



Annual Report **2010**

Safety and Wellbeing

Integrity

Achievement

Teamwork

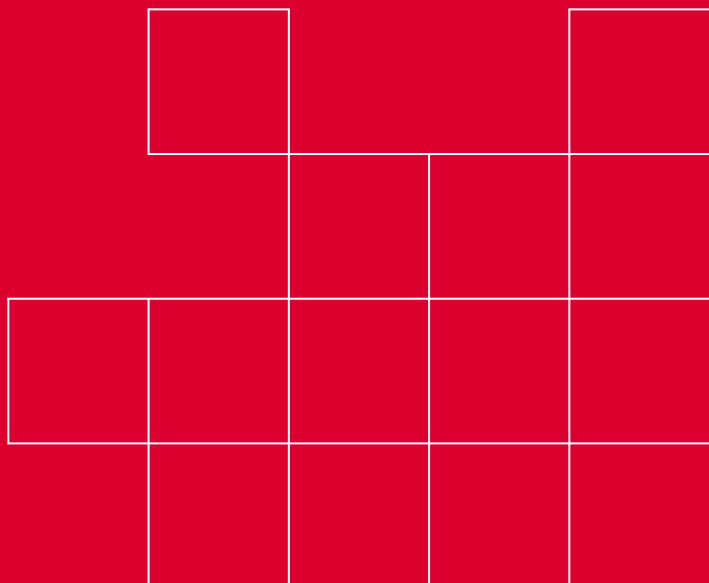
Loyalty

Monadelphous (adj).

Mon`a*del"phous

A botanical term describing the stamens of some plants and flowers that have all the filaments united to form a single bundle.

The name signifies the coming together of many to one point for strength and unity of purpose.



Annual General Meeting

Shareholders are advised that the Monadelphous Group Limited 2010 Annual General Meeting (AGM) will be held on Tuesday 23 November 2010 at 59 Albany Highway, Victoria Park, Western Australia, commencing at 10.00am (AWST).



Contents

1	About this Report
4	About Monadelphous
5	Group Highlights
8	Board Members
9	Chairman's Report
11	Managing Director's Report
15	Chief Financial Officer's Report
Operations in Focus	
18	Engineering Construction
22	Maintenance and Industrial Services
26	Skystar Airport Services
27	Our Locations
32	Health, Safety and Environment
34	Our People, Culture and Values
36	Our Community
38	Strategy and Outlook
40	Financial Statements



About this Report

References in the report to 'the year', 'the reporting period' and 'the period' relate to the financial year, which is 1 July 2009 to 30 June 2010, unless otherwise stated. All dollar figures are expressed in Australian currency.

Monadelphous Group Limited (ABN 28 008 988 547) is the parent company of the Monadelphous group of companies. In this report, unless otherwise stated, references to 'Monadelphous', 'the Company',

'the division', 'we', 'us' and 'our' refer to Monadelphous Group Limited.

In an effort to reduce its impact on the environment Monadelphous will only post printed copies of this Annual Report to those shareholders who elect to receive one through the share registry. Shareholders may alternatively elect to receive an electronic copy of the Annual Report.

This Annual Report is printed using vegetable-based inks and green energy onto paper that is totally chlorine free and manufactured from pulp sourced from plantation grown timber. Both the paper manufacturer and printer are certified to ISO 14001, the internationally recognised standard for environmental management.



Our Purpose

To deliver safe and reliable construction, maintenance and industrial service solutions to industry.

Our Vision

Monadelphous aims to double in size every five years by being recognised as a leader in its chosen markets and a truly great company to work for, work with and invest in.

Our Competitive Advantage

We deliver what we promise.

Our Values

Safety and Wellbeing

We show concern and actively care for others. We always think and act safely.

Integrity

We are open and honest in what we say and what we do. We take responsibility for our work and our actions.

Achievement

We are passionate about achieving success for our customers, our partners and each other. We seek solutions, learn and continually improve.

Teamwork

We work as a team in a cooperative, supportive and friendly environment. We are open-minded and share our knowledge and achievements.

Loyalty

We develop long-term relationships, earning the respect, trust and support of our customers, partners and each other. We are dependable, take ownership and work for the Company as our own.



Monadelphous engineer at Rio Tinto's Brockman 4 (WA)

About Monadelphous

Monadelphous is a leading engineering group providing construction, maintenance and industrial services to the resources, energy and infrastructure sectors. The Company aims to build, maintain and support customer operations through safe, reliable, innovative and cost effective service solutions.

Listed in the S&P/ASX 200 index, Monadelphous aims to be recognised as a leader in its chosen markets and a truly great company to work for, work with and invest in.

A long-term approach to the management of client relationships and

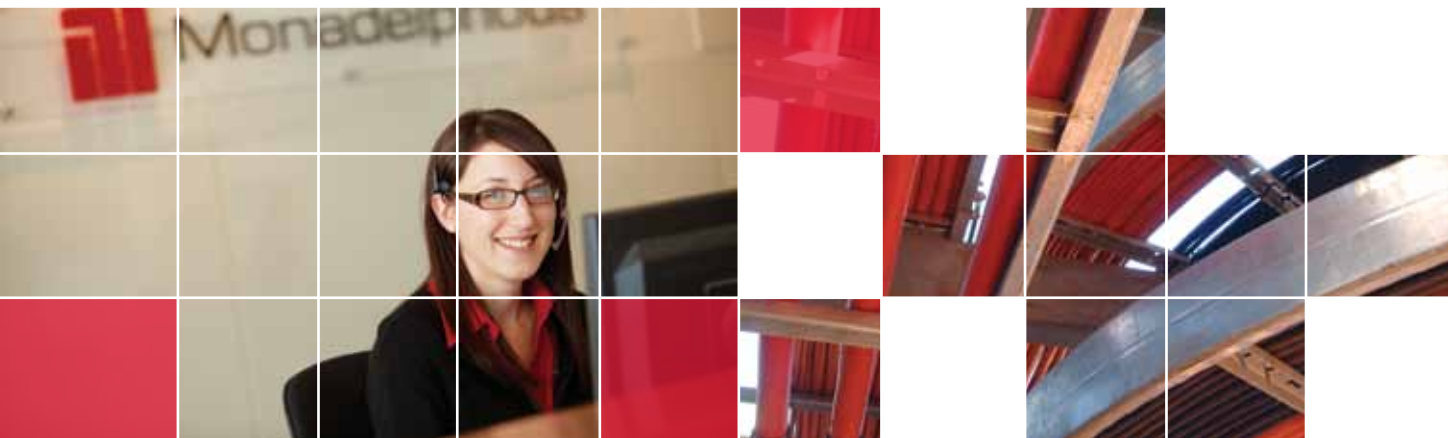
the delivery of high quality work over 35 years has earned Monadelphous a reputation for engineering excellence.

Monadelphous's highly customer-focused approach and ability to provide value-added solutions for a diverse range of customer requirements has been fundamental to the Company's continuing success.

The Company's strong service reputation is derived from its people and culture. Monadelphous's core values of safety and wellbeing, integrity, teamwork, achievement and loyalty stand the Company apart from competitors. The core values

are embedded in Monadelphous's processes and systems and are evident in everything the Company does. It is Monadelphous's people who continue to drive and sustain that reputation.

Monadelphous operates major offices in Perth and Brisbane in Australia, with regional offices in key resources and industrial centres across Australia and Beijing, China. This approach places the Company in a strong position to maximise its core business and continue diversification into chosen industry sectors throughout Australasia.



Engineering Construction (EC)

The Engineering Construction division provides large-scale multidisciplinary project management and construction services including fabrication and installation of structural steel, tankage, mechanical and process equipment, piping, plant commissioning, demolition, remediation works, turnkey design and construct services, and electrical and instrumentation services.

Maintenance and Industrial Services (M&IS)

The Maintenance and Industrial Services division specialises in the management and execution of mechanical and electrical maintenance services to the resources, energy and infrastructure sectors. The division specialises in the planning, management and execution of multidisciplinary maintenance, shutdowns and minor capital works.

Skystar Airport Services (Skystar)

Skystar offers complete ground handling and logistics services to the Australian and New Zealand aviation markets. Services include check-in, and ticketing functions, passenger embarking and disembarking, baggage and freight handling, aircraft push back, towing and marshalling. Skystar's integrated approach provides clients with a single contact point for all their airport ground handling and logistics needs.

Infrastructure

A new Infrastructure division was established on 1 July 2010, subsequent to the reporting period, as part of the Company's diversification strategy to continue to support long-term growth. The division's initial focus is on water, transmission pipelines, solid waste management and airport services.

Group Highlights



Financial

- NPAT up 12.1% to \$83.2 million
- EPS up 10.7% to 96.9 cents and DPS up 12.2% to 83 cents
- Sales revenue up 13.6% to \$1,275 million

Operations

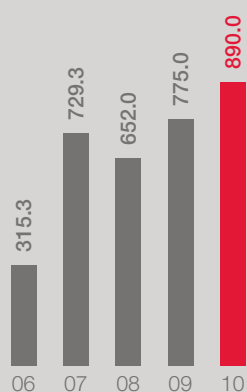
- Strong organic growth driven by high levels of Engineering Construction activity (up 14.8%)
- Significant improvement in safety performance – TCIFR improved 25% to 6.3
- \$650 million of new contracts and contract extensions

Markets and Growth

- Energy markets now >30% of total sales revenue
- Substantial progress in development of infrastructure business
- Continued growth in electrical services and multidisciplinary contracts

Engineering Construction

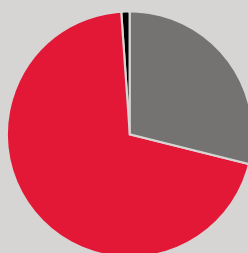
Maintenance and Industrial Services



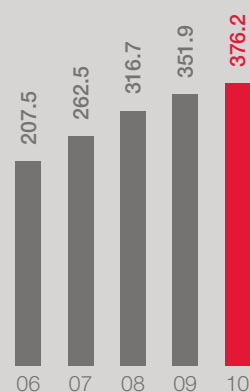
Sales Revenue (\$M)

[Comparative figures have been restated to include MIE division]

Sales Contribution (%)



Engineering Construction: **70%**
Maintenance and Industrial Services: 29%
Other: 1%



Sales Revenue (\$M)



Health, Safety and Environment

- Continued improvement in safety performance
- Ongoing investment in HSE processes, systems and leadership training
- Progression of HSE initiatives following DuPont review

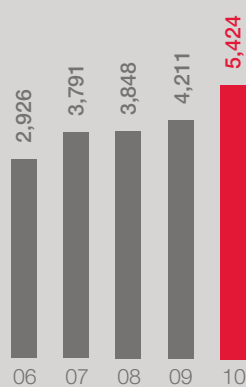
People

- Record employee numbers of more than 5,400 reflect growth and diversification
- Consolidation of people strategies to support long-term growth
- Substantial intake of graduates in 2010

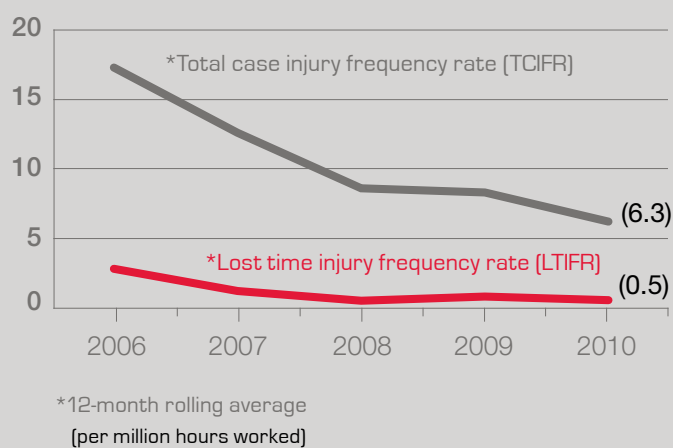
Productivity

- Overheads contained despite increased activity
- Managing people and processes to drive efficiency

Employee Numbers



Safety Performance



Board Members



Chairman John Rubino and Managing Director Rob Velletri



John Rubino

Chairman

John was appointed to the Board on 18 January 1991. Initially serving as Managing Director and Chairman, John resigned as Managing Director on 30 May 2003, continuing as Chairman since that time. John has 44 years experience in the construction and engineering services industry.



Rob Velletri

Managing Director

Rob was appointed to the Board on 26 August 1992 and commenced as Managing Director on 30 May 2003. He is a Mechanical Engineer with 31 years experience in the construction and engineering services industry. Rob is a Corporate Member of the Institution of Engineers, Australia.



Zoran Bebic

Chief Financial Officer and Company Secretary

Zoran is a Certified Practising Accountant and is a Member of CPA Australia. He has 17 years experience with the Company and in the construction and engineering services industry. Zoran has held a number of financial and general management positions.



Peter Dempsey

Independent Non-Executive Director

Peter was appointed to the Board on 30 May 2003. He is a Civil Engineer with 38 years experience in the construction and engineering services industry. Peter is a Fellow of the Institution of Engineers, Australia.



Chris Michelmore

Independent Non-Executive Director

Chris was appointed to the Board on 1 October 2007. He has 38 years experience in the construction and engineering services industry throughout Australia, South East Asia and the Middle East. Chris is a Civil and Structural Engineer and a Fellow of the Institution of Engineers, Australia.



Irwin Tollman

Non-Executive Director

Irwin was appointed to the Board on 26 August 1992. He has 18 years experience in the construction and engineering services industry. Irwin is a Chartered Accountant and a Member of the Institute of Chartered Accountants in Australia.

John Rubino Chairman's Report



I am pleased to present the Annual Report for Monadelphous for the year ended 30 June 2010, which highlights continued earnings growth

I am pleased to present the Annual Report for Monadelphous for the year ended 30 June 2010, which highlights continued earnings growth. The Company generated a record profit after tax of \$83.2 million, up 12.1 per cent on the previous corresponding period. Earnings per share increased 10.7 per cent to 96.9 cents per share, marking the ninth consecutive year of earnings growth.

Sales revenue increased by 13.6 per cent to a record \$1,275 million.

Earnings before interest, tax, depreciation and amortisation were \$129.4 million, up 11.5 per cent.

The Company reported a net cash position of \$116.6 million at year end, sustaining a strong balance sheet.

Following this result, the Board of Directors declared a final dividend of 48 cents per share fully franked, taking the full-year dividend to 83 cents per share fully franked, a 12.2 per cent increase on the previous year.

Strategic Initiatives

During the year the Company made excellent progress towards our strategic objective of building a resilient business to deliver sustainable growth by maintaining a leadership position in the resources market, strengthening our position in the energy market and broadening our capabilities in the infrastructure market.

In line with our strategic decision to expand our revenue base from traditional resources markets, we increased our participation in the energy sector. Revenue from energy now constitutes more than 30 per cent of total sales, compared with just five per cent four years ago.



We made significant progress in the development of our infrastructure business. On 30 June 2010, Monadelphous announced the acquisition of onshore transmission pipeline business KT Pty Ltd, which trades as KT Pipeline Services. The acquisition broadens our services to resources and energy customers and expands our capabilities in the infrastructure market.

An Infrastructure division was established in early July 2010 to consolidate the Company's business activities in water, solid waste management and transmission pipelines. Skystar Airport Services has also been included in the new division. The establishment of the division reflects the substantial progress made towards the execution of the infrastructure market strategy.

Significant progress was made on delivery of multidisciplinary services to customers during the year. We also made strategic additions to our fleet of heavy lifting equipment.

In an increasingly competitive landscape, we continued to focus on being a safe, efficient, cost competitive and responsive company.

Outlook

A rebound in commodity prices and capital markets early in the financial year signalled conditions for resources markets were returning to more buoyant levels. However, the combination of a number of macro-economic factors led to some uncertainty on the timing of a return to full capacity in the resources sector.

Major Australian development projects in liquefied natural gas, iron ore and coal will provide a pipeline of opportunities. The Board is confident that through its broader market exposure, its reputation and the strength of its relationships with customers, Monadelphous is well positioned to capitalise on these opportunities.

Further development of our infrastructure business will assist Monadelphous to build a more resilient business for the future. This will enable the Company to achieve long-term sustainable growth and continue to deliver consistent returns for our shareholders.

The stability and commitment of the Company's senior management is a key driver of our long-term business success and is supported by the well established and broadly applied equity incentive program.

On behalf of the Board, I thank all our people for their efforts during the year.



John Rubino
Chairman

Rob Velletri Managing Director's Report



Sales revenue increased by 13.6 per cent to a record \$1,275 million, driven by our continued strong service performance to blue-chip resources customers

Strong revenue growth was achieved throughout all the Company's operating divisions and across all markets for the year ended 30 June 2010.

Sales revenue increased by 13.6 per cent to a record \$1,275 million, driven by our continued strong service performance to blue-chip resources customers. High levels of activity on existing projects and scope growth also made significant contributions to revenue growth.

We continued to win new work with approximately \$650 million in new contracts and contract extensions secured during the year across our key markets of resources, energy and infrastructure. Significant further contracts were won early in the new financial year.

The Company further improved safety performance during the year. The total case injury frequency rate (TCIFR) declined by 25 per cent to 6.3 incidents per million man hours. The ongoing implementation of safety initiatives is expected to drive further improvements in safety culture and outcomes.

Strong operational performance has ensured healthy margins have been maintained across the Company, despite an increasingly competitive environment.



Engineering Construction

An outstanding performance was achieved by the Engineering Construction division, with sales revenue of \$890.0 million – a 14.8 per cent increase on the previous period – and the award of approximately \$350 million in new construction contracts.

The strong sales result reflects large scope increases on a number of existing contracts, high levels of activity in the resources and energy market and a growing position in infrastructure markets.

The revenue growth also reflects the Company's expanded capability in electrical and instrumentation services. Specialist instrumentation and electrical provider MiE was acquired by Monadelphous in 2005 and integrated into Engineering Construction at the beginning of the reporting period. This has allowed the division to deliver large-scale engineering construction projects

that involve structural, mechanical, piping and electrical and instrumentation disciplines.

The division substantially completed a number of large projects including the Ports Corporation of Queensland's Abbot Point Coal Terminal X50 Expansion, construction work for BHP Billiton Iron Ore at Nelson Point (Western Australia, WA), the Carborough Downs Expansion (Queensland, Qld), Rio Tinto's Clermont Mine Coal Handling and Preparation Plant (Qld) and eni's Blacktip Development Project (Northern Territory).

Other key contracts completed during the period included the Company's first offshore hook up and commissioning through the Woodside operated North West Shelf Venture's Angel Platform (WA), Rio Tinto's Cape Lambert Mesa A Dust Suppression Works (WA) and Seqwater's fluoridation dosing system (Qld).

Major projects in progress at the end of the period include construction work as part of BHP Billiton Iron Ore's Rapid Growth Project 5 (WA), BHP Billiton's Worsley Alumina's Efficiency and Growth Expansion Project (WA), Woodside's Pluto LNG Project (WA) and Rio Tinto's Boyne Smelter Development Project (Qld).

