workforce Pty Ltd	Australia	100	100	370	370
#Monadelphous Electrical & Instrumentation Pty Ltd	Australia	100	100	5,343	5,343
#Monadelphous KT Pty Ltd	Australia	100	100	15,729	15,729
#Monadelphous Energy Services Pty Ltd	Australia	100	100	4,434	4,434
#M Workforce Pty Ltd	Australia	100	100	-	-
#M Maintenance Services Pty Ltd	Australia	100	100	-	-
M&ISS Pty Ltd	Australia	100	100	-	-
SinoStruct Pty Ltd	Australia	100	100	125	125
Monadelphous Group Limited Employee Share Trust	Australia	100	100	-	-
Monadelphous Holdings Pty Ltd	Australia	100	100	-	-
MGJV Pty Ltd	Australia	70 ^	70 ^	-	-
Evo Access Pty Ltd	Australia	100	100	-	-
Monadelphous Investments Pty Ltd	Australia	100	100	-	-
MWOG Pty Ltd	Australia	100	100	-	-
MOAG Pty Ltd	Australia	100	100	-	-
Monadelphous International Holdings Pty Ltd	Australia	100	100	-	-
Arc West Group Pty Ltd (Refer to Note 20)	Australia	100	100	5,440	5,440
R.I.G. Installations (Newcastle) Pty Ltd (Refer Note 20)	Australia	100	-	1,488	-
RE&M Services Pty Ltd*	Australia	100	-	-	-
Pilbara Rail Services Pty Ltd*	Australia	100	-	-	-
Monadelphous PNG Ltd	Papua New Guinea	100	100	-	-
Moway International Limited	Hong Kong	100	100	443	443
Moway AustAsia Steel Structures Trading (Beijing) Company Limited	China	100	100	-	-
Monadelphous Singapore Pte Ltd	Singapore	100	100	144	144
Monadelphous Mongolia LLC	Mongolia	100	100	-	-
Monadelphous Inc.	USA	100	100	1,806	1,806
Monadelphous Marcellus LLC	USA	100	100	-	-
MKT Pipelines Ltd	Canada	100	100	-	-
Monadelphous Engineering NZ Pty Ltd	New Zealand	100	100	-	-
Monadelphous Sdn Bhd	Malaysia	100	100	-	-
				<b>67,803</b>	<b>66,315</b>

# Controlled entities subject to the Class Order (Refer to note 30)

\* Incorporated during the year

^ The Group considers that it controls MGJV Pty Ltd as it has a casting vote at Board Meetings.

### Ultimate parent

Monadelphous Group Limited is the ultimate holding company.

### Material partly-owned subsidiaries

There were no subsidiaries that have a material non-controlling interest during the year.

**20. BUSINESS COMBINATION**

**Acquisition of R.I.G. Installations (Newcastle) Pty Ltd**

On 14 July 2017, Monadelphous Group Limited acquired 100% of the share capital of R.I.G. Installations (Newcastle) Pty Ltd for total cash consideration of \$1.4 million. The acquisition is not material to the results of the Group.

**Acquisition of Arc West Group Pty Ltd**

On 23 September 2016, Monadelphous Group Limited acquired 100% of the share capital of Arc West Group Pty Ltd. The acquisition forms part of Monadelphous' market growth strategy.

The consideration comprised a cash payment of \$5.4 million. The fair values of the identifiable assets and liabilities acquired from Arc West Group Pty Ltd as of the date of acquisition were:

	<b>Fair value at acquisition date \$'000</b>
Cash	7
Trade and other receivables	1,325
Inventory	114
Property, plant and equipment	3,311
Intangible assets	1,187
	<u>5,944</u>
Trade and other payables	570
Provisions	88
	<u>658</u>
Fair value of identifiable net assets	5,286
Goodwill arising on acquisition	154
	<u>5,440</u>
Acquisition-date fair-value of consideration transferred:	
Cash paid	5,440
Total consideration	<u>5,440</u>

The cash outflow on acquisition is as follows:

Net cash acquired with the business	7
Cash paid	(5,440)
Net consolidated cash outflow	<u>(5,433)</u>

Sales revenue and net profit from Arc West Group Pty Ltd for the period were not material.

Key factors contributing to the \$154,000 of goodwill are synergies expected to be achieved as a result of combining Arc West Group Pty Ltd with the rest of the Group.