Another key achievement during the year was the substantial progress in infrastructure markets. Water projects including Nambucca Shire Council's Sewerage Treatment Plant (New South Wales), Moreton Bay Regional Council's Burpengary East Sewerage Treatment Plant upgrade (Qld) and Chevron Australia's Water Treatment Facility project at Barrow Island (WA) were in progress at the end of the period. Since entering the infrastructure market four years ago, the division has successfully completed five water projects.

Managing Director's Report (continued)



Maintenance and Industrial Services

The Maintenance and Industrial Services division produced a strong performance with sales revenue of \$376.2 million, an increase of 6.9 per cent on the previous year. Importantly, all key customers and contracts were retained.

The division won \$300 million in new contracts and contract extensions during the year. A highlight was the award of a three-year facilities management contract with Chevron Australia for the Gorgon Project at Barrow Island (WA), which will expand the division's capabilities.

Other new relationships with customers forged during the year include two contracts with Rio Tinto's Coastal and Inland West Operations (WA), and contracts with Xstrata (Qld) and BHP Billiton's Nickel West (WA).

The division also made significant progress on construction of new workshop facilities in Mackay, Queensland. The facilities, which will be operational in the second quarter of the new financial year, will enable the Company to provide additional service support to the coal sector in the Bowen Basin.

Strategic Progress

During the period we continued to focus on strengthening relationships with customers, service expansion and growing a recurring revenue base.

We made considerable progress in our market diversification strategy. Within one month of acquiring transmission pipeline business KT Pipeline Services, the Company secured a major contract valued at approximately \$85 million with Chevron Australia for the Gorgon Project.

Earlier expansion in the infrastructure market was achieved through a March 2010 joint venture agreement with AnaeCo Limited to design-and-construct alternative waste treatment plants using AnaeCo's patented DiCOM system. The first project planned is the expansion of an alternative waste treatment facility for the Western Metropolitan Regional Council in Perth, WA.

Strategic additions were made to our fleet of heavy lifting equipment with the purchase of two cranes, one capable of lifting 750 tonnes and a second with a 400-tonne lifting capacity. The cranes are among the biggest of their type in Australia and they will significantly increase our operating capability in larger projects.



The enhanced heavy lifting function assists the safe and efficient assembly of large fabricated modules on site, enabling accelerated delivery of projects and maximising workforce productivity. Fabricated steel components can be manufactured by our structural steel supplier SinoStruct in China, which is our first overseas venture of significance.

We continued to invest resources into our most important strategic asset – people. Our people and culture are our key source of competitive advantage. During the year, the Company concentrated on developing people and safety strategies to support long-term growth and maximise productivity.

Outlook

Monadelphous has entered the 2011 financial year with a healthy workload and the outlook for the resources and energy markets remains positive. Expansion opportunities in the water and solid waste management markets, along with the newly-acquired transmission pipelines business, are expected to provide Monadelphous with ongoing growth prospects.

The Company is cognisant that the supply of labour, particularly in key technical roles, will tighten as large scale oil and gas projects in Western Australia enter the next phase of development.

Over the coming year, Monadelphous will continue to invest considerable time and effort to attract, retain and develop people who deliver quality work, share the Company's values and contribute to the group's long-term success.

We will continue to build relationships with our customers and develop an efficient, stable and safe business that delivers value to all our stakeholders.

Rob Velletri
Managing Director

Zoran Bebic Chief Financial Officer's Report



We continued to grow and diversify the business, strengthen our balance sheet and increase dividends to shareholders

We continued our strong year-on-year performance trend for the 12 months to 30 June 2010, with a ninth consecutive year of earnings growth, despite an increasingly competitive environment. We continued to grow and diversify the business, strengthen our balance sheet and increase dividends to shareholders.

The Company generated a record profit after tax for the period of \$83.2 million, up 12.1 per cent on the previous corresponding period. This resulted in a 10.7 per cent increase in earnings per share to 96.9 cents. As a result, the Board declared a final dividend of 48 cents per share, taking the full-year dividend to 83 cents per share fully franked, representing a 12.2 per cent increase in total dividends declared for the financial year.

The dividend payout ratio of 86 per cent is consistent with the Board's dividend payment policy to return 80 to 100 per cent of earnings to shareholders in the form of dividends. This policy will continue to be subject to ongoing trading conditions and the requirement for significant cash for investment opportunities.

Strong revenue growth was achieved across all of our operating divisions with total sales revenue for the year increasing by 13.6 per cent to a record \$1,275 million.

This strong performance reflected scope increases on a number of existing Engineering Construction contracts, high levels of activity in resources and energy, a growing position in infrastructure markets and a number of new contracts and contract extensions awarded to the Maintenance and Industrial Services division.

Operating margins remained healthy due to strong operational performance and despite a broader competitive environment. The Company's focus on efficiency and maintaining overheads at an appropriate level has been effective, with the reduction in overheads contributing positively to the increase in annual profit.

Depreciation expense for the period expanded to \$16.8 million, up 11.4 per cent and in line with a larger plant and equipment fleet.

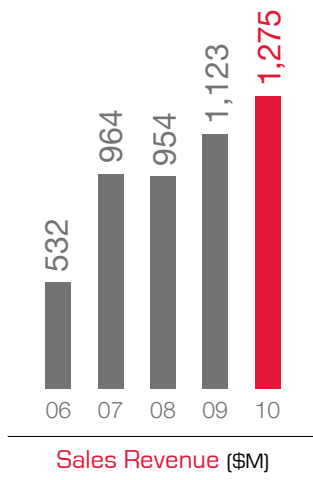
During the year we invested \$37.8 million in plant and equipment, including additions to our fleet of heavy lifting equipment, expansion related to increased levels of activity and a return to our pre global financial crisis equipment replacement program. Our fleet is one of the largest outside the Australian hire industry and is a source of competitive advantage for the group.

The Company's balance sheet remains robust with a net cash position of \$116.6 million at year end. The \$96.0 million of cash flows from operations represented a healthy conversion rate and reflected the sustained focus on the critical area of cash management.

The latest year has been another period of strong and consistent financial performance and is the result of our long-term operational and financial strategies which focus on quality earnings, sound governance and prudent fiscal management. It is this focus that provides us with flexibility for the future.

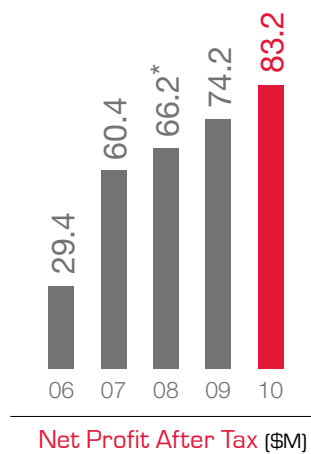
Financial Review

Sales revenue
up **13.6%** to record
\$1,275 million



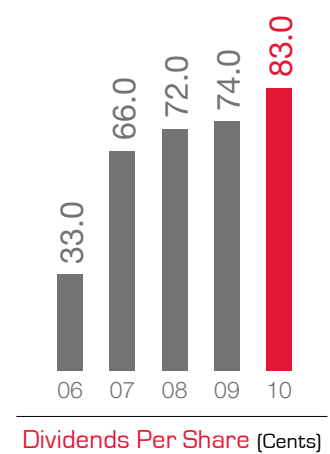
+13.6%

NPAT up **12.1%**
to **\$83.2 million**

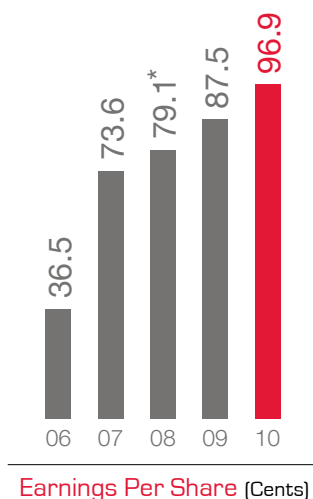


+12.1%

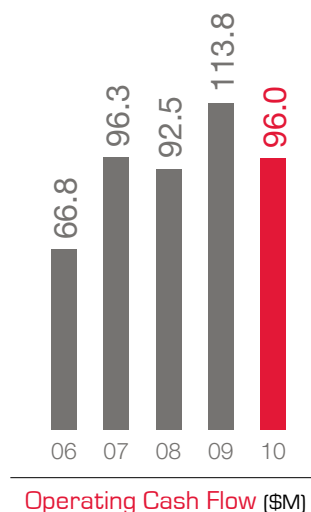
Dividends per share up
12.2% to **83.0 cents**



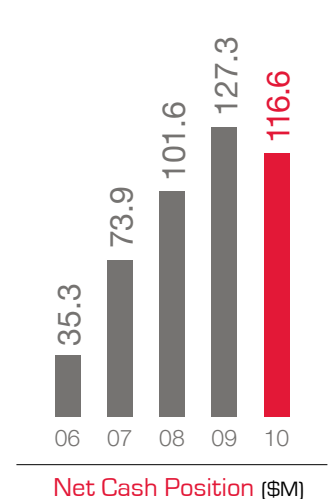
+12.2%



+10.7%



-15.6%



-8.4%

*underlying basis

EPS up **10.7%** to
96.9 cents

Strong operating cash flow
of **\$96.0 million**

Financial flexibility - net
cash position of **\$116.6m**

Highlights

- Record sales of \$890.0 million, up 14.8%, reflect continued growth in bulk commodity and energy markets and increased multidisciplinary service offerings
- Record improvements in safety performance, with a TCIFR improvement of 52%
- Awarded \$350 million in new construction projects



Engineering Construction



The Engineering Construction division delivered an outstanding performance with sales of \$890.0 million for the year, an increase of 14.8 per cent on the previous period. Growth in sales revenue was driven by high levels of activity in resources and energy markets, a growing position in infrastructure markets and large scope increases on existing contracts.

The division's continued focus on safety programs resulted in a 52 per cent reduction in the total case injury frequency rate (TCIFR) during the year. This included zero lost time injuries and reaching seven million man hours without a lost-time injury. This is a tremendous outcome as the division continues to strive for zero harm.

The integration of specialist instrumentation and electrical provider MiE into the division at the beginning of the period contributed to revenue growth through an expansion of electrical and instrumentation capability. MiE was acquired by Monadelphous in 2005 and it has enabled the division to deliver large-scale engineering construction projects that involve structural, mechanical, piping and electrical and instrumentation disciplines.

Recent large-scale, vertically-integrated engineering construction projects undertaken by the division include Abbot Point Coal Terminal X50 Expansion for the Ports Corporation of Queensland, BHP Billiton Worsley Alumina's Efficiency and Growth Project (WA), and Phase 1 of the Brockman 4 development for Rio Tinto (WA).

Along with the ability to offer a vertically-integrated engineering construction package, the ability to source and deliver pre-fabricated steel through its subsidiary SinoStruct in China provides a competitive advantage for the division on large-scale projects. During the year, SinoStruct forged relationships with several blue-chip resources companies to provide specialist manufacturing services.

Monadelphous owns one of Australia's largest fleets of construction equipment outside the hire industry. This includes 750-tonne and 400-tonne capacity cranes purchased during the reporting period. The Company has established a heavy lift function to provide a capability to assist in the configuration of preassembled units as well as offer a complete logistical service.

Consistent with the broader organisation, the division is focusing on maximising customer value while minimising waste. The division also continued to invest time and resources into key processes, systems and risk management. Further, it remains committed to attracting and retaining the right people.

Resources

The division maintained high levels of activity for iron ore customers with work under way on BHP Billiton's Rapid Growth 5 at Yandi (a stockyard contract) (WA), along with Phase 1 Brockman 4 development for Rio Tinto and various projects at Cape Lambert for Rio Tinto (WA). New contracts in iron ore awarded during the year total approximately \$240 million.

Monadelphous secured the Phase 1 Brockman 4 expansion project, valued at approximately \$85 million, in September 2009. The contract involves structural, mechanical and piping works for the supply, preassembly and installation of the dry processing system which comprises primary crushing, secondary crushing, product screening, stockyards and train load out facilities.

Engineering Construction (continued)



The Brockman 4 Project involves more than 550 Monadelphous onsite personnel, supported by an offsite fabrication team to supply and deliver approximately 5,700 tonnes of structural and platework steel from Australian and Chinese fabrication shops. Less than 11 months after contract award, ore was successfully processed and delivered to both the fines and lump stockpiles.

The project is a reflection of Monadelphous's strong capability in iron ore and its long-term relationship with Rio Tinto Iron Ore. The division previously delivered works on the Cape Lambert 80 million tonnes per annum Expansion and the Dampier Port Phase B Upgrade (WA) for this key customer.

The division aims to expand its position in the coal market, with several large projects under way during the year including the Abbot Point Coal Terminal X50 Expansion, Clermont Mine – Coal Handling and Preparation Plant Project (Qld) with Rio Tinto and Carborough Downs Mine (Qld).

In the minerals market, work started on the BHP Billiton Worsley Alumina Growth Expansion Project at Collie (WA) in August 2009. Monadelphous's contract involves structural, mechanical, electrical and piping works and the project is due for completion in the 2011 financial year.

Energy

Energy, specifically oil and gas, has become a core market for the group. Monadelphous's contract for eni on the Blacktip Development Project commenced in December 2007 and was completed in April 2010. This contract involved the supply, fabrication, construction and pre-commissioning of the remote Northern Territory onshore oil and gas facility. Blacktip was the division's first major completed onshore oil and gas plant and positioned the division to secure a major contract for the Woodside Pluto Liquefied Natural Gas (LNG) Project (WA).

In May 2010, Monadelphous secured a \$170 million contract with Woodside for major works associated with Pluto, one of Australia's biggest projects. Monadelphous's contribution to the project is structural, mechanical and piping works.

The division delivered its first offshore hook-up through the Woodside-operated North West Shelf Venture's Angel Platform (WA), which involved the supply of labour, planning, management, fabrication, piping and spools. By the end of the reporting period the workforce was at its peak and the progressive handover of systems to Woodside had commenced for the commissioning phase of the project.

The high level of service delivery on these projects has the division well placed to capitalise on future opportunities in the energy market.

Infrastructure

The division entered the infrastructure market in 2006 when it was awarded its first water project. The project was a \$9 million contract with the Water Corporation to design and construct a treatment plant to upgrade the water supply infrastructure at Wyndham in the Kimberley region of WA. To date, the Company has executed five water projects for water and waste water treatment and desalination plants.



In April 2010, Monadelphous was awarded a contract amendment with Chevron Australia to design and construct a water treatment facility for the Gorgon Project on Barrow Island (WA) worth approximately \$40 million. Other projects under way or completed during the year include the Nambucca Heads Sewerage Treatment Plant (NSW), the Cowra Sewerage Scheme Augmentation (NSW), Lake Cathie/ Bonny Hills Sewerage Treatment Plant Upgrade (NSW), Seqwater Stage 2 Parcels 1 and 2 (various locations in south-east Qld), the Gladstone and Yarwun Fluoride Dosing Plants (Qld) and the Burpengary East Sewerage Treatment Plant Upgrade (Qld).

Monadelphous was engaged by the Nambucca Shire Council to deliver the augmentation of the Nambucca Heads Sewerage Treatment Plant as well as the associated infrastructure. The primary project site is north of Nambucca Heads, on the mid-north coast of NSW, with a number of additional sites (pump stations) throughout Nambucca and the nearby Valla Beach. This multidisciplinary project includes the

provision of civil, structural, mechanical and electrical works. The project has an approximate value of \$17 million and is due for completion early in the 2011 financial year. Monadelphous will also play a major role in the project's commissioning.

The Company has entered the alternative waste treatment market through a joint venture agreement with AnaeCo Limited to deliver design-and-construct alternative waste treatment plants using AnaeCo's patented DiCOM system. The DiCOM system sorts waste, breaking down the organic component to form compost and biogas, which can be used to power the process with the surplus exported into the power grid as renewable energy. AnaeCo will provide the technology and design services and Monadelphous will construct the plants. The joint venture will target projects for local government authorities with the first planned project being the expansion of an alternative waste treatment facility for Western Metropolitan Regional Council at its Shenton Park waste transfer station in Perth, Western Australia.

Monadelphous established an Infrastructure division on 1 July 2010 which consolidated the growing portfolio of largely non-commodity projects under way across the Company. The Infrastructure division will comprise water and solid waste management projects and transmission pipelines (delivered through KT Pipeline Services, which was acquired by Monadelphous on 30 June 2010) along with aviation support services (through Skystar Airport Services).

Outlook

The division is in a sound position entering the 2011 financial year with the award of more than \$350 million in contracts across resources, energy and infrastructure markets during the reporting period.

A continued focus on maintaining strong relationships with key clients and improving efficiency will add value in the safe delivery of multidisciplinary contracts. The division remains focused on maintaining its strong position in core markets.



Highlights

- Record sales of \$376.2m, up 6.9%
- Awarded more than \$300m in new contracts and contract extensions
- Secured first facilities management contract

Maintenance and Industrial Services



The Maintenance and Industrial Services division produced another record performance during the year with sales revenue of \$376.2 million.

The division was awarded more than \$300 million in new contracts and contract extensions. Major contract wins included shutdowns for Coastal and Inland West Operations with Rio Tinto (WA), Nickel West Maintenance, Projects and Shutdowns with BHP Billiton (WA) and the Gorgon Project Facilities Management contract for Chevron Australia (WA). Major contract extensions included BP Refinery Kwinana (WA), Rio Tinto Yarwun Refinery (Qld), Rio Tinto Boyne Smelters (Qld) and Incitec Pivot Shutdown Alliance (Qld). The average contract duration is three years. Substantial progress also occurred during the year on the BMA Blackwater Dragline Shutdowns in Queensland, announced in May 2009, involving maintenance and shutdown services on two dragline machines.

The division continued to diversify its service offering during the year. The three-year facilities management contract for the Gorgon Project at Barrow Island was a landmark, being the first facilities operation and maintenance contract for Monadelphous which will provide a foothold in the industrial utilities and facilities market.

The electrical and instrumentation service offering has also been a sound contributor to sales growth, with many contracts now including a multidisciplinary mechanical-electrical capability.

Long-term relationships were maintained with key customers, including BHP Billiton Olympic Dam (South Australia), where the division has operated for more than 20 years. Similarly, the division has serviced Barrow and Thevenard Islands for more than eight years for Chevron's WA Oil operations.

Through its strategy of retaining key customers and contracts, the division is an important source of recurring revenue for the Company. It retained all key customers and contracts during the year under its three-pillar strategic approach. The first pillar is to continue to provide safe and reliable services through a flexible and responsive approach to customer needs to maintain long-term relationships and retain existing contracts. The second pillar is to expand existing contracts and the third is to generate new contracts with existing and new customers.

Maintenance and Industrial Services (continued)



Rio Tinto Iron Ore Coastal and Inland West Operations, WA

The Company announced two major three-year maintenance services contracts in September 2009 with Rio Tinto Iron Ore, for the Coastal and Inland West sites.

The contracts' scope of work covers shutdown and maintenance services across various Rio Tinto Iron Ore's Pilbara sites and includes the supply of a comprehensive suite of maintenance services. Skilled people – including fitters, boilermakers, welders, scaffolders, riggers, crane drivers, painters and abrasive blasters – are supplied as required on an ongoing basis, with peak workforce numbers across Pilbara sites in excess of 350.

The contract represents further progress in Monadelphous's strategic goal of growing its recurring revenue base through long-term relationships with blue-chip clients as well as

demonstrating its capability to safely deliver large, multidisciplinary maintenance services across a variety of geographic areas.

Chevron Gorgon Project, WA

In November 2009, Monadelphous announced it had been awarded a three-year contract valued at approximately \$60 million for the management, operation and maintenance of facilities and utilities for the Chevron-operated Gorgon Project. Work on-site commenced in February 2010 and involves operating and maintaining water and waste water treatment plants, power generation and distribution systems, and maintenance of accommodation facilities and various buildings, vehicles and equipment. The project demonstrates the Company's depth and flexibility as a contractor, as well as continued service diversification.

The Chevron-operated Gorgon Project is a joint venture between the Australian subsidiaries of Chevron (approximately 47 per cent), ExxonMobil (25 per cent), Shell (25 per cent), Osaka Gas (1.25 per cent), Tokyo Gas (1 per cent) and Chubu Electric Power (0.42 per cent) on Barrow Island. Chevron has been producing crude oil from Barrow Island, off the north-west coast of Western Australia, for more than 40 years. The Gorgon Project is a liquefied natural gas and domestic gas development. The Greater Gorgon gas fields contain resources of about 40 trillion cubic feet of gas and are Australia's largest known gas resource. Monadelphous has been working with Chevron on the island since 2001.



Shutdown Alliance, Incitec Pivot Limited, Qld

Building on the success of the 2007 Incitec-Monadelphous Shutdown Alliance, the division secured the Shutdown Alliance Contract with Incitec Pivot for 2010 to 2013. The contract's scope is to provide management, labour and resources to support Incitec Pivot's planned shutdowns across its Queensland manufacturing facilities. Incitec Pivot is one of Australia's largest fertiliser manufacturers and suppliers.

The Alliance, which operates with an integrated leadership and management team of Incitec Pivot and Monadelphous personnel, successfully delivered the shutdowns of Incitec Pivot's Phosphate Hill and Mt Isa plants in March-April 2010. In excess of 320,000 man hours were worked over a 39 day period without a lost time injury.

The Alliance has commenced planning for Incitec Pivot's 2011 Gibson Island plant shutdown.

BHP Billiton Nickel West Pty Ltd, WA

Work commenced to provide maintenance services and shutdown labour at BHP Billiton's Nickel West Operations in late 2009, as part of a three member panel. Monadelphous's services are supplied through its Kalgoorlie regional office, which provides maintenance services and capital works to clients in many centres throughout Kalgoorlie and the North Eastern Goldfields region of Western Australia.

Outlook

Following the improvement in commodity prices, the Maintenance and Industrial Services division experienced growth in existing contracts during the year as customers renewed essential maintenance activities.

The division expects to win new contracts and experience further growth in the next 12-month period following the recovery of the resources industry, which will be underpinned by the demand from industrialising nations and the strength of the domestic oil and gas market.

The division's ongoing focus on the safe and effective delivery of services and partnership-style relationships with its customers will continue to be the foundation for retaining and growing existing contracts and securing new contracts.



Highlights

- Sales revenues up 21.0% to \$12.7 million
- Continued improvement in safety performance
- Maintained strong on-time performance

A Skystar Airport Services ground support staff member on duty

Skystar Airport Services



Skystar Airport Services is a wholly-owned subsidiary of the Monadelphous group which has been in operation since 2001. Skystar offers complete ground handling and logistics services to the Australian and New Zealand aviation markets. Sales revenue increased 21.0 per cent to \$12.7 million during the year, despite adverse conditions in the aviation industry. All key customer contracts were retained.

Skystar provides services to Qantas at Kalgoorlie, Qantas Link at Kalgoorlie and Hamilton Island, Cobham Aviation (formerly National Jet) at Kambalda (Western Australia) and Jetstar at Christchurch (New Zealand), Darwin, Hamilton Island, Proserpine and Perth airports.

Strong operational performance was achieved during 2009/10 with 11,623 flights handled, representing an increase of 38 per cent on the previous year. Skystar employees handled more than 2.97 million passengers and more than 50,000 tonnes of baggage. On-time performance, a key performance indicator, was exceptional at 99.7 per cent.

Safety performance remained strong with the total case injury frequency rate (TCIFR) continuing to decline from 8.6 in the previous year to 6.9 in the reporting period. Skystar commenced an IATA Safety Audit Ground Operations (ISAGO) accreditation process, which is expected to underpin long-term sustainable safety performance.

Outlook

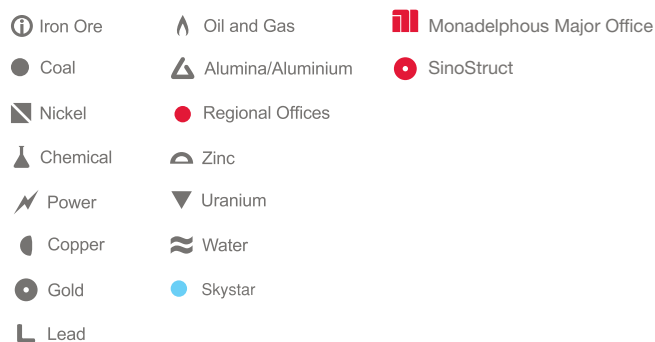
Broader aviation conditions remain difficult with the industry heavily impacted by the global financial crisis. Despite this, Skystar remains well positioned to capitalise on improving market conditions through strong key customer relationships and the broader aviation trend of airlines outsourcing non-core services.

Skystar will continue its focus on safety, operational and service excellence and employee engagement to support its existing customers and pursue growth opportunities.

Beijing ●

Our Locations

2009/10



MAP IS NOT TO SCALE



Key Engineering Construction Projects

Customer	Project Name	State	Location	Commodity	Description
Australia Pacific LNG Ltd	Origin Gas Plant – Talinga	QLD	Chinchilla	Oil & Gas	Electrical and instrumentation installation works
Australia Pacific LNG Ltd	Talinga WTP	QLD	Chinchilla	Oil & Gas	Electrical and instrumentation installation works associated with the water treatment facility
Bechtel Australia Pty Ltd	Bechtel Alumina Shipping Silo	WA	Worsley	Alumina	Supply and fabrication of alumina silo bins
BHP Billiton Iron Ore Pty Ltd	Nelson Point SMW STK5 & STK8 Routes Upgrade	WA	Port Hedland – Nelson Point	Iron Ore	Shutdown of stackers 5 and 8 route upgrade
BHP Billiton Iron Ore Pty Ltd	RGP5 Yandi-SMP OHP2, Stockyard	WA	Yandi-coogina	Iron Ore	Structural, mechanical and piping works
BHP Billiton Olympic Dam Corporation Pty Ltd	Olympic Dam – miscellaneous works	SA	Olympic Dam	Uranium, Copper, Gold	Structural, mechanical and piping works
BHP Billiton Worsley Alumina Pty Ltd	Worsley Efficiency & Growth Project SMP North	WA	Collie	Alumina	Structural, mechanical, piping, electrical and instrumentation works
BHP Billiton Worsley Alumina Pty Ltd	Marradong Platework	WA	Worsley	Alumina	Supply and fabrication of stockpile platework facilities
BHP Billiton Worsley Alumina Pty Ltd	Worsley MIE E&I	WA	Collie	Alumina	Electrical, instrumentation and control works
Boyne Smelter Limited	Alumina Delivery System	QLD	Gladstone	Alumina	Installation of a new automated alumina delivery system and associated infrastructure
Carborough Downs Coal Management Pty Ltd	Carborough Downs Expansion – electrical and instrumentation works	QLD	Carborough Downs	Coal	Electrical and instrumentation works
Chevron Australia Pty Ltd	Gorgon Project – LNG Plant	WA	Barrow Island	Water	Design, supply, installation, commissioning and maintenance of reverse osmosis water treatment systems
Cowra Shire Council	Cowra Sewerage Scheme Augmentation	NSW	Cowra	Water	Civil, mechanical, structural and electrical construction, testing and pre-commissioning of a sewerage treatment plant
eni	Blacktip Development Project	NT	Wadeye	Oil & Gas	Vertical package construction of the onshore gas plant including the supply, fabrication, preassembly, erection and pre-commissioning of the structural, mechanical, piping, electrical and instrumentation works
Gladstone Area Water Board	Gladstone and Yarwun Fluoride Dosing Plants	QLD	Gladstone and Yarwun	Water	Design, supply, delivery, installation and commissioning of a sodium silicofluoride dosing system for Gladstone Water Treatment Plant and sodium fluoride dosing plant for the Yarwun Treatment Plant
Gladstone Ports Corporation	GPC Legacy Project – E&I	QLD	Gladstone	Coal	Electrical and instrumentation works associated with upgrade works
Hamersley Iron Pty Ltd (Expansion Project)	Brockman 4 SMP Supply & Installation	WA	Brockman	Iron Ore	Structural, mechanical, piping, electrical and instrumentation works
MCC Mining (Western Australia) Pty Ltd	Ball & AG Mill Trunnion Bearing Installation Works	WA	Cape Preston	Iron Ore	Mechanical works including mill installation
MCC Mining (Western Australia) Pty Ltd	Ball Mill Mechanical Installation and Structural Steelwork Erection Package	WA	Cape Preston	Iron Ore	Structural installation

Key Engineering Construction Projects (continued)

Customer	Project Name	State	Location	Commodity	Description
Moreton Bay Regional Council	Burpengary East Sewerage Treatment Plant Augmentation	QLD	Burpengary	Water	Includes civil infrastructure, installation and commissioning of the mechanical and electrical equipment as part of the plant upgrade
Nambucca Heads Shire Council	Augmentation of the Nambucca Heads Sewerage Treatment Plant	NSW	Nambucca	Water	Construction, testing and pre-commissioning of the plant augmentation and associated transportation system.
Port Macquarie Hastings Council	Lake Cathie/Bonnie Hills Sewerage Treatment Plant Upgrade	NSW	Lake Cathie	Water	Civil, mechanical, electrical supply installation for plant for sewerage treatment plant upgrade.
Ports Corporation of Queensland	Abbot Point Coal Terminal X50	QLD	Bowen	Coal	Structural, mechanical and electrical works for the extension of existing inloading and outloading conveyors, and new stockyard conveyors
Ports Corporation of Queensland	Abbot Point HV Upgrade	QLD	Bowen	Coal	Supply of new substations, power and distribution transformers, switchboards and motor control centres
Ports Corporation of Queensland	Abbot Point Stockyards	QLD	Bowen	Coal	Electrical and instrumentation works for the extension of existing inloading and outloading conveyors, and new stockyard conveyors
Rio Tinto	Brockman 4 SMP	WA	Brockman	Iron Ore	Supply bins, chutes, structural steel
Rio Tinto	Clermont CHPP E&I	QLD	Clermont	Coal	Electrical and instrumentation works associated with the construction of a coal handling preparation plant (CHPP) and associated coal handling plant as part of Rio Tinto's Clermont Mine Project
Rio Tinto Coal Australia Pty Ltd	Construction of CHPP	QLD	Clermont	Coal	Civil, structural, mechanical and electrical works for the construction of the new CHPP and associated ancillary works
Robe River Mining Co (Expansion)	MESA A	WA	Cape Lambert –	Iron Ore	Maintenance services contract
Santos Ltd	Santos Misc Works	NT	Mereenie	Oil & Gas	Electrical and instrumentation works associated with small capital works and ongoing maintenance
Seqwater	Seqwater Fluoridation Project Stage 2 – Parcel 1 and 2	QLD	Various locations throughout	Water	Design, supply, manufacture, installation, construction, commissioning performance testing and defects liability of 20 fluoride facilities in South East Queensland.
Wesfarmers Curragh Pty Ltd	Curragh Coal Mine	QLD	Blackwater	Coal	Electrical and instrumentation works associated with small capital works and ongoing maintenance
Woodside	Pluto LNG Project Site B ME Offsite & Utilities and AGRU	WA	Dampier	Oil & Gas	Structural, mechanical and piping works for the installation, erection and pre-commissioning of the plant offsite utilities and acid gas removal unit (AGRU)
Woodside	Pluto HUC	WA	Dampier	Oil & Gas	Hook-up and commissioning of the offshore riser platform topside decks including structural, mechanical, piping, electrical and instrumentation works

Key Maintenance and Industrial Services Contracts

Customer	Project Name	State	Location	Commodity	Description
Anglo American	Coal Handling Preparation Plant Maintenance	QLD	Moura	Coal	Multidisciplinary maintenance, sustaining capital works and shutdown services
BHP Billiton (Nickel West)	Framework Agreement – Maintenance, Projects and Shutdown Labour	WA	Kalgoorlie, Leinster, Mount Keith	Nickel	Major shutdown services, minor capital project work and maintenance services
BHP Billiton (Olympic Dam)	Olympic Dam – Services Contract	SA	Roxby Downs	Copper, Uranium	Maintenance services, minor capital project work and shutdown support
BHP Billiton Mitsubishi Alliance	Blackwater Mine – Dragline Shutdowns	QLD	Blackwater	Coal	Major shutdown of two draglines
BHP Billiton Mitsubishi Alliance	Peak Downs Mine – Coal Stacker Replacement	QLD	Peak Downs	Coal	Fabrication and installation of a replacement coal stacker
BHP Billiton Worsley Alumina	Minor Capital Works	WA	Collie	Alumina	Capital project services
Boyer Smelters Ltd (Rio Tinto Alcan)	Mechanical Trade Services	QLD	Gladstone	Aluminium	Mechanical maintenance and project works
BP Refinery Kwinana	Turnarounds and Capital Projects	WA	Kwinana	Oil & Gas	On site services
Bulga Coal (Xstrata)	Bulga Major Dragline Shutdown	NSW	Singleton	Coal	Planning, management and execution of shutdown
Chevron	Gorgon Project Facilities Management	WA	Barrow Island	Oil & Gas	Facilities operations and maintenance, management of fixed and mobile assets including utilities, buildings and vehicles
Chevron (W.A. Oil)	Barrow and Thevenard Islands General Maintenance Contract	WA	Barrow and Thevenard Islands	Oil & Gas	General maintenance services and projects
Coal and Allied	Hunter Valley Maintenance and Shutdown Services	NSW	Singleton	Coal	Maintenance support, dragline and shovel shutdown services
ConocoPhillips	Darwin LNG Maintenance and Shutdown Services	NT	Darwin	Oil & Gas	Multidisciplinary maintenance, project and shutdown services
FMG	Provision of Services	WA	Cloudbreak	Iron Ore	Minor capital project works for the installation of a geothermal power station
Incitec Pivot	Plant Shutdown Services	QLD	Gibson Island, Mount Isa, Phosphate Hill	Chemical	Planning, management and execution of shutdowns
Oil Search Limited	Field Construction Services	PNG	Papua New Guinea	Oil & Gas	Multidisciplinary maintenance and construction services
Origin Energy	Talinga Gas	QLD	Chinchilla	Oil & Gas	Structural, mechanical, piping, electrical and instrumentation installation works
Power & Water	Local Infrastructure Maintenance – Capital Works and Shutdown Services	NT	Darwin	Oil & Gas, Power and Water	Structural, mechanical, piping, electrical and instrumentation projects and shutdown services
Queensland Alumina Ltd	Maintenance and Minor Capital Works	QLD	Gladstone	Alumina	Structural, mechanical and piping projects
Queensland Nickel	Yabulu Minor Capital Works	QLD	Townsville	Nickel	Multidisciplinary maintenance and construction services
Rio Tinto (Pilbara Iron)	Tom Price, Cape Lambert, Paraburdoo Operations – Structural Integrity Project	WA	Tom Price, Cape Lambert, Paraburdoo	Iron Ore	Structural repair work
Rio Tinto (Pilbara Iron)	Coastal Operations – Maintenance Services	WA	Cape Lambert, Dampier	Iron Ore	Maintenance and shutdown services
Rio Tinto (Pilbara Iron)	West Pilbara Operations – Maintenance Services	WA	Brockman, Marandoo, Pannawonica, Tom Price	Iron Ore	Maintenance and shutdown services
Rio Tinto Alcan (Yarwun)	Operations Services	QLD	Gladstone	Alumina	Maintenance, capital works and shutdown services
Rio Tinto Coal & Allied	Maintenance, Minor Capital Works and Shutdown Services	NSW	Mt Thorley	Coal	Maintenance support, dragline and shovel shutdown services
Sandvik	Port Waratah Coal Services – reclaimer works	NSW	Newcastle	Coal	Structural and mechanical erection of three bucket wheel reclaimers and deconstruction of two stackers
Xstrata	Various Maintenance Works	QLD	Mount Isa	Copper, Zinc, Lead	Structural, mechanical and piping projects and shutdown services



Highlights

- Strong improvement in safety performance – TCIFR improved 25%
- Continued investment in HSE processes, systems and leadership training
- Progression of HSE initiatives following DuPont review

Health, Safety and Environment



The health and safety of employees is of primary concern to Monadelphous, and is underpinned by the Company's value system. Monadelphous is an industry leader in health and safety performance. The Company continues to aim for zero harm through engaging employees in meaningful safety initiatives. Monadelphous is also committed to sustainability of the communities in which it operates and minimising its impact on the environment.

Performance

Over the past five years, significant progress towards the ultimate goal of zero harm has been made across the Company. Since 2006 the lost time injury frequency rate (LTIFR) has declined 81 per cent to 0.54 incidents per million hours worked. A pleasing improvement in the LTIFR was recorded over the year, resulting in a reduction of 29 per cent. There was also a strong improvement in the total case injury frequency rate (TCIFR) which was reduced by 25 per cent to 6.3.

Key Activities

A number of outcomes were generated from a review by leading safety consultant, DuPont Safety Resources, which concluded in 2009. A major initiative commenced during the year was the Monadelphous Safety Leadership Program, a training and coaching program customised for the Company by DuPont. It is anticipated the program will have a major positive cultural impact on the business.

The completion of the Health Safety and Environment (HSE) Management System project in 2009, which involved a comprehensive review of all HSE policies, procedures and practices, has provided structure to HSE and ensured consistent application across all operations. Further, it has enabled Monadelphous to measure, review and support continuous improvement initiatives.

Monadelphous has maintained a small environmental footprint and continued to focus on minimisation of impact in areas such as energy use and emissions from diesel fuel consumption and air transport. In July 2010, approximately 450 Monadelphous employees moved to a new premises in

Victoria Park, Perth (WA) with a Green Stars environmental rating of four. This rating means the building demonstrates excellent energy performance due to design and management practices, or high efficiency systems and equipment, or low greenhouse-intensive fuel supply.