A deferred component is payable through the issue of Monadelphous ordinary shares up to a value of \$2.3 million. The shares are issuable in six monthly instalments over the period to September 2018. The issue of each remaining instalment of shares is contingent on the former owners remaining as employees of Monadelphous. The shares are being treated as a remuneration payment. A share based payment expense is therefore being recognised over the period to September 2018 (refer to note 26).

## 21. 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	
			2018 %	2017 %
Monadelphous Jacobs JV PNG	Engineering, Procurement and Construction & Maintenance Support Work in PNG	PNG	65	-
Monadelphous Jacobs JV	Engineering, Procurement and Construction & Maintenance Support Work	Brisbane, QLD	65	-

### Commitments and contingent liabilities relating to joint operations

There were no capital commitments or contingent liabilities relating to the joint operations at 30 June 2018 (2017: \$nil).

### Impairment

There were no assets employed in the joint operations during the year ended 30 June 2018 (2017: \$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.

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, 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 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>2018</b>	2017
		<b>\$'000</b>	\$'000
<b>Financial assets</b>			
Cash and cash equivalents	5	<u>208,773</u>	241,909
Net exposure		<u>208,773</u>	241,909

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 2018, reasonably possible movements 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 the USA, 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\$, RMB/A\$, MNT/A\$ and NZ\$/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 2018, the Group had no forward contracts.

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

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

*Foreign currency risk (continued)*

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 2018, the Group had the following exposure to foreign currency:

<b>Year ended 30 June 2018</b>	<b>PGK AUD\$'000</b>	<b>USD AUD\$'000</b>	<b>EURO AUD\$'000</b>
<b>Financial assets</b>			
Cash and cash equivalents	<b>6,041</b>	<b>15,290</b>	<b>5,176</b>
Trade and other receivables	<b>3,545</b>	<b>9,272</b>	<b>-</b>
<b>Financial liabilities</b>			
Trade and other payables	<b>(2,017)</b>	<b>(3,784)</b>	<b>-</b>
Net Exposure	<b>7,569</b>	<b>20,778</b>	<b>5,176</b>
<b>Year ended 30 June 2017</b>			
<b>Financial assets</b>			
Cash and cash equivalents	11,562	11,537	8,392
Trade and other receivables	4,582	27,886	-
<b>Financial liabilities</b>			
Trade and other payables	(1,292)	(4,003)	-
Net Exposure	14,852	35,420	8,392

At 30 June 2018, reasonably possible movements in PGK and Euro foreign exchange rates, based on a review of historical movements, would not have had a material impact on the Group.

At 30 June 2018, if the USD 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 USD:	<b>Post Tax Profit Higher/(Lower)</b>		<b>Other Comprehensive Income Higher/(Lower)</b>	
	<b>2018 \$'000</b>	2017 \$'000	<b>2018 \$'000</b>	2017 \$'000
+5% (2017: +5%)	<b>(727)</b>	(1,240)	-	-
-5% (2017: -5%)	<b>727</b>	1,240	-	-

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

**22. 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 with counter parties rated A+ or higher by Standard & Poor's where possible.

The Group's maximum exposure to credit risk is its cash and trade and other receivables representing \$497,144,000 at 30 June 2018 (2017: \$487,735,000).

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

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

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

*Liquidity risk*

<b>Financing facilities available</b>	<b>2018</b>	2017
	<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>460,000</b>	490,000
- Revolving credit	<b>64,559</b>	67,053
	<b>524,559</b>	557,053

Facilities used at balance date:

- Bank guarantee and performance bonds	<b>181,759</b>	147,704
- Revolving credit	<b>20,971</b>	13,760
	<b>202,730</b>	161,464

Facilities unused at balance date:

- Bank guarantee and performance bonds	<b>278,241</b>	342,296
- Revolving credit	<b>43,588</b>	53,293
	<b>321,829</b>	395,589

*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 hire purchase/leasing facilities. Refer to note 13 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 hire purchase liabilities. The liquidity of the group is managed by the Group's Finance and Accounting department.

The table below reflects all contractually fixed pay-offs, repayments and interest resulting from financial liabilities as of 30 June 2018.

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

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>Financial liabilities</b>		
6 months or less	<b>167,928</b>	186,252
6 – 12 months	<b>4,705</b>	4,112
1 – 5 years	<b>14,269</b>	7,007
	<b>186,902</b>	197,371

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

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

Maturity analysis of financial liabilities:

<b>Year ended 30 June 2018</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	164,008	-	-	164,008	164,008
Hire purchase liability	3,920	4,705	14,269	22,894	20,971
Net maturity	167,928	4,705	14,269	186,902	184,979

<b>Year ended 30 June 2017</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	183,063	-	-	183,063	183,063
Loan	-	1,575	-	1,575	1,541
Hire purchase liability	3,189	2,537	7,007	12,733	12,219
Net maturity	186,252	4,112	7,007	197,371	196,823

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

The carrying amounts and estimated 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.