Outlook

Following a year of pleasing HSE performance, the Company will continue to focus on zero harm through the continuing implementation of strategic safety initiatives and continuous improvement programs to reduce its environmental impact. The Safety Leadership program is expected to provide the next major safety improvement impetus while delivering broader benefits through increased operating discipline.

Monadelphous employees at BHP Billiton Iron Ore
RGP5 Yandi with 750 tonne crane acquired during the year

Highlights

- Record employee numbers of more than 5,400 reflect growth and diversification
- Consolidation of people strategies to support long-term growth
- Substantial intake of graduates



Our People, Culture and Values



Monadelphous's people continue to be its primary source of competitive advantage. The Company's culture is supported by core values of safety and wellbeing, integrity, achievement, teamwork and loyalty. The corporate culture has aligned employees to the business intent and has enabled the Company to sustain growth through difficult periods, including during the global financial crisis.

The Company's strategic focus for people continues to be maximising efficiency while providing for future growth opportunities. This has been achieved by attracting and retaining the right people who deliver quality work and share Monadelphous's values.

Key Activities

Monadelphous focused its people-oriented processes, systems and resources toward an improved approach to workforce forecasting to meet project needs as well as the changing labour market. A 29 per cent increase in employee numbers over the year reflects heightened activity levels and the increasingly diversified nature of the business. It also provides an indication that Monadelphous is managing current labour market conditions well. In addition, the Company mobilised approximately 9,300 project personnel across various sites during the year.

During the reporting period, Monadelphous developed people strategies aimed at supporting long term growth, including a competency-based leadership development program. This program addresses the Company's requirement to have people with the technical competencies to continue to deliver projects well, while providing them with the leadership skills to meet the organisation's future challenges. Monadelphous continues to be active in the graduate recruitment market with the appointment of 17 new graduates in 2010.

Progress was made towards the development of a behaviour-based performance and talent management system during the year. Underpinned by Monadelphous's core values, the system will provide a shared understanding between managers and employees of role expectations with the ultimate goal being employee retention.

Also during the year Monadelphous completed a restructure of the staff remuneration system. The aim of the system is to increase employee retention by having accurate and timely salary data to reward performance and provide defined pathways for career advancement within the Company.

Outlook

Record employee numbers provide a strong indication of the Company's ability to deliver new and larger projects and execute its market diversification strategy.

Monadelphous's demand for the right people will continue to be high, particularly in key technical roles. Labour supply is expected to continue to tighten as large-scale domestic liquefied natural gas and coal seam gas projects enter the next phase of development. While the Company will look to the domestic market first to fill its labour requirements, there are contingencies in place for international recruitment of employees.

Over the coming year, Monadelphous will continue to invest considerable time and resources in its most important strategic asset, people. The Company will continue to implement initiatives aimed at attracting, retaining and developing people who deliver quality work, share the Company's values and contribute to the long-term success of Monadelphous.

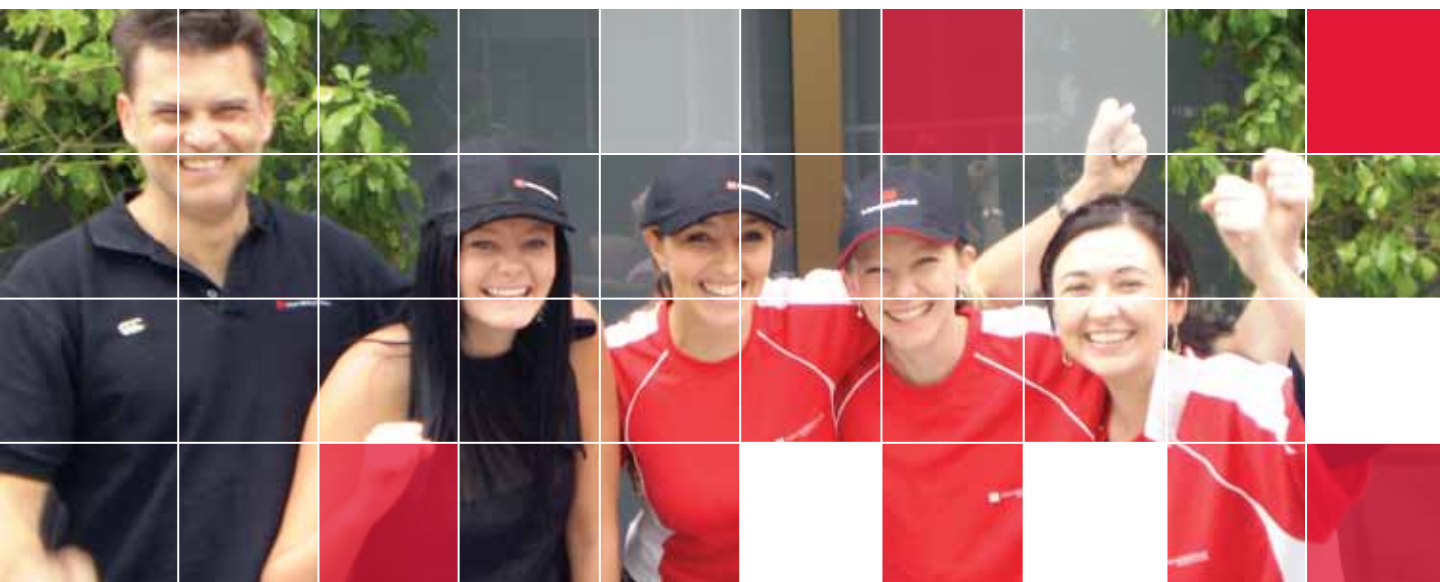


Highlights

- Grass roots support in local communities
- University alliance for world-class engineering centre
- Donations to charities and support of staff participation in charity events

Tim Shackleton from RFDS with Monadelphous
Managing Director Rob Velletri

Our Community



Monadelphous places a special emphasis on support for the people it employs and the communities in which they live and the Company does business.

This support for individuals, families and organisations makes Monadelphous an active participant in many things which matter in local areas.

The Company supports grass roots activities such as sport, schools and medical services which help to build and maintain the foundations of a community.

Monadelphous encourages involvement by staff in raising funds for charities by participating in events such as the annual Perth City to Surf and Bridge to Brisbane runs and walks, Corporate Triathlon national series and other special local and national activities.

It also contributes through its donations to various charities.

The Company generates business opportunities in the areas in which it operates and it is an active participant and supporter of the broader engineering profession including through Engineers Australia and university activities.

Monadelphous Integrated Learning Centre

The Monadelphous Integrated Learning Centre (MILC), which is scheduled to open in late 2010, is a world-class educational facility for engineering students at the University of Western Australia (UWA). The \$2.5 million facility will replicate the industry workplace and provide space for project-based learning, collaboration, leadership and innovation.

The MILC partnership with UWA is an element of the Company's broad-based engagement with universities which also includes student club support, graduate recruitment and involvement by senior managers in lectures and advisory committees.

Charity Golf Day

The annual Monadelphous charity golf day in Perth raised more than \$40,000 for the Royal Flying Doctor Service (RFDS) Western Operations. The funds were used to buy specialised medical equipment for the new Rio Tinto Life Flight jet. More than 100 golfing enthusiasts from Monadelphous, clients and suppliers were involved in and supported the event.

Monadelphous also sponsored the Outback Air Race, from Broome in WA to Airlie Beach in Queensland, which raised \$200,000 for the RFDS in WA, Queensland, NSW and Victoria.

FeNaCIng Festival

Monadelphous supported the 37th annual FeNaCIng Festival by sponsoring the free concert that headlines the event. The two-day festival, run by the Lions Club of Karratha and Dampier, raised approximately \$60,000 for local community organisations such as schools and the hospital. The festival name is derived from the chemical symbols of the three main production and export commodities in Karratha and Dampier: iron ore (Fe), salt (NaCl) and natural gas (NG).

Angel Flight

Monadelphous staff and other contractors involved in eni Australia's Blacktip Onshore Gas Plant project near Wadeye in the Northern Territory donated \$50,000 to Angel Flight, which helps country people who face serious illness, financial difficulties and isolation. The donation was from proceeds of the wet mess at the construction camp during the construction phase of the project.



Highlights

- Maintained a leadership position in core markets
- Continued focus on maximising returns while providing for future growth
- Significant progress in expansion and diversification strategies

Strategy and Outlook



Monadelphous's long-term strategic objective of establishing and maintaining a leadership position in its core markets and diversifying into infrastructure enabled it to develop a more resilient business during the recent period of economic uncertainty.

The Company will maintain its position as a leader in its core markets of resources and energy by fostering long-term relationships with blue-chip customers and being recognised as a reliable, flexible and responsive service provider. Success will be measured through retention of customers, contracts with new high-quality customers and a broadening of services flowing from feedback gathered from regular monitoring of customer satisfaction levels.

This continued leadership in chosen markets underpins the Monadelphous vision to double in size every five years. It will be a leader by successfully executing growth strategies. It will continue to protect and strengthen its position in the resources market, which includes iron ore, coal and mineral processing, and in the energy market of oil and gas. It will pursue further diversification and growth opportunities in the chosen infrastructure market segment, which includes water,

transmission pipelines, solid waste management and airport services.

Monadelphous will continue to diversify and grow in the infrastructure sector to achieve a more robust business model. This will build on the steady progress of recent years when it successfully delivered a significant number of water projects. During the year it entered into a joint venture arrangement with AnaeCo Limited to construct solid waste management systems for local governments. On 30 June 2010 the Company announced the acquisition of transmission pipeline business KT Pty Ltd, which trades as KT Pipeline Services. Subsequent to the reporting period these business activities, along with Skystar Airport Services, were consolidated to form the new Infrastructure division and provide a solid foundation for further growth.

The Infrastructure division will allow additional diversification of revenue streams and customer profiles, and enable the Company to better mitigate the effects of commodity price or investment cycle downturns.

Monadelphous will succeed in the infrastructure market through the generation of innovative ideas and the superior execution of projects that,

when delivered in a cost-effective manner, will build long-term customer relationships. Any further diversification is likely to be achieved through small bolt-on acquisitions or organic growth from leveraging existing capabilities.

The longer term outlook for the Company remains positive and it is well placed to benefit from the expected resources recovery. It will further build on its broad exposure to the buoyant energy sector and enhance its position in the infrastructure market.

The key source of competitive advantage for Monadelphous remains its people and culture. The Company focuses on maximising returns while providing for future growth opportunities. It achieves these goals by attracting and retaining the right people who deliver quality work and are aligned with Monadelphous's values. The people-focused strategies will continue as a foundation for long-term growth and ultimately provide the Company with the next generation of leadership and human capital to deliver on its vision of being a truly great company to work for, work with and invest in.



New Monadelphous premises in Victoria Park, Perth (WA)

Financial Statements



Contents

Page

Corporate Directory	41
Company Performance	42
Corporate Governance Statement	43
Directors' Report	48
Independent Audit Report	60
Directors' Declaration	62
Income Statement	63
Statement of Comprehensive Income	64
Statement of Financial Position	65
Statement of Changes in Equity	66
Statement of Cash Flows	67
Notes to the Financial Statements	68
Investor Information	112

Corporate Directory

DIRECTORS

Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Irwin Tollman
Non-Executive Director

Peter John Dempsey
Independent Non-Executive Director

Christopher Percival Michelmores
Independent Non-Executive Director

COMPANY SECRETARIES

Zoran Bubic
(appointed 24 August 2009)

Philip Trueman

Charles Roland Giles Everist
(resigned 24 August 2009)

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

ASX CODE

MND – Fully Paid Ordinary Shares

BANKERS

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

Westpac Banking Corporation
109 St George's Terrace
Perth
Western Australia 6000

AUDITORS

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

SOLICITORS

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

Deacons

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

Mallesons Stephen Jaques

Level 10, Central Park
152 St George's Terrace
Perth
Western Australia 6000

CONTROLLED ENTITIES

Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Skystar Airport Services Pty Ltd
Monadelphous Properties Pty Ltd
Monadelphous Workforce Pty Ltd
Genco Pty Ltd
MBF Workforce Pty Ltd
MI & E Holdings Pty Ltd
Monadelphous PNG Ltd
Skystar Airport Services Holdings Pty Ltd
Skystar Airport Services NZ Pty Ltd
Ellavale Engineering Pty Ltd
Moway International Ltd
SinoStruct Pty Ltd
Moway AustAsia Steel Structures Trading (Beijing) Company Ltd
Monadelphous Group Limited Employee Share Trust
KT Pty Ltd (acquired on 1 July 2010)

Company Performance | 2005 - 2010

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

	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000	2005 \$'000
Revenue	1,279,862	1,127,474	958,966	968,419	534,273	391,727
Profit before income tax expense	115,148	104,149	99,749	86,835	42,196	23,860
Income tax expense	31,931	29,908	30,206	26,417	12,800	7,202
Profit after income tax expense	83,217	74,241	69,543	60,418	29,396	16,658
Basic earnings per share	96.86c	87.48c	83.21c	73.56c	36.48c	21.15c
Interim dividends per share (fully franked)	35.00c	30.00c	29.00c	22.00c	9.00c	5.25c
Special dividends per share (fully franked)	-	-	-	15.00c	9.00c	5.00c
Final dividends per share (fully franked)	48.00c	44.00c	43.00c	29.00c	15.00c	9.00c
Net tangible asset backing per share	164.74c	139.84c	117.73c	105.87c	73.34c	54.90c
Total equity and reserves	144,286	122,565	101,817	90,481	62,134	46,171
Depreciation	16,789	15,066	12,718	10,390	7,510	5,171
Return on equity (%)	57.7	60.6	68.3	66.8	47.3	36.1
EBITDA margin (%)	10.1	10.3	11.5	9.8	9.2	7.4

Where necessary comparative figures have been restated to account for the effect of the one-to-four share split that was approved by shareholders in the General Meeting on 31 May 2005. The share split took effect from 1 June 2005. The restatement has been calculated by proportionately adjusting the number of shares on issue at the relevant reporting date in line with the terms of the share split.

The Board of Directors of Monadelphous Group Limited (Monadelphous) is responsible for establishing the corporate governance framework of the consolidated entity having regard to the ASX Corporate Governance Council published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of Monadelphous on behalf of the shareholders by whom they are elected and to whom they are accountable.

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

RECOMMENDATION	Comply Yes/No	Reference/ Explanation
Principle 1 – Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 44
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 46
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	
Principle 2 – Structure the Board to add value		
2.1 A majority of the Board should be independent directors.	No	Page 45
2.2 The chairperson should be an independent director.	No	Page 45
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Page 45
2.4 The Board should establish a nomination committee.	Yes	Page 46
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes	Page 46
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	
Principle 3 – Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the Company's integrity; - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	Page 45
3.3 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	
Principle 4 – Safeguard integrity in financial reporting		
4.1 The Board should establish an audit committee.	Yes	Page 46
4.2 The audit committee should be structured so that it: - consists only of non-executive directors; - consists of a majority of independent directors; - is chaired by an independent chairperson, who is not chairperson of the Board; - has at least three members.	Yes	Page 46
4.3 The audit committee should have a formal charter.	Yes	Website
4.4 Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes	

RECOMMENDATION (CONTINUED)		Comply Yes/No	Reference/ Explanation
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	
Principle 6 – Respect the rights of shareholders			
6.1	Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 46
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 46
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	Yes	Page 47
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 47
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	

Monadelphous Group Limited's corporate governance practices were in place throughout the year ended 30 June 2010, unless otherwise stated. Monadelphous Group Limited complies in all material respects with the Council's best practice recommendations.

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

www.monadelphous.com.au

Board Functions

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

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

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

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

To this end the Board has established the following committees:

- Audit
- Nomination
- Remuneration

Board Functions (continued)

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

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

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

Other functions reserved to the Board include:

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

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on page 48. Directors of Monadelphous are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

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

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

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

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

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

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

C. G. B. Rubino	19 years	(Executive Director)
R. Velletri	18 years	(Executive Director)
I. Tollman	18 years	(Non-Executive Director)
P. J. Dempsey	7 years	(Independent Non-Executive Director)
C. P. Michelmore	3 years	(Independent Non-Executive Director)

Trading Policy

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

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

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

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

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

Nomination Committee

The Board has a nomination committee which operates under a charter and meets at least annually. The nomination committee is responsible for ensuring that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The nomination committee comprises of two non-executive directors and one executive director. Members of the nomination committee throughout the year were:

C. G. B. Rubino (Chairman)
C. P. Michelmore
P. J. Dempsey

For details of directors' attendance at meetings of the nomination committee, refer to page 58 of the Directors' Report.

Audit Committee

The Board has an audit committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the audit committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive directors. The members of the audit committee during the year were:

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

Qualifications of audit committee members

P. J. Dempsey has over 38 years experience in the management of risks associated with the industry in which we operate.

I. Tollman has significant experience in the management of Monadelphous having served as the finance director of Monadelphous for 11 years and as a non-executive director for 7 years.

C. P. Michelmore has over 38 years experience in the management of risks associated with the construction industry.

For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to page 58 of the Directors' Report.

Risk

The Board regularly receives updates from management as to the effectiveness of the Company's management of its material business risks.

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

Managing Director and CFO Certification

In accordance with section 295A of the Corporations Act, the Managing Director and Chief Financial Officer have provided a written statement to the Board that:

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

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the nomination committee conducted performance evaluations which involved an assessment of the Board's and Senior Executives' performance against qualitative and quantitative performance criteria. The performance criteria against which the Board and executives are assessed are aligned with the financial and non-financial objectives of Monadelphous.

Remuneration Committee

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions.

To assist in achieving this objective, the remuneration committee links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

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

For full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

In relation to the issuing of options, discretion is exercised by the Board, having regard to the overall performance of Monadelphous and the performance of the individual during the period. The Monadelphous Group Limited Employee Option Plan rules have been approved by shareholders.

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

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

C. P. Michelmores (Chairman)

C. G. B. Rubino (resigned 23 June 2010)

I. Tollman

P.J. Dempsey (appointed 23 June 2010)

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to page 58 of the Directors' Report.

Your directors submit their report for the year ended 30 June 2010.

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 44 years experience in the construction and engineering services industry
Robert Velletri	Managing Director Appointed 26 August 1992 Mechanical Engineer, Corporate Member of the Institution of Engineers Australia Appointed as Managing Director on 30 May 2003 31 years experience in the construction and engineering services industry
Irwin Tollman	Non-Executive Director Appointed 26 August 1992 Chartered Accountant, Member Institute of Chartered Accountants in Australia 18 years experience in the construction and engineering services industry Retired as Executive Director on 25 July 2003 and continued as a Non-Executive Director
Peter John Dempsey	Independent Non-Executive Director Appointed 30 May 2003 Civil Engineer, Fellow of the Institution of Engineers Australia 38 years experience in the construction industry Also a non-executive director of another publicly listed entity, Becton Property Group Limited (ASX Code: BEC) - appointed 25 July 2008
Christopher Percival Michelmores	Independent Non-Executive Director Appointed 1 October 2007 Civil Engineer, Fellow of the Institution of Engineers Australia Member Institution of Structural Engineers, UK 38 years experience in the construction industry

COMPANY SECRETARIES

Zoran Bubic	Company Secretary and Chief Financial Officer Appointed 24 August 2009 Certified Practising Accountant, 17 years experience in the construction and engineering services industry
Philip Trueman	Company Secretary and General Manager, Corporate Services Chartered Accountant, Member Institute of Chartered Accountants in Australia and the South African Institute of Chartered Accountants 10 years experience in the construction and engineering services industry
Charles Roland Giles Everist	Company Secretary and Chief Financial Officer Resigned, effective 24 August 2009 Chartered Accountant, Member Institute of Chartered Accountants in England and Wales

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of Monadelphous Group Limited were:

	Ordinary Shares	Options over Ordinary Shares
C. G. B. Rubino	3,004,000	Nil
R. Velletri	2,000,000	500,000
I. Tollman	667,586	Nil
P. J. Dempsey	78,000	Nil
C. P. Michelmore	17,597	Nil

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	96.86
Diluted Earnings Per Share	95.46

DIVIDENDS

	Cents	\$'000
Final dividends declared		
- on ordinary shares	48.00	41,500
Dividends paid during the year:		
Current year interim		
- on ordinary shares	35.00	30,113
Final for 2009		
- on ordinary shares	44.00	37,763

CORPORATE INFORMATION

Corporate structure

Monadelphous Group Limited is a company limited by shares that is incorporated and domiciled in Australia. Monadelphous Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year (refer note 26 in the financial report).

The registered office of Monadelphous Group Limited is located at 59 Albany Highway, Victoria Park, Western Australia, 6100.

Nature of operations and principal activities

Engineering Services

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

Services provided:

- Fabrication and installation of structural steel, tankage, mechanical and process equipment and piping
- Multi-disciplined construction packages including civil and electrical disciplines
- Plant commissioning
- Specialist electrical and instrumentation and installation
- Fixed plant maintenance
- Shutdown planning, management and execution
- Specialist concrete and structural maintenance

Skystar Airport Services

Provides airport ground handling services.

General

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

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

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

Employees

The consolidated entity employed 5,424 employees as of 30 June 2010 (2009: 4,211 employees).

OPERATING AND FINANCIAL REVIEW

Review

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

Operating results for the year

Operating results for the year were:

	2010 \$'000	2009 \$'000
Revenue from services	1,275,420	1,122,521
Profit after income tax	83,217	74,241

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

The upfront consideration comprised a cash payment of \$10,000,000 and 422,627 ordinary shares. A further deferred component is payable subject to KT Pty Ltd achieving certain financial targets over the period to 31 December 2011. The deferred component will comprise approximately one-third cash and two-thirds shares, and the total consideration payable will not exceed \$30,000,000.

At the date the Financial Statements were authorised for issue, the initial accounting for the business combination was incomplete with the fair value assessments of the identifiable assets and liabilities acquired at acquisition and the estimation of the value of the deferred consideration to be finalised. As a result it is not possible to disclose the carrying value or fair value of the identifiable assets and liabilities that will be recognised at 1 July 2010, the acquisition date fair value of consideration transferred, or to calculate the value of goodwill.

On 16 August 2010, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2010 financial year. The total amount of the dividend is \$41,500,477 which represents a fully franked final dividend of 48 cents per share. This dividend has not been provided for in the 30 June 2010 Financial Statements.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

The Company aims to continually improve its environmental performance.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 4,817,500 unissued ordinary shares under options as follows:

- 55,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$9.06. The options expire on 31 January 2011.
- 4,100,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$10.00. The options expire between 30 September 2010 and 30 September 2012.
- 550,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$12.22. The options expire between 30 September 2011 and 30 September 2013.

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

Shares issued as a result of the exercise of options

During the financial year, employees and directors have exercised the option to acquire 212,500 fully paid ordinary shares at a weighted average exercise price of \$5.38. 124,249 shares owned by Monadelphous Group Limited Employee Share Trust were utilised for the option exercise, with the remaining 88,251 issued as new fully paid ordinary shares.

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the end of the financial year, the Company has paid premiums in respect of a contract insuring all the directors of Monadelphous Group Limited against a liability incurred in their role as directors of the Company, except where:

- (a) the liability arises out of conduct involving a wilful breach of duty; or
- (b) there has been a contravention of Sections 182 or 183 of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid was \$125,274 (2009: \$76,804).

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(1)(d) of the *Corporations Act 2001*.

REMUNERATION REPORT (AUDITED)

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

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

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

(i) Directors

C. G. B. Rubino	Chairman
R. Velletri	Managing Director
I. Tollman	Non-Executive Director
P. J. Dempsey	Independent Non-Executive Director
C. P. Michelmore	Independent Non-Executive Director

(ii) Executives

D. Foti	Executive General Manager, Engineering Construction
A. Erdash	General Manager, Maintenance & Industrial Services Western Region
M. Jansen	General Manager, Maintenance & Industrial Services Eastern Region
Z. Bebic	Chief Financial Officer and Company Secretary (appointed 24 August 2009)
S. Murray	General Manager, Infrastructure
G. Everist	Chief Financial Officer and Company Secretary (resigned 24 August 2009)

Remuneration Philosophy

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

To this end, the Company embodies the principles of providing competitive rewards to attract high calibre executives, and the linking of executive rewards to shareholder value, in its remuneration framework.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors and the executive management team.

The Remuneration Committee receives external information from an international organisation that performs research and consultancy on remuneration reward practices in organisations. Monadelphous utilises statistical survey data compiled by the organisation on remuneration levels across a range of industries and geographic regions. The salary survey data is updated every 6 months and is used to assess the appropriateness of the nature and amount of remuneration of directors and the executive management team. This assessment is made with reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

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

Remuneration Structure

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

Non-executive Director Remuneration

Objective

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

Structure

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

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

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

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

The remuneration of non-executive directors for the period ending 30 June 2010 is detailed in Table 1 on page 55 of this report.

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

Structure

In determining the level and make-up of executive remuneration, the Remuneration Committee receives external statistical survey data and advice from an international remuneration research and consultancy organisation and considers market levels of remuneration for comparable executive roles when making its recommendations to the Board.

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

The proportion of fixed remuneration and variable remuneration is established for each member of the executive management team by the Remuneration Committee. Tables 1 and 2 on pages 55 and 56 of this report detail the proportion of fixed and variable remuneration for each of the executive directors and the members of the executive management team of the Company.

Fixed Remuneration

Objective

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

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of company-wide, business unit and individual performance, relevant comparative remuneration in the market and internally, and where appropriate, external advice on policies and practices.

Structure

Executive team members are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component of the executive directors and the 5 most highly remunerated members of the executive management team of the Company is detailed in Tables 1 and 2 on pages 55 and 56 of this report.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Company's operational targets with the performance of the executives charged with meeting those targets. The total STI is set at a level so as to remunerate the executives for achieving the operational targets and such that the cost to the Company is reasonable in the circumstances.

Structure

On an annual basis at the end of the financial year, after consideration of performance against KPIs, an overall performance rating for the Company and each individual business unit is approved by the Remuneration Committee. The individual performance of each executive is also rated and all three are taken into account when determining the amount, if any, of the short-term incentive payment made to each executive.

The aggregate of annual STI payments available for executives across the Company is subject to the approval of the Remuneration Committee. Payments made are usually delivered as a cash bonus.

In the 2009 financial year, 100% of the cash bonus previously accrued in that period vested and was paid in the 2010 financial year. The amount payable for the 2010 financial year is \$560,000 which has been fully accrued at 30 June 2010. This amount was fully paid in July 2010 on approval by the remuneration committee.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to retain and reward the members of the executive management team in a manner which aligns this element of remuneration with the creation of shareholder wealth.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive Remuneration (continued)

Variable Remuneration – Long Term Incentive (LTI) (continued)

Structure

LTI grants to executives are delivered at the discretion of the Remuneration Committee in the form of options. The individual performance rating of each executive is taken into account when determining the amount, if any, of options granted to each executive. During the year ended 30 June 2010, there were 580,000 options granted as part of director and executive remuneration. No Directors or Key Management Personnel included in Table 1 on page 55 received options during the year ended 30 June 2010. All executives are eligible to participate in the Monadelphous Group Limited Employee Option Plan.

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

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

In addition, for options issued under the Monadelphous Group Limited Employee Option Plan during the years ended 30 June 2009 and 30 June 2010, the ability to exercise options during each applicable window period is subject to the financial performance of the Company during the option vesting period. The options shall only be capable of exercise during that window period where the Company's Earnings Per Share (EPS) metric is growing at a rate of at least 10% per year. If, however, this hurdle is not achieved for a particular window period, rather than lapsing, the options will be re-tested during all later window periods in respect of that issue and may become exercisable at that later date.

Hedging of Equity Awards

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

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

Employment Contracts

All executives have non-fixed term employment contracts. The Company or executive may terminate the employment contract by providing 1 to 3 months written notice. The Company is in the process of amending all executive contracts to contain a 3 month termination period. The Company may terminate the contract at any time without notice if serious misconduct has occurred.

Company Performance

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

	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000	2005 \$'000
Profit after income tax expense	83,217	74,241	69,543	60,418	29,396	16,658

A review of the Company's performance over the last six years has been provided on page 42 of this report.

REMUNERATION REPORT (AUDITED) (CONTINUED)
Remuneration of Key Management Personnel and the Five Highest Paid Executives of the Company and the Group
Table 1: Remuneration for the year ended 30 June 2010

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

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

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

REMUNERATION REPORT (AUDITED) (CONTINUED)**Remuneration of Key Management Personnel and the Five Highest Paid Executives of the Company and the Group (continued)****Table 2: Remuneration for the year ended 30 June 2009**

	Short Term Benefits			Post Employment		Long Term Benefits	Share-based Payments	Total	Total Performance Related	Total Options Related
	Salary & Fees	Non Monetary	Cash STI	Super-annuation	Retirement Benefits	Long Service Leave	Options LTI			
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Non-Executive Directors										
I. Tollman	40,000	489	-	-	-	-	-	40,489	-	-
P. J. Dempsey	70,000	856	-	-	-	-	-	70,856	-	-
C. P. Michelmore	70,000	856	-	-	-	-	-	70,856	-	-
Subtotal Non-Executive Directors	180,000	2,201	-	-	-	-	-	182,201	-	-
Executive Directors										
C. G. B. Rubino	328,174	8,368	-	13,741	-	10,385	-	360,668	-	-
R. Velletri	676,508	17,562	100,000	13,741	-	52,894	147,203	1,007,908	24.53	14.60
Subtotal Executive Directors	1,004,682	25,930	100,000	27,482	-	63,279	147,203	1,368,576	18.06	10.76
Other Key Management Personnel										
D. Foti	515,409	13,732	70,000	13,757	-	50,958	82,137	745,993	20.39	11.01
A. Erdash	405,226	10,207	30,000	13,741	-	12,805	41,809	513,788	13.98	8.14
M. Jansen	371,926	9,835	30,000	13,741	-	27,547	41,809	494,858	14.51	8.45
S. Murray	289,845	7,322	30,000	13,741	-	7,165	49,141	397,214	19.92	12.37
G. Everist	374,210	9,858	-	13,741	-	15,434	41,809	455,052	9.19	9.19
Subtotal Other Key Management Personnel	1,956,616	50,954	160,000	68,721	-	113,909	256,705	2,606,905	15.98	9.85
Total	3,141,298	79,085	260,000	96,203	-	177,188	403,908	4,157,682	15.97	9.71

The remuneration in Tables 1 and 2 above are now being reported on an earned basis. As a result, the amounts disclosed in Table 2 have been restated. This resulted in a decrease of \$93,964 in the total remuneration for the year ended 30 June 2009 compared to the amount previously disclosed in the 30 June 2009 Financial Report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

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

During the financial year ended 30 June 2010, no options were granted as equity compensation benefits to key management personnel.

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

	Terms and Conditions for each Grant						
	Granted Number	Grant Date	Fair Value per Option at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date
Executive Directors							
R. Velletri	500,000	31/10/2008	\$1.15	\$10.00	30/09/2012	1/09/2010	30/09/2012
Other Key Management Personnel							
D. Foti	280,000	31/10/2008	\$1.15	\$10.00	30/09/2012	1/09/2010	30/09/2012
A. Erdash	140,000	31/10/2008	\$1.15	\$10.00	30/09/2012	1/09/2010	30/09/2012
M. Jansen	140,000	31/10/2008	\$1.15	\$10.00	30/09/2012	1/09/2010	30/09/2012
S. Murray	70,000	31/10/2008	\$1.15	\$10.00	30/09/2012	1/09/2010	30/09/2012
G. Everist	140,000	31/10/2008	\$1.15	\$10.00	30/09/2012	1/09/2010	30/09/2012
Total	1,270,000						

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

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

	Options Vested Number	Options Exercised Number	Shares Issued Number	Paid \$ per share
Directors				
R. Velletri	-	-	-	-
Executives				
D. Foti	-	-	-	-
A. Erdash	-	-	-	-
M. Jansen	-	-	-	-
Z. Bebic	-	-	-	-
S. Murray	12,500	12,500	12,500	\$9.06
G. Everist	-	-	-	-
Total	12,500	12,500	12,500	

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

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

Table 5: Shares issued on exercise of compensation options during the year ended 30 June 2009

	Options Vested Number	Options Exercised Number	Shares Issued Number	Paid \$ per Share
Directors				
R. Velletri	300,000	300,000	300,000	\$1.95
Executives				
D. Foti	160,000	160,000	160,000	\$1.95
A. Erdash	100,000	100,000	100,000	\$1.95
M. Jansen	100,000	100,000	100,000	\$1.95
S. Murray	12,500*	-	-	-
G. Everist	100,000	100,000	100,000	\$1.95
Total	772,500	760,000	760,000	

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

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

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings	Audit	Meetings of Committees Remuneration	Nomination
Number of meetings held:	15	2	4	1
Number of meetings attended:				
C. G. B. Rubino	14	-	3	1
R. Velletri	15	-	-	-
I. Tollman	14	2	4	-
P. J. Dempsey	15	2	1	1
C. P. Michelmores	15	2	4	1

C. G. B. Rubino resigned from the Remuneration Committee with effect from 23 June 2010 and was replaced by P. J. Dempsey.

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. Michelmores (c)	C. G. B. Rubino (c)
I. Tollman	C. G. B. Rubino (resigned 23 June 2010)	C. P. Michelmores
C. P. Michelmores	I. Tollman	P. J. Dempsey
	P. J. Dempsey (appointed 23 June 2010)	

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

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars (\$'000) (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Monadelphous Group Limited support and have adhered to the principles of Corporate Governance.

The Company's Corporate Governance Statement is detailed on page 43 of this report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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



Auditor's Independence Declaration to the Directors of Monadelphous Group Limited

In relation to our audit of the financial report of Monadelphous Group Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

In addition to our audit of the financial report, we were engaged to undertake the services disclosed in note 25 to the financial statements. The provision of these services has not impaired our independence.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'C B Pavlovich'.

C B Pavlovich
Partner
16 August 2010

Liability limited by a scheme approved under Professional Standards Legislation

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 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	42,255
Assurance related	6,580
	48,835

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'C. G. B. Rubino'.

C. G. B. Rubino
Chairman
Perth, 16 August 2010



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

INDEPENDENT AUDIT REPORT TO MEMBERS OF MONADELPHOUS GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Monadelphous Group Limited, which comprises the statement of financial position as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



Independence

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

Auditor's Opinion

In our opinion:

1. the financial report of Monadelphous Group Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 52 to 58 of the Directors' Report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Monadelphous Group Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

C B Pavlovich
Partner
Perth
16 August 2010

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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
 - (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and
 - (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.
- 2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2010.
- 3) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 26 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



C. G. B. Rubino
Chairman
Perth, 16 August 2010

Income Statement | For The Year Ended 30 June 2010

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
Continuing Operations			
REVENUE	3(a)	1,279,862	1,127,474
Cost of services rendered		(1,126,481)	(987,320)
GROSS PROFIT		153,381	140,154
Other income	3(b)	1,133	2,048
Business development and tender expenses		(11,578)	(11,500)
Occupancy expenses		(1,624)	(1,595)
Administrative expenses		(24,232)	(24,147)
Finance costs	3(c)	(1,932)	(1,864)
Share of net profits of joint ventures accounted for using the equity method	11	-	1,053
PROFIT BEFORE INCOME TAX		115,148	104,149
Income tax expense	4	(31,931)	(29,908)
PROFIT AFTER INCOME TAX		83,217	74,241
PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	17(a)	83,217	74,241
Basic earnings per share (cents per share)	22	96.86	87.48
Diluted earnings per share (cents per share)	22	95.46	86.33
Dividends per share (cents per share)	5	83.00	74.00

Statement of Comprehensive Income | For The Year Ended 30 June 2010

	Consolidated	
	2010 \$'000	2009 \$'000
NET PROFIT FOR THE PERIOD	83,217	74,241
OTHER COMPREHENSIVE INCOME		
Net fair value gains on available-for-sale financial assets	3,627	5,084
Foreign currency translation	(183)	177
Income tax on items of other comprehensive income	(1,088)	(1,525)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	2,356	3,736
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	85,573	77,977

Notes		Consolidated	
		2010 \$'000	2009 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	18(b)	149,192	152,235
Trade and other receivables	6	121,400	110,604
Inventories	7	23,547	15,360
Total current assets		294,139	278,199
Non-current assets			
Available-for-sale financial assets	8	16,880	8,951
Property, plant and equipment	9	91,151	70,075
Deferred tax assets	4	15,981	13,455
Goodwill	10	2,551	2,551
Total non-current assets		126,563	95,032
TOTAL ASSETS		420,702	373,231
LIABILITIES			
Current liabilities			
Trade and other payables	12	167,963	170,322
Interest bearing loans and borrowings	13	11,529	10,703
Income tax payable	4	8,906	6,629
Provisions	14	63,543	45,145
Derivative financial instruments	15	-	327
Total current liabilities		251,941	233,126
Non-current liabilities			
Interest bearing loans and borrowings	13	21,072	14,205
Provisions	14	3,304	3,018
Deferred tax liabilities	4	99	317
Total non-current liabilities		24,475	17,540
TOTAL LIABILITIES		276,416	250,666
NET ASSETS		144,286	122,565
EQUITY			
Contributed equity	16	30,083	28,941
Reserves	17	14,933	9,696
Retained earnings	17	99,270	83,928
TOTAL EQUITY		144,286	122,565

Statement of Changes In Equity | For The Year Ended 30 June 2010

ATTRIBUTABLE TO EQUITY HOLDERS

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

ATTRIBUTABLE TO EQUITY HOLDERS

CONSOLIDATED	Issued Capital	Net Unrealised Gains Reserve	Share-Based Payment Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2008	28,678	-	1,759	(311)	71,691	101,817
Other comprehensive income	-	3,559	-	177	-	3,736
Profit for the period	-	-	-	-	74,241	74,241
Total comprehensive income for the period	-	3,559	-	177	74,241	77,977
Transactions with owners in their capacity as owners						
Share-based payments	-	-	1,476	-	-	1,476
Exercise of employee options	4,491	-	-	-	-	4,491
Share buy-back	(584)	-	-	-	-	(584)
Acquisition of reserved shares	(3,644)	-	-	-	-	(3,644)
Deferred tax asset recognised on Employee Share Trust	-	-	3,036	-	-	3,036
Dividends paid	-	-	-	-	(62,004)	(62,004)
At 30 June 2009	28,941	3,559	6,271	(134)	83,928	122,565

Statement of Cash Flows | For The Year Ended 30 June 2010

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		1,416,157	1,274,648
Payments to suppliers and employees (inclusive of GST)		(1,290,491)	(1,127,121)
Interest received		4,366	4,912
Borrowing costs		(1,932)	(1,864)
Other income		635	493
Income tax paid		(32,768)	(37,262)
NET CASH FLOWS FROM OPERATING ACTIVITIES	18(a)	95,967	113,806
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,726	2,006
Purchase of property, plant and equipment		(17,081)	(10,324)
Purchase of available-for-sale financial assets		(4,302)	(3,867)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(19,657)	(12,185)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(67,875)	(62,004)
Proceeds from issue of shares		1,142	4,491
Share buy-back – on-market		-	(584)
Acquisition of reserved shares		-	(3,644)
Repayment of borrowings		(577)	(167)
Payment of finance leases		(12,483)	(13,151)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(79,793)	(75,059)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,483)	26,562
Net foreign exchange differences		440	(774)
Cash and cash equivalents at beginning of period		152,235	126,447
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18(b)	149,192	152,235

1. CORPORATE INFORMATION

The financial report of Monadelphous Group Limited (the 'Company') for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of directors on 16 August 2010.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

a) Compliance with IFRS

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

b) Changes in Accounting Policies

Australian Accounting Standards and Interpretations that have recently been issued or amended and are effective 1 July 2009 have resulted in no material changes in accounting policies and therefore no material impact on Monadelphous Group Limited's financial performance or position for the year ended 30 June 2010.