Available-for-sale financial assets: The carrying amount is equal to the fair value calculated using quoted prices in active markets.

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 2018 or 30 June 2017.

	Notes	2018 \$'000	2017 \$'000
<b>23. COMMITMENTS AND CONTINGENCIES</b>			
<b>Hire purchase commitments</b>			
Payable:			
- Within one year		8,625	5,726
- Later than one year but not later than five years		14,269	7,007
Minimum lease payments		22,894	12,733
Less future finance charges		(1,923)	(514)
Present value of minimum lease payments		20,971	12,219
Current liability	13	7,944	5,363
Non-current liability	13	13,027	6,856
		<b>20,971</b>	<b>12,219</b>

Hire purchase agreements have an average term of three years.

<b>Operating lease commitments</b>	<b>2018 Properties \$'000</b>	<b>2018 Other \$'000</b>	<b>2018 Total \$'000</b>	<b>2017 Total \$'000</b>
Minimum lease payments				
- Within one year	13,465	227	13,692	13,677
- Later than one year but not later than five years	33,633	111	33,744	44,288
- Later than five years	-	-	-	700
Aggregate lease expenditure contracted for at balance date but not provided for	47,098	338	47,436	58,665

Other operating leases includes motor vehicles. 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 24 months. Properties under operating leases have an average lease term remaining of less than one year.

### Capital commitments

The consolidated group has capital commitments of \$9,618,122 at 30 June 2018 (2017: \$5,185,942).

### Guarantees

	2018 \$'000	2017 \$'000
Guarantees given to various clients for satisfactory contract performance	181,759	147,704

Monadelphous Group Limited and all controlled entities marked # in note 19 have entered into a deed of cross guarantee. Refer to note 30 for details.

### Contingent Liabilities

The Group is subject to various actual and pending claims arising in the normal course of business. The Group has regular claims reviews to assess the need for accounting recognition or disclosure. The Directors are of the opinion that there is no material exposure to the Group arising from these various actual and pending claims.

**24. SUBSEQUENT EVENTS****Dividends declared**

On 20 August 2018, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is \$30,114,660 which represents a fully franked final dividend of 32 cents per share. This dividend has not been provided for in the 30 June 2018 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

Other than the items noted above, no matters or circumstances 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	2018 \$'000	2017 \$'000
<b>25. PARENT ENTITY INFORMATION</b>			
<b>Information relating to Monadelphous Group Limited parent entity</b>			
Current assets		<b>185,199</b>	240,478
Total assets		<b>1,848,312</b>	1,544,283
Current liabilities		<b>(1,643,210)</b>	(1,345,267)
Total liabilities		<b>(1,656,557)</b>	(1,352,122)
Net assets		<b>191,755</b>	192,161
Contributed equity		<b>125,703</b>	122,965
Share-based payment reserve		<b>28,675</b>	28,943
Available-for-sale reserve		<b>821</b>	-
Retained earnings		<b>36,556</b>	40,253
Total equity		<b>191,755</b>	192,161
Profit after tax		<b>52,676</b>	34,743
Total comprehensive income of the parent entity		<b>53,310</b>	34,930
<b>Contingent liabilities</b>			
Guarantees	23	<b>181,759</b>	147,704

Guarantees entered into by the Group are via the parent entity. Details are contained in note 23.

**Capital commitments**

The parent entity has capital commitments of \$nil at 30 June 2018 (2017: \$nil).

**26. SHARE BASED PAYMENT EXPENSE**

The Monadelphous Group Limited Employee Option Plan has been established where eligible directors and employees of the consolidated entity are issued with options over the ordinary shares of Monadelphous Group Limited. The options, issued for nil consideration, are issued in accordance with the guidelines established by the remuneration committee of Monadelphous Group Limited. The options issued carry various terms and exercising conditions. There are currently no directors or employees participating in these schemes.

The following table illustrates the number and weighted average exercise prices of and movements in options granted, exercised and forfeited during the year.