Monadelphous Group Limited and its subsidiaries (the 'Group') has adopted all Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2009, including:

- *AASB 8 Operating Segments*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments. Adoption of this Standard did not have any effect on the financial position or performance of the Group.

- *AASB 101 Presentation of Financial Statements (Revised)*

The revised Standard introduces the requirement to produce a statement of comprehensive income that presents all items of recognised income and expense.

- *AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*

The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs. Adoption of this Standard did not have any effect on the financial position or performance of the Group.

c) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2010. These are outlined below:

Reference	Title	Application date of standard	Application date for Group	Impact on the Group financial report
AASB 2009-5	Further Amendments to Australian Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	1 January 2010	1 July 2010	No material impact on the Group is expected based on analysis to date.
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions	1 January 2010	1 July 2010	The Group has share-based payments that may be affected by these amendments. However the Group has not yet determined the extent of the impact, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**c) New accounting standards and interpretations (continued)**

Reference	Title	Application date of standard	Application date for Group	Impact on the Group financial report
AASB 2009-9	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards	1 January 2010	1 July 2010	No material impact on the Group is expected based on analysis to date.
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	1 July 2010	No material impact on the Group is expected based on analysis to date.
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	1 January 2013	1 July 2013	The Group has not yet determined the extent of the impact of the amendments, if any, as the application date is not yet in effect.
AASB 2009-12	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	1 January 2011	1 July 2011	The Group has not yet determined the extent of the impact of the amendments, if any, as the application date is not yet in effect.
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	1 January 2010	1 July 2010	No material impact on the Group is expected based on analysis to date.
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a minimum Funding Requirement	1 January 2011	1 July 2011	The Group has not yet determined the extent of the impact of the amendments, if any, as the application date is not yet in effect.
AASB 124 (Revised)	Related Party Disclosures (December 2009)	1 January 2011	1 July 2011	The Group has not yet determined the extent of the impact of the amendments, if any, as the application date is not yet in effect.
AASB 9	Financial Instruments	1 January 2013	1 July 2013	The Group has not yet determined the extent of the impact of the amendments, if any, as the application date is not yet in effect.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Monadelphous Group Limited and its subsidiaries as at 30 June each year ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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

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

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

e) Business combinations

Subsequent to 1 July 2009

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

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

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

Prior to 1 July 2009

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

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

Where settlement of any part of the consideration was deferred, the amounts payable in the future were discounted to their present value as at the date of exchange. The discount rate used was the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currencies of Monadelphous Group Limited, its Australian subsidiaries and its Papua New Guinea subsidiary (Monadelphous PNG Ltd) are Australian dollars (A\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the New Zealand subsidiary (Skystar Airport Services NZ Pty Ltd) is New Zealand dollars (NZ\$), the Hong Kong subsidiary (Moway International Ltd) is United States dollars (US\$) and the Chinese subsidiary (Moway AustAsia Steel Structures Trading (Beijing) Company Ltd) is Chinese Renminbi (RMB).

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group companies' functional currency to presentation currency

As at the reporting date the assets and liabilities of the New Zealand, Hong Kong and Chinese subsidiaries are translated into the presentation currency of Monadelphous Group Limited at the rate of exchange ruling at the balance sheet date and its income statement is translated at the weighted average exchange rates for the period.

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

g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

h) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for impairment loss is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

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

i) Inventories

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

j) Derivative financial instruments

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**k) Investments and other financial assets**

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

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

Recognition and Derecognition

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

(i) Financial assets at fair value through profit or loss

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

(ii) Loans and receivables

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

(iii) Available-for-sale securities

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

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

l) Property, plant and equipment

All classes of property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the profit or loss as incurred.

Depreciation is calculated on a diminishing balance method on all plant and equipment acquired before 1 July 1996 and straight line basis for all acquisitions on or after 1 July 1996, and a straight line basis on all property other than freehold land.

Major depreciation periods are:

	2010	2009
Buildings	40 years	40 years
Plant and equipment	3 to 15 years	3 to 15 years

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

Derecognition

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Impairment of non-financial assets other than goodwill

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists or when annual impairment testing for an asset is required, the Group makes a formal estimate of 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.

n) Leases

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

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

Finance leases

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

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

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

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The minimum lease payments of operating leases are recognised as an expense on a straight line basis over the lease term.

o) Joint ventures

Interest in joint venture entities are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report. Under the equity method, the Group's share of the results of the joint venture entity is recognised in the income statement, and the share of movements in reserves is recognised in the balance sheet. The joint venture entities' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Goodwill

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination, is, from the acquisition date, allocated to each of the Group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

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

When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

q) Trade and other payables

Trade and other payables are carried at amortised cost and are not discounted due to their short term nature. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 to 45 days of recognition.

Monadelphous Group Limited and the controlled entities subject to Class Order 98/1418 (refer to Note 26 for further details), entered into a deed of indemnity on 12 April 1995, 3 July 2001, 30 June 2005 and 29 June 2007. The effect of the deed is that Monadelphous Group Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities. The controlled entities have also given a similar guarantee in the event that Monadelphous Group Limited is wound up.

r) Interest bearing loans and borrowings

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

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

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

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

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

s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Employee benefits

(i) Wages, salaries, annual leave, rostered days off, sick leave, project incentives and project redundancies

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

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds, which have terms to maturity approximating the estimated future cash outflows.

(iii) Defined contribution superannuation plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

(iv) Workers compensation

It is customary for all entities within the Construction and Engineering industry to be covered by workers' compensation insurance. Payments under these policies are calculated differently depending on which state of Australia the entity is operating in. Premiums are generally calculated based on actual wages paid and claims experience. Wages are estimated at the beginning of each reporting period. Final payments are made when each policy is closed out based on the difference between actual wages and the original estimated amount. The amount of each payment varies depending on the number of incidents recorded during each period and the severity thereof. The policies are closed out within a five year period through negotiation with the relevant insurance company. The provision has been created to cover the expected costs associated with closing out each insurance policy and is adjusted accordingly based on the actual payroll incurred and the severity of incidents that have occurred during each period.

u) Share-based payment transactions

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

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date 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.

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

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of an original award, as described in the previous paragraph.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised directly in equity as a deduction, net of tax, from the proceeds.

Reserved shares

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

w) Revenue recognition

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

Rendering of Services

Where the contract outcome can be reliably measured:

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

Where the contract outcome cannot be reliably measured:

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

Dividends

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

Interest income

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

x) Construction contracts

When accounting for construction contracts, the contracts are either combined or segmented if this is deemed necessary to reflect the substance of the agreement.

Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. Stage of completion is agreed with the customer on a work certified to date basis, as a percentage of the overall contract.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred plus a percentage of fees earned during the financial year. The percentage of fee earned during the financial year is based on the stage of completion of the contract.

Where a loss is expected to occur from a construction contract the excess of the total expected contract costs over expected contract revenue is recognised as an expense immediately.

y) Taxation

Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y) Taxation (continued)

Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

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

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

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

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

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

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

z) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) Significant accounting judgements, estimates and assumptions

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

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

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

Recovery of deferred taxes

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

Impairment of non-financial assets other than goodwill

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

Impairment of goodwill and intangibles with indefinite useful lives

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

Impairment of available-for-sale assets

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in note 23. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Taxation

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

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

Construction contracts

When accounting for construction contracts, the contracts are either combined or segmented if this is deemed necessary to reflect the substance of the agreement. Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. Stage of completion is agreed with the customer on a work certified to date basis, as a percentage of the overall contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred plus a percentage of fees earned during the financial year. The percentage of fee earned during the financial year is based on the stage of completion of the contract. Where a loss is expected to occur from a construction contract the excess of the total expected contract costs over expected contract revenue is recognised as an expense immediately.

Workers compensation

It is customary for all entities within the Construction and Engineering industry to be covered by workers' compensation insurance. Payments under these policies are calculated differently depending on which state of Australia the entity is operating in. Premiums are generally calculated based on actual wages paid and claims experience. Wages are estimated at the beginning of each reporting period. Final payments are made when each policy is closed out based on the difference between actual wages and the original estimated amount. The amount of each payment varies depending on the number of incidents recorded during each period and the severity thereof. The policies are closed out within a five year period through negotiation with the relevant insurance company. The provision has been created to cover the expected costs associated with closing out each insurance policy and is adjusted accordingly based on the actual payroll incurred and the severity of incidents that have occurred during each period.

ab) Comparatives

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

	Consolidated	
	2010 \$'000	2009 \$'000
3. REVENUES AND EXPENSES		
(a) Revenue		
Rendering of services	1,275,420	1,122,521
Finance revenue	4,442	4,953
	1,279,862	1,127,474
(b) Other income		
Net gains on disposal of property, plant and equipment	498	1,555
Other income	635	493
	1,133	2,048
(c) Finance costs		
Bank loans and overdrafts	90	98
Finance charges payable under finance leases and hire purchase contracts	1,842	1,766
	1,932	1,864
(d) Depreciation		
Depreciation expense	16,789	15,066
(e) Employee benefits expense		
Employee benefits expense	591,772	547,323
Defined contribution superannuation expense	28,960	25,922
Share-based payment expense	2,185	1,476
	622,917	574,721
(f) Lease payments and other expenses included in the income statement		
Minimum lease payments – operating lease	14,088	15,439
Bad and doubtful debts	248	1,426
Net gain on held for trading foreign currency derivatives	(327)	(18)
Net foreign exchange differences	(803)	950

	Consolidated	
	2010 \$'000	2009 \$'000
4. INCOME TAX		
(a) Income tax expense		
The major components of income tax expense are:		
Income statement		
<i>Current income tax</i>		
Current income tax charge	37,523	32,614
Adjustments in respect of current income tax of previous years	(2,456)	(319)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(3,978)	(2,304)
Adjustments in respect of deferred income tax of previous years	842	(83)
Income tax expense reported in the income statement	31,931	29,908
(b) Amounts charged or credited directly to equity		
<i>Deferred income tax related to items charged (credited) directly to equity – see note 17</i>		
Net unrealised gains reserve	1,088	1,525
Share-based payment reserve	(696)	(3,036)
Income tax benefit reported in equity	392	(1,511)
(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	115,148	104,149
At the Parent Entity's statutory income tax rate of 30% (2009: 30%)	34,544	31,245
- Adjustments in respect of current and deferred income tax of previous years	(1,614)	(402)
- Research and development deduction	-	(88)
- General business tax break	(1,028)	(529)
- Employee share trust	-	(262)
- Other	29	(56)
Aggregate income tax expense	31,931	29,908

4. INCOME TAX (CONTINUED)**(d) Recognised deferred tax assets and liabilities**

Consolidated				
	2010 \$'000 Current Income Tax	2010 \$'000 Deferred Income Tax	2009 \$'000 Current Income Tax	2009 \$'000 Deferred Income Tax
Opening balance	(6,629)	13,138	(11,590)	9,240
Charged to income	(35,066)	3,136	(32,295)	2,387
Charged to equity	-	(392)	-	1,511
Other / payments	32,789	-	37,256	-
Closing balance	(8,906)	15,882	(6,629)	13,138
Tax expense in income statement		31,931		29,908
Amounts recognised in the balance sheet:				
Deferred tax asset		15,981		13,455
Deferred tax liability		(99)		(317)
		15,882		13,138

Consolidated		
	2010 \$'000	2009 \$'000
Deferred income tax at 30 June relates to the following:		
<i>(i) Deferred tax liabilities</i>		
Accelerated depreciation	2,516	2,256
Available-for-sale securities	2,613	1,525
Other	406	149
Gross deferred tax liabilities	5,535	3,930
Set-off against deferred tax assets	5,436	3,613
Net deferred tax liabilities	99	317
<i>(ii) Deferred tax assets</i>		
Provisions	19,205	15,783
Share-based payments	2,146	1,030
Other	66	255
Gross deferred tax assets	21,417	17,068
Set-off of deferred tax liabilities	5,436	3,613
Net deferred tax assets	15,981	13,455

4. INCOME TAX (CONTINUED)

(e) Unrecognised temporary differences

At 30 June 2010, 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 (2009: \$nil).

(f) Tax consolidation

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

Monadelphous Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2003. Monadelphous Group Limited is the head entity of the tax consolidated group. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

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

Measurement method adopted under UIG 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the separate taxpayer within group approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

Nature of the tax funding agreement

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

	Consolidated	
	2010 \$'000	2009 \$'000
5. DIVIDENDS PAID AND PROPOSED		
(a) Recognised amounts		
Declared and paid during the year		
(i) <i>Current year interim</i>		
Interim franked dividend for 2010 (35 cents per share) (2009: 30 cents per share)	30,113	25,747
(ii) <i>Previous year final</i>		
Final franked dividend for 2009 (44 cents per share) (2008: 43 cents per share final)	37,763	36,257
(b) Unrecognised amounts		
<i>Current year final</i>		
Final franked dividend for 2010 (48 cents per share) (2009: 44 cents per share)	41,500	37,763
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year	45,673	42,097
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	8,712	6,642
	54,385	48,739
The amount of franking credits available for future reporting periods:		
- impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	(17,785)	(16,184)
	36,600	32,555

(d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2009: 30%). Dividends payable will be franked at the rate of 30% (2009: 30%).

Notes		Consolidated	
		2010 \$'000	2009 \$'000
6. TRADE AND OTHER RECEIVABLES			
CURRENT			
Trade receivables		119,039	100,476
Less allowance for impairment loss	6(a)	(2,534)	(2,264)
		116,505	98,212
Other debtors	6(b)	4,895	12,392
		121,400	110,604
(a) Allowance for impairment loss			
Trade receivables are generally on 30 day terms from end of month. An allowance for impairment loss is recognised when there is objective evidence that trade receivables may be impaired. An impairment loss of \$248,000 (2009: \$1,426,000) has been recognised by the Group in the current year. These amounts have been included in the administrative expenses item in the income statement.			
Movements in the allowance for impairment loss were as follows:			
Balance at the beginning of the year		2,264	3,082
Charge for the year		248	1,426
Amounts written off		-	(2,244)
Other		22	-
Balance at the end of the year		2,534	2,264

6. TRADE AND OTHER RECEIVABLES (CONTINUED)**(a) Allowance for impairment loss (continued)****Impaired Trade Receivables:**

At 30 June 2010, the current trade receivables of the Group were \$119,039,000 (2009: \$100,476,000). The amount of the allowance for impairment loss was \$2,534,000 (2009: \$2,264,000). An impairment provision is recognised where there is objective evidence that the Group will not be able to collect the receivables. Financial difficulties of the debtor, default payments, historical bad debt performance or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

Past Due Not Impaired:

At 30 June 2010, the ageing of receivables past due but not considered impaired is as follows:

Consolidated		
	2010	2009
	\$'000	\$'000
31 – 60 Days	24,222	27,335
61 – 90 Days	5,896	1,462
+ 91 Days	3,021	829
TOTAL	33,139	29,626

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

Receivables not impaired or past due:

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

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Publicly available credit information from recognised providers is utilised for this purpose where available. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

(b) Other debtors

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

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

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

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
7. INVENTORIES			
Construction work in progress			
Cost incurred to date plus profit recognised		1,216,549	790,210
Consideration received and receivable as progress billings		(1,317,551)	(894,573)
		(101,002)	(104,363)
Amounts due to customers	7(a),12	124,549	119,723
Amounts due from customers		23,547	15,360
(a) Advances received for construction work not yet commenced or for committed subcontractor work not yet received are recognised as a current liability in trade and other payables. Refer note 12.			
8. AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT)			
At fair value			
Shares – Australian listed	8(a)	16,880	8,951

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

(a) Listed shares

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

9. PROPERTY, PLANT AND EQUIPMENT**(a) Reconciliation of carrying amounts at the beginning and end of the period****Consolidated**

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

Consolidated

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

	Consolidated	
	2010 \$'000	2009 \$'000
9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
(b) Property, Plant and Equipment pledged as security		
Assets under hire purchase are pledged as security for the associated hire purchase liabilities.		
Assets pledged as security	36,529	29,905
10. GOODWILL		
Goodwill	2,551	2,551

(a) Impairment testing of goodwill

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

Goodwill acquired through a business combination has been allocated to cash generating units ('CGU') for impairment testing purposes. The cash generating units are the entity MI & E Holdings Pty Ltd (goodwill of \$2,311,000) and the Hunter Valley business unit (Ellavale) (goodwill of \$240,000). The recoverable amount of each cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period have not been used in the calculation.

The discount rate applied to the cash flow projections is 15% for both MI & E Holdings Pty Ltd (2009: 15%) and the Hunter Valley business unit (2009: 15%). The cash flows are based on the entity's and business unit's budgeted cash flows. No reasonable possible changes in key assumptions would result in the carrying amount exceeding the recoverable amount.

	Consolidated	
	2010 \$'000	2009 \$'000
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
<i>Share of the joint venture partnership's profits</i>		
<i>Share of the joint venture partnership's:</i>		
Revenues	-	15,294
Expenses	-	(14,241)
Net profit	-	1,053
<i>Share of the joint venture partnership's assets and liabilities</i>		
Current assets	-	103
Non-current assets	-	-
Current liabilities	-	(103)
Non-current liabilities	-	-
Net assets	-	-

	Notes	Balance Date	Percentage Ownership Interest	
			2010	2009
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)				
(a) Interest in Joint Venture Partnership				
AnaeCo JV	11(a)(i)	30 June	50%	-
FMSJV	11(a)(ii)	31 December	-	50%

(i) AnaeCo JV

A joint venture agreement establishing AnaeCo JV was executed on 29 March 2010. The principal activities of AnaeCo JV are to deliver design-and-construct waste management systems. No transactions took place in the joint venture from the date of commencement through to 30 June 2010.

(ii) FMSJV

On 31 March 2009, FMSJV was dissolved. The principal activities of FMSJV were the provision of certain asset management support services for an alumina refinery at Gladstone, Queensland.

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
12. TRADE AND OTHER PAYABLES			
CURRENT			
Trade payables	12(a)	32,956	38,326
Advances on construction work in progress - amounts due to customers	7	124,549	119,723
Sundry creditors and accruals	12(a)	10,458	12,273
		167,963	170,322

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

- (i) Trade payables are non-interest bearing and are normally settled on 30 day terms.
- (ii) Sundry creditors and accruals are non-interest bearing and have an average term of 45 days.

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

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

Notes		Consolidated	
		2010 \$'000	2009 \$'000
13. INTEREST BEARING LOANS AND BORROWINGS			
CURRENT			
Hire purchase liability – secured	13(a),20	11,462	10,540
Bank loan – secured	13(a)	67	163
		11,529	10,703
NON-CURRENT			
Hire purchase liability – secured	13(a),20	20,966	13,618
Bank loan – secured	13(a)	106	587
		21,072	14,205

(a) Terms and conditions

- (i) The bank loan is repayable monthly. Interest is charged at the bank's fixed rate. The bank loan is secured by way of a registered first mortgage over land and buildings of a controlled entity, with an interlocking debenture from the parent entity and controlled entities. The average discount rate implicit in the bank loans is 7.00% (2009: 8.56%).
- (ii) Hire purchase agreements have an average term of 3 years. The average discount rate implicit in hire purchase agreements is 7.73% (2009: 7.12%). The hire purchase liability is secured by a charge over the hire purchase assets.

(b) Fair value and interest rate and liquidity risk

Details regarding fair value and interest rate and liquidity risk are disclosed in note 28.

(c) Defaults and breaches

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

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
14. PROVISIONS			
CURRENT			
Employee benefits	14(a)	44,695	34,150
Workers' compensation	14(b)	18,848	10,995
		63,543	45,145
NON-CURRENT			
Employee benefits – long service leave		3,304	3,018

14. PROVISIONS (CONTINUED)**(a) Employee benefits**

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

(b) Workers' compensation

It is customary for all entities within the Construction and Engineering industry to be covered by workers' compensation insurance. Payments under these policies are calculated differently depending on which state of Australia the entity is operating in. Premiums are generally calculated based on actual wages paid and claims experience. Wages are estimated at the beginning of each reporting period. Final payments are made when each policy is closed out based on the difference between actual wages and the original estimated amount. The amount of each payment varies depending on the number of incidents recorded during each period and the severity thereof. The policies are closed out within a five year period through negotiation with the relevant insurance company. The provision has been created to cover the expected costs associated with closing out each insurance policy and is adjusted accordingly based on the actual payroll incurred and the severity of incidents that have occurred during each period.

	Consolidated
	2010 \$'000
(c) Movements in provisions	
Workers compensation:	
Carrying amount at the beginning of the year	10,995
Additional provision	14,105
Amounts utilised during the year	(6,252)
Carrying amount at the end of the year	18,848

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
15. DERIVATIVE FINANCIAL INSTRUMENTS			
CURRENT			
Forward currency contracts – held for trading	15(a)	-	327

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

(a) Forward currency contracts – held for trading

The Group has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

	Notional Amounts AUD		Average Exchange Rate	
	2010 \$'000	2009 \$'000	2010 \$	2009 \$
Buy US\$ Maturity 0-12 months				
Consolidated	-	2,169	-	0.6842

These contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same maturity date. All movements in fair value are recognised in the profit or loss in the period they occur. The net fair value gain on foreign currency derivatives during the year was \$327,000 for the Group (2009: gain of \$18,000).

Notes		Consolidated	
		2010	2009
		\$'000	\$'000
16. CONTRIBUTED EQUITY			
Ordinary shares	16(a)	30,083	29,711
Reserved shares	16(b)	-	(770)
		30,083	28,941
(a) Ordinary shares			
Issued and fully paid		30,083	29,711

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.

	2010		2009	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of the financial year	85,948,449	29,711	84,317,532	28,678
Exercise of employee options	212,500	1,142	2,190,000	4,491
Share buy-back – on-market	-	-	(94,009)	(584)
Transfer from reserved shares	(124,249)	(770)	(465,074)	(2,874)
End of the financial year	86,036,700	30,083	85,948,449	29,711

On 19 November 2008, Monadelphous Group Limited announced its intention to undertake an on-market share buy-back of up to 2,000,000 fully paid ordinary shares over the period 4 December 2008 to 3 December 2009. The decision followed a detailed review of all available capital management options. At 30 June 2009, the Company had bought back and cancelled 94,009 shares. No further shares were bought back from 1 July 2009 to the closure of the share buy-back period on 1 December 2009.

During the year ended 30 June 2010, under the Monadelphous Group Limited Employee Option Plan, employees and directors have exercised the option to acquire 212,500 fully paid ordinary shares at a weighted average exercise price of \$5.38. 124,249 shares owned by Monadelphous Group Limited Employee Share Trust were utilised for the option exercise, with the remaining 88,251 issued as new fully paid ordinary shares. At 30 June 2010, no reserved shares remained.

	2010		2009	
	Number of shares	\$'000	Number of shares	\$'000
(b) Reserved shares				
Beginning of the financial year	124,249	(770)	-	-
Acquisition of reserved shares	-	-	589,323	(3,644)
Transfer to share capital on issue to employees	(124,249)	770	(465,074)	2,874
End of the financial year - Reserved shares	-	-	124,249	(770)

16. CONTRIBUTED EQUITY (CONTINUED)**(b) Reserved shares (continued)**

The Group's own equity instruments are reacquired for later use in employee share-based payment arrangements (reserved shares) and are deducted from equity. During the year, no reserved shares were reacquired by the Monadelphous Group Limited Employee Share Trust. 124,249 reserved shares were transferred to ordinary shares and issued upon exercise of options under the Monadelphous Group Limited Employee Option Plan. At 30 June 2010, no reserved shares remained.

(c) Share options***Options over ordinary shares***

During the financial year, there were 580,000 options issued over ordinary shares.

At the end of the year there were 4,860,000 (2009: 4,922,500) unissued ordinary shares in respect of which options were outstanding (Note 23).

(d) Capital management

Capital is managed by the Group's Chief Financial Officer in conjunction with the Group's Finance & Accounting department. Management continually monitor the Group's net cash/debt position and the gearing levels to ensure efficiency and compliance with the current ratio, interest cover ratio and operating leverage ratio debt covenants. At 30 June 2010, the Group is in a net cash position of \$116,591,000 (2009: \$127,327,000) and has a debt to equity ratio of 22.6% (2009: 20.3%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2010, management paid dividends of \$67,875,493. The policy is to payout dividends of 80% to 100% of net profit, subject to ongoing strong trading conditions and the need for significant cash requirements for investment opportunities.

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

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
17. RESERVES AND RETAINED EARNINGS			
Foreign currency translation reserve	17(b)	(317)	(134)
Share-based payment reserve	17(b)	9,152	6,271
Net unrealised gains reserve	17(b)	6,098	3,559
		14,933	9,696
Retained earnings	17(a)	99,270	83,928
(a) Movements in retained earnings			
Balance at the beginning of the year		83,928	71,691
Net profit attributable to members of Monadelphous Group Limited		83,217	74,241
Total available for appropriation		167,145	145,932
Dividends paid		(67,875)	(62,004)
Balance at the end of the year		99,270	83,928

17. RESERVES AND RETAINED EARNINGS (CONTINUED)**(b) Movements in reserves**

	Consolidated			
	Net unrealised gains reserve \$'000	Foreign currency translation reserve \$'000	Share-based payment reserve \$'000	Total \$'000
At 1 July 2008	-	(311)	1,759	1,448
Foreign currency translation	-	177	-	177
Share-based payment	-	-	1,476	1,476
Net fair value gains on available-for-sale financial assets	3,559	-	-	3,559
Deferred tax asset recognised on Employee Share Trust	-	-	3,036	3,036
At 30 June 2009	3,559	(134)	6,271	9,696
Foreign currency translation	-	(183)	-	(183)
Share-based payment	-	-	2,185	2,185
Net fair value gains on available-for-sale financial assets	2,539	-	-	2,539
Deferred tax asset recognised on Employee Share Trust	-	-	696	696
At 30 June 2010	6,098	(317)	9,152	14,933

(c) Nature and purpose of reserves***Foreign currency translation reserve***

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

Share-based payment reserve

The share-based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 23 for further details of these plans.

Net unrealised gains reserve

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

	Consolidated	
	2010 \$'000	2009 \$'000
18. CASH FLOW STATEMENT		
(a) Reconciliation of net profit after tax to the net cash flows from operations		
Net profit	83,217	74,241
Adjustments for:		
Depreciation of non-current assets	16,789	15,066
Net profit on sale of property, plant and equipment	(498)	(1,555)
Share-based payment expense	2,185	1,476
Unrealised foreign exchange (gain)/loss	(616)	950
Other	(7)	1
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(10,796)	94,263
(Increase)/decrease in inventories	(8,187)	(8,789)
(Increase)/decrease in deferred tax assets	(1,830)	(1,023)
(Increase)/decrease in investment in joint ventures	-	176
Increase/(decrease) in payables	(3,618)	(70,119)
Increase/(decrease) in provisions	18,684	15,462
Increase/(decrease) in derivative instruments	(327)	(18)
Increase/(decrease) in income tax payable	2,277	(4,961)
Increase/(decrease) in deferred tax liabilities	(1,306)	(1,364)
Net cash flows from operating activities	95,967	113,806
(b) For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:		
Cash balances comprise:		
- Cash at bank	119,192	122,235
- Short term deposits	30,000	30,000
	149,192	152,235

Notes		Consolidated	
		2010 \$'000	2009 \$'000
18. CASH FLOW STATEMENT (CONTINUED)			
(c) Financing facilities available			
At balance date the following financing facilities had been negotiated and were available			
Total facilities:			
- Bank guarantees and insurance bonds	18(c)(i)	195,000	175,000
- Revolving credit	18(c)(ii)	55,267	44,903
		250,267	219,903
Facilities used at balance date:			
- Bank guarantees and insurance bonds		116,000	111,550
- Revolving credit		32,601	24,908
		148,601	136,458
Facilities unused at balance date:			
- Bank guarantees and insurance bonds		79,000	63,450
- Revolving credit		22,666	19,995
		101,666	83,445

(i) Bank guarantees and insurance bonds

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

(ii) Revolving credit

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

(d) Non-cash financing and investing activities**Hire purchase transactions:**

During the year the consolidated entity acquired plant and equipment by means of hire purchase agreements with an aggregate fair market value of \$20,752,934 (2009: \$12,554,283).

19. CHANGE IN COMPOSITION OF ENTITY

There were no changes to the composition of the entity during the year ended 30 June 2010.

Subsequent to the year end, Monadelphous Group Limited acquired 100% of the voting shares of KT Pty Ltd, a private company based in Australia. Details of the acquisition are contained in note 27.

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
20. COMMITMENTS AND CONTINGENCIES			
(a) Hire purchase commitments			
Payable:			
- Within one year		13,479	11,894
- Later than one year but not later than five years		22,992	14,671
Minimum lease payments		36,471	26,565
Less future finance charges		(4,043)	(2,407)
Present value of minimum lease payments		32,428	24,158
Current liability	13	11,462	10,540
Non-current liability	13	20,966	13,618
		32,428	24,158

Hire purchase agreements have an average term of 3 years.

	2010 Properties \$'000	2010 Other \$'000	2010 Total \$'000	2009 Total \$'000
(b) Operating lease commitments				
Minimum lease payments				
- Within one year	9,847	3,691	13,538	16,170
- Later than one year but not later than five years	33,767	491	34,258	17,253
- Later than five years	41,625	-	41,625	7,250
Aggregate lease expenditure contracted for at balance date but not provided for	85,239	4,182	89,421	40,673
Other operating leases includes motor vehicles and cranes. Properties include the Victoria Park office lease executed during the financial year, the Brisbane office lease and other rental properties. Operating leases have an average lease term of 3 years.				
(c) Capital commitments				
The consolidated group has capital commitments of \$8,610,827 at 30 June 2010 (2009: \$9,978,957).				
(d) Guarantees				
Guarantees given to various clients for satisfactory contract performance				
			116,000	111,550

20. COMMITMENTS & CONTINGENCIES (CONTINUED)**(d) Guarantees (continued)**

Monadelphous Group Limited and all controlled entities marked * in Note 26 have entered into a deed of cross guarantee pursuant to the ASIC Class Order made on 12 April 1995, 3 July 2001, 30 June 2005 and 29 June 2007 whereby they covenant with a trustee for the benefit of each creditor, that they guarantee to each creditor payment in full of any debt in the event of any entity, including Monadelphous Group Limited, being wound up.

21. 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 2010, the Engineering Construction division contributed revenue of \$890.0 million (2009: \$775.0 million), Maintenance and Industrial Services division contributed revenue of \$376.2 million (2009: \$351.9 million), and Skystar Airport Services contributed revenue of \$12.7 million (2009: \$10.5 million). Included in these amounts is \$3.5 million (2009: \$14.9 million) of inter-entity revenue, which is eliminated on consolidation. The Engineering Construction and Maintenance and Industrial Services 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 Engineering Construction and Maintenance and Industrial Services divisions is appropriate for segment reporting purposes for the following reasons:

- The Engineering Construction and Maintenance and Industrial Services divisions have similar economic characteristics;
- The significant divisions perform similar services for the same industry sector;
- The core operational business processes are similar for each division;
- The divisions both provide a diversified range of similar engineering services to a large number of common clients;
- The divisions 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
- The consolidated entity operates predominately in one geographical area, namely Australia.

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

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

The Group has a number of customers to which it provides services. The largest customer represented 25% of the Group's revenue. The other two customers contributing over 10% of revenue represented 20% and 12% respectively. There are multiple contracts with these customers, across a number of their subsidiaries, divisions within those subsidiaries and locations.

	2010 \$'000	2009 \$'000
22. EARNINGS PER SHARE		
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net profit attributable to ordinary equity holders of the parent	83,217	74,241
Earnings used in calculation of basic and diluted earnings per share	83,217	74,241
	2010 Number	2009 Number
Number of Shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	85,910,364	84,870,349
Effect of dilutive securities		
Share options	1,261,848	1,129,802
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	87,172,212	86,000,151

Conversions, calls, subscriptions or issues after 30 June 2010:

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

23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS**(a) Share-based Payment Plan**

The Monadelphous Group Limited Employee Option Plan has been established where eligible directors and employees of the consolidated entity are issued with options over the ordinary shares of Monadelphous Group Limited. The options, issued for nil consideration, are issued in accordance with the guidelines established by the Remuneration Committee of Monadelphous Group Limited. The options issued carry various terms and exercising conditions. There is currently 1 director and 150 employees participating in this scheme.

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

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

In addition, for options issued under the Monadelphous Group Limited Employee Option Plan during the years ended 30 June 2009 and 30 June 2010, the ability to exercise options during each applicable window period is subject to the financial performance of the Company during the option vesting period. The options shall only be capable of exercise during that window period where the Company's Earnings Per Share (EPS) metric is growing at a rate of at least 10% per year. If, however, this hurdle is not achieved for a particular window period, rather than lapsing, the options will be re-tested during all later window periods in respect of that issue and may become exercisable at that later date.

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

	2010		2009	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at the beginning of the year	4,922,500	9.79	2,570,000	2.77
- Granted during the year	580,000	12.22	4,650,000	10.00
- Forfeited during the year	(430,000)	10.10	(107,500)	8.83
- Exercised during the year	(212,500)	5.38	(2,190,000)	2.05
Balance at the end of the year	4,860,000	10.24	4,922,500	9.79
Exercisable during the next year	1,122,500	9.95	217,500	5.46

The weighted average share price at the date of exercise of options during the year was \$12.85 (2009: \$6.36).

A total of 580,000 options were granted by Monadelphous Group Limited during the year ended 30 June 2010. The fair value of each option issued during the year was estimated on the date of grant using a Binomial option-pricing model. The following weighted average assumptions were used for grants during the year:

Dividend yield	5.5%
Expected volatility	35.0% - 50.0%
Historical volatility	35.0% - 50.0%
Risk-free interest rate	5.0%
Expected life of option	25% - 3 years
	25% - 3.5 years
	50% - 4 years

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

23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)**(a) Share-based Payment Plan (continued)**

The resulting weighted average fair values for options outstanding at 30 June 2010 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option at Grant Date
55,000	31/01/2007	31/01/2011	\$2.16
4,255,000	31/10/2008	30/09/2012	\$1.15
550,000	28/09/2009	30/09/2013	\$3.53

The share-based payment expense for the year ended 30 June 2010 was \$2,184,687 (2009: \$1,475,948) for the consolidated entity.

Options granted during the reporting period

There were 580,000 options granted by Monadelphous Group Limited to employees during the year.

Options held as at the end of the reporting period

The following table summarises information about options held by the employees as at 30 June 2010:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price
55,000	31/01/2007	01/01/2011	31/01/2011	\$9.06
1,067,500	31/10/2008	01/09/2010	30/09/2012	\$10.00
1,062,500	31/10/2008	01/09/2011	30/09/2012	\$10.00
2,125,000	31/10/2008	01/09/2012	30/09/2012	\$10.00
137,500	28/09/2009	01/09/2011	30/09/2013	\$12.22
137,500	28/09/2009	01/09/2012	30/09/2013	\$12.22
275,000	28/09/2009	01/09/2013	30/09/2013	\$12.22

(b) Superannuation Commitments

Employees and the employer contribute to a number of complying accumulation funds at varying percentages of salaries and wages. The consolidated entity's contributions are not legally enforceable other than those payable in terms of ratified award obligations required by the Occupational Superannuation Act.