	2018		2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance at the beginning of the year	30,000	17.05	365,000	19.26
Forfeited during the year	<b>(30,000)</b>	<b>17.05</b>	<b>(335,000)</b>	<b>19.46</b>
Balance at the end of the year	-	-	<b>30,000</b>	<b>17.05</b>
Exercisable during the next year	-	-	<b>30,000</b>	<b>17.05</b>

The share-based payment expense relating to the Monadelphous Group Limited Employee Option Plan for the year ended 30 June 2018 was a \$nil (2017: \$nil) for the consolidated entity.

For the year ended 30 June 2018, the Group has recognised \$800,000 of share-based payment expense in the Income Statement (2017: \$1,466,617) relating to shares to be issued as part of the acquisition of Arc West Group Pty Ltd (refer to note 20). \$1,280,000 (2017: \$426,617) was satisfied as a cash payment during the year.

**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.

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.

	2018	2017
	\$	\$
<b>27. 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	254,534	209,764
- Other services in relation to the entity and any other entity in the consolidated entity		
- tax compliance	30,411	27,264
- assurance related	31,000	-
	<b>315,945</b>	<b>237,028</b>

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.

**28. RELATED PARTY DISCLOSURES**

**Compensation of key management personnel**

	2018	2017
	\$	\$
Short term benefits	4,088,037	3,702,728
Post-employment	141,888	135,459
Long term benefits	114,159	77,500
Total compensation	<b>4,344,084</b>	<b>3,915,687</b>

**Zenviron**

At 30 June 2018, an amount totalling \$nil (2017: \$1,833,000) had been loaned to Zenviron Pty Ltd. The loan was repaid during the year.

The group had sales to the joint venture during the year totalling \$10,213,000 (2017: \$2,951,000)

**Mondium**

At 30 June 2018, an amount totalling \$1,864,000 (2017: \$511,000) had been loaned to Mondium Pty Ltd. The loan is included in the statement of financial position within Investment in Joint Venture. Interest is payable on the loan at a rate of 3.71% per annum.

## 29. 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 2018, the Engineering Construction division contributed revenue of \$949.9 million (2017: \$615.4 million) and the Maintenance and Industrial Services division contributed revenue of \$841.1 million (2017: \$652.9 million). Included in these amounts is \$7.0 million (2017: \$3.5 million) of inter-entity revenue and \$49.1 million (2017: \$19.6 million) of revenue of joint ventures, 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 28% of the Group's revenue. One other customer individually contributed 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.

### Geographical Information

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Revenue from external customers		
Australia	<b>1,607,987</b>	1,160,062
New Zealand	<b>51,473</b>	52,835
Other overseas locations	<b>75,421</b>	32,286
	<b>1,734,881</b>	1,245,183

**30. DEED OF CROSS GUARANTEE**

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, 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, 9 June 2014 and 8 June 2016. 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:

	2018 \$'000	2017 \$'000
<b>Consolidated Income Statement and Comprehensive Income</b>		
Profit before income tax	117,063	80,298
Income tax expense	(31,422)	(20,907)
Net profit after tax for the period	<u>85,641</u>	<u>59,391</u>
<b>Reconciliation of Retained Earnings</b>		
Retained earnings at the beginning of the period	213,927	207,036
Dividends paid	(56,373)	(52,500)
Net profit after tax for the period	85,641	59,391
Retained earnings at the end of the period	<u>243,195</u>	<u>213,927</u>
<b>Consolidated Statement of Financial Position</b>		
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	173,927	214,576
Trade and other receivables	297,046	251,647
Inventories	33,363	42,291
Total current assets	<u>504,336</u>	<u>508,514</u>
Non-current assets		
Investments in subsidiaries	7,639	6,151
Property, plant and equipment	92,458	70,164
Deferred tax assets	32,262	24,345
Intangible assets and goodwill	3,120	2,720
Other non-current assets	2,806	1,901
Total non-current assets	<u>138,285</u>	<u>105,281</u>
<b>TOTAL ASSETS</b>	<u>642,621</u>	<u>613,795</u>
<b>LIABILITIES</b>		
Current liabilities		
Trade and other payables	128,526	148,843
Interest bearing loans and borrowings	7,944	5,363
Income tax payable	7,092	2,046
Provisions	83,077	80,443
Total current liabilities	<u>226,639</u>	<u>236,695</u>
Non-current liabilities		
Interest bearing loans and borrowings	13,027	6,856
Provisions	4,561	4,409
Total non-current liabilities	<u>17,588</u>	<u>11,265</u>
<b>TOTAL LIABILITIES</b>	<u>244,227</u>	<u>247,960</u>
<b>NET ASSETS</b>	<u>398,394</u>	<u>365,835</u>
<b>EQUITY</b>		
Contributed equity	125,703	122,965
Reserves	29,496	28,943
Retained earnings	243,195	213,927
<b>TOTAL EQUITY</b>	<u>398,394</u>	<u>365,835</u>

### **31. OTHER ACCOUNTING STANDARDS**

#### **Other accounting policies**

##### **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 before 1 July 2017, including:

- *2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- *2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

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

**31. 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 (including those below) have not been adopted by the Group for the annual reporting period ended 30 June 2018.