24. KEY MANAGEMENT PERSONNEL**(a) Compensation for Key Management Personnel**

	Consolidated	
	2010	2009
	\$	\$
Short Term Benefits	3,960,733	3,480,383
Post Employment	100,707	96,203
Long Term Benefits	56,123	177,188
Share-Based Payments	490,378	403,908
Total Compensation	4,607,941	4,157,682

(b) Option holdings of Key Management Personnel

	Balance at Beginning of Period 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other	Balance at End of Period 30 June 2010
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	500,000	-	-	-	500,000
I. Tollman	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
C. P. Micheltmore	-	-	-	-	-
Executives					
D. Foti	280,000	-	-	-	280,000
A. Erdash	140,000	-	-	-	140,000
M. Jansen	140,000	-	-	-	140,000
Z. Bebic #	-	-	-	140,000	140,000
S. Murray	107,500	-	(12,500)	-	95,000
G. Everist *	140,000	-	-	(140,000)	-
Total	1,307,500	-	(12,500)	-	1,295,000

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

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

24. KEY MANAGEMENT PERSONNEL (CONTINUED)**b) Option holdings of Key Management Personnel (continued)**

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

24. KEY MANAGEMENT PERSONNEL (CONTINUED)**(c) Shareholdings of Key Management Personnel**

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

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

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

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

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

24. KEY MANAGEMENT PERSONNEL (CONTINUED)**(d) Loans to Key Management Personnel****(i) Details of aggregates of loans to Key Management Personnel are as follows:**

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

(e) Other transactions and balances with Key Management Personnel

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

	Consolidated	
	2010	2009
	\$	\$
25. AUDITORS' REMUNERATION		
The auditor of Monadelphous Group Limited is Ernst & Young.		
<i>Amounts received or due and receivable by Ernst & Young Australia for:</i>		
- An audit or review of the financial report of the entity and any other entity in the consolidated entity	147,955	146,836
- Other services in relation to the entity and any other entity in the consolidated entity		
- tax compliance	42,255	86,352
- assurance related	6,580	6,695
	196,790	239,883
<i>Amounts received or due and receivable by other accounting firms for:</i>		
- tax compliance*	683,478	387,402
- other services	63,957	161,818
	747,435	549,220

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

* Tax compliance fees paid to other accounting firms during the financial year ended 30 June 2010 relate predominantly to the application for Research and Development Tax Concessions and Fuel Tax Credits.

26. RELATED PARTY DISCLOSURES

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

		Percentage Held by Consolidated Entity		Parent Entity Investment	
Name	Country of Incorporation	2010 %	2009 %	2010 \$'000	2009 \$'000
Parent:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
*Monadelphous Engineering Associates Pty Ltd	Australia	100	100	17,353	15,584
Skystar Airport Services Pty Ltd	Australia	100	100	431	423
*Monadelphous Properties Pty Ltd	Australia	100	100	1,941	1,941
*Monadelphous Engineering Pty Ltd	Australia	100	100	2,204	1,969
*Genco Pty Ltd	Australia	100	100	342	342
*Monadelphous Workforce Pty Ltd	Australia	100	100	370	370
*MBF Workforce Pty Ltd	Australia	100	100	215	215
*MI & E Holdings Pty Ltd	Australia	100	100	4,688	4,516
*Ellavale Engineering Pty Ltd	Australia	100	100	9,844	9,844
Monadelphous PNG Ltd	Papua New Guinea	100	100	-	-
Skystar Airport Services Holdings Pty Ltd	Australia	100	100	-	-
Skystar Airport Services NZ Pty Ltd	New Zealand	100	100	-	-
Moway International Ltd	Hong Kong	100	100	443	387
SinoStruct Pty Ltd	Australia	100	100	-	-
Moway AustAsia Steel Structures Trading (Beijing) Company Ltd	China	100	100	-	-
Monadelphous Group Ltd Employee Share Trust	Australia	100	100	-	-
				37,831	35,591

* Controlled entities subject to the Class Order

Pursuant to Class Order 98/1418, relief has been granted to these controlled entities of Monadelphous Group Limited from the *Corporations Act 2001* requirements for preparation, audit and publication of accounts.

As a condition of the Class Order, Monadelphous Group Limited and the controlled entities subject to the Class Order, entered into a deed of indemnity on 12 April 1995, 3 July 2001, 30 June 2005 and 29 June 2007. The effect of the deed is that Monadelphous Group Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities. The controlled entities have also given a similar guarantee in the event that Monadelphous Group Limited is wound up.

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

	CLOSED GROUP	
	2010 \$'000	2009 \$'000
Consolidated Income Statement		
Profit before income tax	109,755	106,727
Income tax expense	(30,792)	(30,723)
Net profit after tax for the period	78,963	76,004
Retained earnings at the beginning of the period	79,670	65,670
Dividends paid	(67,875)	(62,004)
Retained earnings at the end of the period	90,758	79,670

26. RELATED PARTY DISCLOSURES (CONTINUED)

	CLOSED GROUP	
	2010	2009
	\$'000	\$'000
Consolidated Balance Sheet		
ASSETS		
Current assets		
Cash and cash equivalents	143,084	147,658
Trade and other receivables	113,174	107,906
Inventories	21,908	14,051
Total current assets	278,166	269,615
Non-current assets		
Investments in subsidiaries	874	810
Available-for-sale assets	16,880	8,951
Property, plant and equipment	87,710	65,947
Deferred tax assets	15,231	12,787
Goodwill	2,551	2,551
Total non-current assets	123,246	91,046
TOTAL ASSETS	401,412	360,661
LIABILITIES		
Current liabilities		
Trade and other payables	159,376	163,694
Interest bearing loans and borrowings	11,529	10,703
Income tax payable	8,734	6,642
Provisions	61,482	43,758
Derivative financial instruments	-	327
Total current liabilities	241,121	225,124
Non-current liabilities		
Interest bearing loans and borrowings	21,072	14,205
Provisions	3,128	2,891
Total non-current liabilities	24,200	17,096
TOTAL LIABILITIES	265,321	242,220
NET ASSETS	136,091	118,441
EQUITY		
Contributed equity	30,083	28,941
Reserves	15,250	9,830
Retained earnings	90,758	79,670
TOTAL EQUITY	136,091	118,441

26. RELATED PARTY DISCLOSURES (CONTINUED)**Wholly-owned group transactions****Loans**

During the year, funds have been advanced between entities within the consolidated entity for the purposes of working capital requirements only. The aggregate of amounts due from wholly-owned controlled entities at balance date is \$397,448,607 (2009: \$346,088,806). Loans to Monadelphous PNG Ltd and Skystar Airport Services NZ Pty Ltd totalling \$139,926 (2009: \$447,523) are interest bearing and repayable over 4 years. Other loans to wholly-owned controlled entities totalling \$397,308,681 (2009: \$345,641,283) are interest free and have no fixed repayment date.

The aggregate amount payable by the parent entity to wholly-owned controlled entities at the balance date is \$500,763,880 (2009: \$417,617,010). The amounts are interest free and repayable on demand.

Ultimate parent

Monadelphous Group Limited is the ultimate holding company.

27. EVENTS AFTER THE BALANCE SHEET DATE

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

The upfront consideration comprised a cash payment of \$10,000,000 and 422,627 ordinary shares. A further deferred component is payable subject to KT Pty Ltd achieving certain financial targets over the period to 31 December 2011. The deferred component will comprise approximately one-third cash and two-thirds shares, and the total consideration payable will not exceed \$30,000,000.

At the date the Financial Statements were authorised for issue, the initial accounting for the business combination was incomplete with the fair value assessments of the identifiable assets and liabilities acquired at acquisition and the estimation of the value of the deferred consideration to be finalised. As a result it is not possible to disclose the carrying value or fair value of the identifiable assets and liabilities that will be recognised at 1 July 2010, the acquisition date fair value of consideration transferred or to calculate the value of goodwill.

On 16 August 2010, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2010 financial year. The total amount of the dividend is \$41,500,477 which represents a fully franked final dividend of 48 cents per share. This dividend has not been provided for in the 30 June 2010 Financial Statements.

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

(a) Risk Exposures and Responses**Interest rate risk**

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

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
Financial Assets			
Cash and cash equivalents	18(b)	149,192	152,235

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(a) Risk Exposures and Responses (continued)*****Interest rate risk (continued)***

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

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements relating to financial assets and liabilities at floating rates:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Consolidated				
+0.5% (2009: +0.5%)	522	533	-	-
-0.5% (2009: -0.5%)	(522)	(533)	-	-

The reasonably possible movements have been based on review of historical movements and forward rate curves for forward rates.

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

Foreign currency risk

As a result of operations in New Zealand, Papua New Guinea and China, the Group's balance sheet can be affected by movements in the US\$/A\$, NZ\$/A\$, PNGK/A\$ and RMB/A\$ exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. The Group's policy is to naturally manage foreign exchange exposure by contracting with customers to receive sales revenue in the currency that the expenses have been incurred. However, where this is not possible, the Group will consider forward contracts.

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 2010, the Group had the following exposure to US\$ foreign currency:

	Consolidated	
	2010 \$'000	2009 \$'000
Financial Assets		
Cash and cash equivalents	12,658	4,317
Financial Liabilities		
Derivative financial instruments	-	327
Net exposure	12,658	3,990

At 30 June 2010, if the US\$ foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements relating to financial assets and liabilities denominated in US\$.	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Consolidated				
+5% (2009: +5%)	(443)	(140)	-	-
-5% (2009: -5%)	443	140	-	-

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(a) Risk Exposures and Responses (continued)****Price risk**

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

At 30 June 2010, if the share price of the single equity investment had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements relating to share price of equity investment:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Consolidated				
+15% (2009: +15%)	-	-	1,772	940
-15% (2009: -15%)	-	-	(1,772)	(940)

Credit risk

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Publicly available credit information from recognised providers is utilised for this purpose where available.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group. The Group minimises concentrations of credit risk in relation to accounts receivable by undertaking transactions with a large number of customers within the resources, energy and infrastructure industries.

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

With respect to credit risk arising from the other financial assets of the Group, which comprises cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The Group's maximum exposure to credit risk is its trade receivables which have a balance at 30 June 2010 of \$116,505,000 (2009: \$98,212,000).

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

Liquidity risk

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

The table below reflects all contractually fixed pay-offs, repayments and interest resulting from financial liabilities, including derivative financial instruments as of 30 June 2010.

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

	Consolidated	
	2010 \$'000	2009 \$'000
6 months or less	175,010	177,620
6 – 12 months	6,525	5,216
1 – 5 years	23,120	15,417
	204,655	198,253

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**(a) Risk Exposures and Responses (continued)****Liquidity risk (continued)**

Maturity analysis of financial liabilities:

Consolidated					
	6 months or less \$'000	6 months to 1 year \$'000	1 year to 5 years \$'000	Total Contractual Cash Flows \$'000	Total Carrying Amount \$'000
Year ended 30 June 2010					
Financial Liabilities					
Trade and other payables *	167,963	-	-	167,963	167,963
Bank loan	47	46	128	221	173
Hire purchase liability	7,000	6,479	22,992	36,471	32,428
Net maturity	175,010	6,525	23,120	204,655	200,564
Year ended 30 June 2009					
Financial Liabilities					
Trade and other payables *	170,322	-	-	170,322	170,322
Bank loan	148	145	746	1,039	750
Hire purchase liability	6,823	5,071	14,671	26,565	24,158
Derivatives – US\$ inflows	(1,842)	-	-	(1,842)	-
Derivatives – A\$ outflows	2,169	-	-	2,169	327
Net maturity	177,620	5,216	15,417	198,253	195,557

* Note, trade and other payables includes advances on construction work in progress of \$124,549,000 (2009: \$119,723,000). This amount is expected to be settled by the performance of work rather than via contractual cash flows.

(b) Net fair values of financial assets and liabilities

The aggregate net fair values of financial assets and financial liabilities at balance date are as follows:

Consolidated				
	Carrying Amount		Aggregate Net Fair Value	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial Assets				
Cash	149,192	152,235	149,192	152,235
Other debtors	4,895	12,392	4,895	12,392
Receivables – trade	116,505	98,212	116,505	98,212
Available-for-sale assets	16,880	8,951	16,880	8,951
Total Financial Assets	287,472	271,790	287,472	271,790
Financial Liabilities				
Payables	167,963	170,322	167,963	170,322
Bank loan	173	750	194	896
Hire purchase liability	32,428	24,158	31,416	23,214
Derivative financial instruments	-	327	-	327
Total Financial Liabilities	200,564	195,557	199,573	194,759

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**b) Net fair values of financial assets and liabilities (continued)**

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

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

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

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

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

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

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

Recognised financial instruments valuation method

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

Derivative financial instruments: Level 2 - Calculated by comparing the contracted rate to the market rates for contracts with the same maturity date.

Notes

	2010 \$'000	2009 \$'000
29. PARENT ENTITY INFORMATION		
Information relating to Monadelphous Group Limited parent entity		
Current assets	143,083	147,595
Total assets	597,419	538,226
Current liabilities	(503,339)	(435,485)
Total liabilities	(506,307)	(449,550)
Net Assets	91,112	88,676
Contributed equity	30,083	28,941
Share-based payment reserve	9,152	6,271
Net unrealised gains reserve	6,098	3,559
Retained earnings	45,779	49,905
Total Equity	91,112	88,676
Profit after tax	63,747	62,951
Total comprehensive income of the parent entity	66,286	66,510
Contingent liabilities		
Guarantees	20(d) 116,000	111,550

All guarantees entered into by the Group are via the parent entity. Details are contained in Note 20(d).

Capital commitments

The parent entity has capital commitments of \$nil at 30 June 2010 (2009: \$nil).

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current at 15 September 2010.

a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share is:

Category (Size of Holdings)	Number of Ordinary Shareholders	Number of Ordinary Shares	% of Issued Capital
1 – 1000	6,748	3,610,859	4.13
1,001 – 5,000	5,031	11,985,367	13.69
5,001 – 10,000	895	6,719,899	7.68
10,001 – 100,000	837	22,817,391	26.07
100,001 – 99,999,999	65	42,388,311	48.43
Total	13,576	87,521,827	100.00

The number of shareholders holding less than marketable parcels is 123.

b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

Rank	Name	Units	% of Issued Capital
1	J P Morgan Nominees Australia Limited	6,362,848	7.27
2	HSBC Custody Nominees (Australia) Limited	5,599,873	6.40
3	National Nominees Limited	4,292,561	4.90
4	ANZ Nominees Limited (Cash Income Account)	3,976,905	4.54
5	Rubi Holdings Pty Ltd (John Rubino Super Fund Account)	3,004,000	3.43
6	UBS Nominees Pty Ltd	2,363,056	2.70
7	Citicorp Nominees Pty Limited	2,040,561	2.33
8	Velham Nominees Pty Ltd (The Velletri Family Account)	2,000,000	2.29
9	Wilmar Enterprises Pty Ltd	1,320,000	1.51
10	Pacific Custodians Pty Ltd (MND Employee Share Trust Account)	557,500	0.64
11	Cogent Nominees Pty Limited	493,639	0.56
12	Irtol Investments Pty Ltd (Tollman Super Fund Account)	479,950	0.55
13	Mrs Mabs Melville	430,000	0.49
14	AMP Life Limited	378,586	0.43
15	Mrs Mary Teresa Erdash	340,000	0.39
16	Mr Dino Foti	326,816	0.37
17	RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED Account)	304,196	0.35
18	Mrs Sally Marjorie Everist	285,000	0.33
19	Langfield Investments Pty Ltd	280,000	0.32
20	Citicorp Nominees Pty Limited (CFSIL CWLTH SMALL CO 7)	267,000	0.31
Total		35,102,491	40.11

c) Substantial shareholders

The following shareholders have declared a relevant interest in the number of voting shares at the date of giving notice under Part 6C.1 of the *Corporations Act 2001*.

Shareholder	Ordinary Shares	% Held
Thorney Holdings Pty Ltd	5,004,668	5.79%

d) Voting rights

No restrictions. On a show of hands every member or proxy present shall be entitled to one vote unless a poll is called in which case every share shall have one vote.

e) Stock exchange listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Monadelphous Office, 59 Albany Highway, Victoria Park, WA, 6100 on Tuesday 23 November 2010 at 10.00am (AWST). Full details of the meeting are contained in the Notice of Annual General Meeting sent with this report.

Dividends

The following options are available regarding payment of dividends:

- i) By cheque payable to the shareholder; or
- ii) By direct deposit to a bank, building society or credit union account.

Lost or stolen cheques should be reported immediately to the Share Registry, in writing.

Electronic payments are credited on the dividend payment date and confirmed by a payment advice sent to the shareholder. Request forms for this service are available from the Company's Share Registry at the address shown below.

Shareholder Enquiries

All enquiries should be directed to the Company's Share Registry at:

Computershare Investor Services Pty Ltd	Telephone: 1300 364 961 (Free call within Australia)
Level 2, 45 St George's Terrace	+ 61 3 9946 4415
PERTH	Facsimile: + 61 8 9323 2033
Western Australia 6000	Email: web.queries@computershare.com.au
	Website: www.computershare.com

All written enquiries should include your Holder Identification Number as it appears on your Holding Statement along with your current address.

Change of address

It is very important that shareholders notify the Share Registry immediately, in writing, if there is any change to their registered address.

Lost holding statements

Shareholders should inform the Share Registry immediately, in writing, so that a replacement statement can be arranged.

Change of name

Shareholders who change their name should notify the Share Registry, in writing, and attach a copy of a relevant marriage certificate or deed poll.

Tax file numbers (TFN)

Although it is not compulsory for each shareholder to provide a TFN or exemption details, for those shareholders who do not provide the necessary details, the Company will be obliged to deduct tax from any unfranked portion of their dividends at the top marginal rate. TFN application forms can be obtained from the Share Registry, any Australian Post Office or the Australian Tax Office.

Monadelphous publications

In an effort to reduce its impact on the environment Monadelphous will only post printed copies of this Annual Report to those shareholders who elect to receive one through the share registry. Shareholders may alternatively elect to receive an electronic copy of the Annual Report. Monadelphous Group Limited financial reports are also available on its website (refer below).

Information about Monadelphous

Requests for specific information on the Company can be directed to the Company Secretary at the following address:

Monadelphous Group Limited
PO Box 600
Victoria Park, WA 6979
Telephone: +61 8 9316 1255
Facsimile: +61 8 9316 1950

Monadelphous website

Information about Monadelphous Group Limited is available on the internet at:

www.monadelphous.com.au



Monadelphous (adj).

Mon`a*del"phous

A botanical term describing the stamens of some plants and flowers that have all the filaments united to form a single bundle.

The name signifies the coming together of many to one point for strength and unity of purpose.

www.monadelphous.com.au

Perth Head Office
59 Albany Highway
Victoria Park Western Australia 6100
PO Box 600
Victoria Park Western Australia 6979
Tel: +61 8 9316 1255
Fax: +61 8 9316 1950

Brisbane Office
Level 6, 19 Lang Parade
Milton Queensland 4064
PO Box 1872
Milton Queensland 4064
Tel: +61 7 3368 6700
Fax: +61 7 3368 6777

Email: monadel@monadel.com.au