The assessment of the impact of the relevant new or amended accounting standards and interpretations is set out below:

Reference	Summary	Application date of standard	Application date for Group
AASB 9 <i>Financial Instruments</i>	<p>AASB 9 contains accounting requirement for financial instruments, replacing AASB 139. The standard:</p> <ul style="list-style-type: none"> <li>(a) contains a simpler model for classification and measurement of financial assets;</li> <li>(b) a single, forward looking 'expected loss' impairment model that will require more timely recognition of expected credit losses;</li> <li>(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.</li> </ul> <p>It is anticipated that the expected credit loss impairment model may result in earlier recognition of credit losses. The Group is in the process of finalising its assessment of the impact of the expected loss impairment model, however it is not expected to have a material impact on transition.</p>	1 January 2018	1 July 2018
AASB 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	<p>This standard amends to AASB 2 <i>Share-based Payment</i>, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> <li>• The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>• Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>• A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</li> </ul>	1 January 2018	1 July 2018
AASB 16 <i>Leases</i>	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> <li>• Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</li> <li>• A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.</li> <li>• Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.</li> <li>• AASB 16 contains disclosure requirements for lessees.</li> </ul> <p>Lessor accounting</p> <ul style="list-style-type: none"> <li>• AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</li> <li>• AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.</li> </ul> <p>As at the reporting date, the Group has non-cancellable operating lease commitments as set out in note 23. The Group has not quantified the effect of the new standard, however the impacts will include:</p> <ul style="list-style-type: none"> <li>• Total assets and liabilities on the Statement of Financial Position will increase; and</li> <li>• Interest expense will increase due to the unwinding of the effective interest rate implicit in the lease.</li> </ul>	1 January 2019	1 July 2019

**MONADELPHOUS GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER**  
**FOR THE YEAR ENDED 30 JUNE 2018**

<p>AASB 15 <i>Revenue from Contracts with Customers</i></p>	<p>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.</p> <p>The new revenue standard will supersede all current revenue recognition requirements under Australian Accounting Standards. In particular, the standard replaces AASB 118 'Revenue' and AASB 111 'Construction Contracts', upon which the Group's current revenue recognition policies are based.</p> <p>Either a full retrospective application or a modified retrospective application is required for the reporting period beginning on 1 July 2018. Management intend to adopt AASB 15 using the modified retrospective approach. As a result there may be an adjustment to the opening balance of the Group's equity on the date of initial application.</p> <p>The Group has performed a detailed assessment of its contracts in 2018. Management has identified the following:</p> <p>(i) Performance Obligations  It is anticipated that the majority of the Group's construction contracts will be assessed to have one distinct performance obligation due to the significant integration and the highly related promises within each contract, with revenue being recognised over time. The majority of maintenance contracts are also expected to be treated as one distinct performance obligation due to the activities being a series of performance obligations that are substantially the same and have the same pattern of transfer to the client.</p> <p>(ii) Variable consideration and contract modifications  AASB 15 provides new requirements for accounting for variable consideration as well as requiring claims and variations to be accounted as contract modifications, both of which impart a higher threshold for recognition. Variable revenue is recognised under the new standard when it is highly probable that a significant reversal of revenue will not occur. These higher recognition criteria might lead to a currently estimated adjustment reducing equity by approximately \$5 million.</p> <p>(iii) Presentation and disclosure requirements  In accordance with AASB 15, the Group will present its contract balances as a contract asset separately from its accounts receivable or as a contract liability. Contract assets and accounts receivable are both rights to consideration in exchange for goods or services that the Group has transferred to a customer, however the classification depends on whether such right is only conditional on the passage of time (accounts receivable) or if it is also conditional on something else (contract assets). Previously contract asset balances have been disclosed as Other Debtors or Inventories.</p> <p>A contract liability is the amount received by the Group that exceeds the right to consideration resulting from the Group's performance under a given contract. Currently contract liabilities have been disclosed within Trade and Other Payables.</p>	<p>1 January 2018</p>	<p>1 July 2018</p>
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