

**TOGETHER  
WE DELIVER.**





The purpose-built canti-traveller in operation at the Wiggins Island Coal Export Terminal wharf approach jetty built by Monadelphous Muhibbah Marine, Gladstone, Queensland. A canti-traveller is a purpose-built structure that installs piles into the seabed using an 'over-the-top' construction method.

# TOGETHER WE DELIVER.

## **Monadelphous (adj).**

The name Monadelphous is derived from a botanical term and signifies the coming together of many to one point for strength and unity of purpose.

Monadelphous is an S&P/ASX 100 company that provides construction, maintenance and industrial services to the resources, energy and infrastructure sectors throughout Australasia.

## **Annual General Meeting**

Shareholders are advised that the Monadelphous Group Limited 2013 Annual General Meeting (AGM) will be held at The University Club, University of Western Australia, Crawley, Western Australia on Tuesday, 19 November 2013 at 10am (WST).

For more investor information, please refer to page 106 of this report.





## Our Purpose

To build, maintain and improve our customers' operations through the reliable delivery of safe, cost effective and customer-focused solutions.

## 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.

We are committed to the safety, wellbeing and development of our people, the delivery of outstanding service to our customers and the provision of superior returns to our shareholders.

## 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.

## Our Strategy

### Markets and Growth

We aim to maximise growth and returns from our core markets of resources and energy and to build a substantial business in the infrastructure sector.

### People

We aim to attract, develop and retain the right people who are highly competent, live our values and actively contribute to the long-term overall success of Monadelphous.

### Productivity

We aim to continuously improve our service delivery and support processes to realise cost efficiency and margin improvement.

## About this Report

The purpose of this Annual Report is to provide Monadelphous's stakeholders, including shareholders, customers, employees, suppliers and the wider community with information about the Company's performance during the 2013 financial year.

References in this Report to 'the year', 'the reporting period' and 'the period' relate to the financial year 1 July 2012 to 30 June 2013, unless otherwise stated. All dollar figures are expressed in Australian currency unless otherwise stated.

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

In an effort to minimise 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 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.

This Annual Report is available in PDF format online at [www.monadelphous.com.au](http://www.monadelphous.com.au).

For further information please contact Investor Relations on +61 8 9315 7429 or [investor.relations@monadel.com.au](mailto:investor.relations@monadel.com.au).



Monadelphous employees at Tronox Management Pty Ltd's Cogeneration Plant, Kwinana Power Station, Kwinana, Western Australia.

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## About Monadelphous

Monadelphous Group Limited (ASX:MND) (Monadelphous) is a company incorporated in Australia, limited by shares listed on the ASX and included in the S&P/ASX 100 index.

Monadelphous is a leading engineering group headquartered in Perth, Western Australia, providing construction, maintenance and industrial services to the resources, energy and infrastructure sectors throughout Australasia.

The Company builds, maintains and improves customer operations through safe, reliable, innovative and cost effective service solutions. It aims to be recognised as a leader in its chosen markets and a truly great company to work for, work with and invest in.

At 30 June 2013, Monadelphous had a market capitalisation of approximately \$1.5 billion. For the 2013 financial year, the Company reported sales revenue of \$2.61 billion and a net profit after tax of \$156.3 million. Monadelphous had more than 7,400 employees working in numerous locations, predominantly in Australia.

### Our history

Monadelphous emerged from a business which started in 1972 in Kalgoorlie, Western Australia, providing general mechanical contracting services to the mining industry.

The name Monadelphous was adopted in 1978 and by the mid-1980s the Company had expanded into a number of markets both interstate and overseas and its shares were traded on the second board of the Australian Stock Exchange.

In the late 1980s, a major restructure of the Company took place with the business refocused on maintenance and construction services in the resources industry. Monadelphous's shares were relisted on the main board of the stock exchange in 1991 and the Company established the foundation for sustained growth with a new management team.

Since the 2001 financial year Monadelphous has reported twelve successive years of earnings growth as operations have expanded in Australia and beyond through organic growth and selective acquisitions.

In 2007, Monadelphous's shares were included in the S&P/ASX 200 index. The Company has continued to grow and diversify, and extend its reputation as a supplier of multidisciplinary

construction, maintenance and industrial services to many of the biggest companies in the resources, energy and infrastructure sectors.

In November 2011, Monadelphous shares were included in the S&P/ASX 100 index.

### Where we are

The Company operates major offices in Perth and Brisbane, with regional offices in key resources and industrial centres across Australia.

Monadelphous also has operations in Papua New Guinea and New Zealand and manages supply offices in China. This broad geographical presence positions the Company to maximise its core business and continue diversification into chosen industry sectors in Australia and overseas.

### Our operations

Monadelphous has three operating divisions, comprising:

#### Engineering Construction

The Engineering Construction division provides large-scale multidisciplinary project management and construction services. These include fabrication, modularisation, offsite pre-assembly, procurement and installation of structural steel, mechanical and process equipment, piping, plant commissioning, demolition, remediation works and electrical and instrumentation services. The division's core markets are resources and energy.

SinoStruct, a wholly owned subsidiary, which offers a comprehensive fabrication service including project management and innovative logistics, is included in the division.

During the period M I & E Holdings Pty Ltd, trading as MIE, was renamed Monadelphous Electrical & Instrumentation Pty Ltd and the name of the Company's transmission pipeline business, KT Pty Ltd, was changed to Monadelphous KT Pty Ltd.

#### Maintenance and Industrial Services

The Maintenance and Industrial Services division specialises in the planning, management and execution of mechanical and electrical maintenance services, shutdowns, fixed plant maintenance services and sustaining capital works. The division's core markets are resources and energy.

The division provides an important source of recurring revenue through its long-term contracts with major customers.

### Infrastructure

The Infrastructure division focuses on the provision of services for public sector infrastructure and utilities. During the year, the division's focus was on water, transmission pipelines, solid waste management, power and aviation support services.

On 1 July 2013, the Infrastructure division was consolidated into the operating structure of the two service-based divisions, Engineering Construction and Maintenance and Industrial Services.

Subsequent to the reporting period, the Group entered into an agreement to sell its wholly owned operating subsidiaries, Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd. The agreement with Menzies Aviation, a division of John Menzies plc, is subject to regulatory approvals with completion expected to occur around the end of September 2013.





## Performance at a Glance

The financial information contained in this section should be read in conjunction with the Financial Statements and accompanying notes. Financial Statements are prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards Board and other relevant standards, as outlined in Note 2 of the Financial Statements.

In addition, the Company's Board of Directors and Executive monitor a broad range of key performance indicators across the business including customer satisfaction, safety and wellbeing, people, community and environment.

### Financial

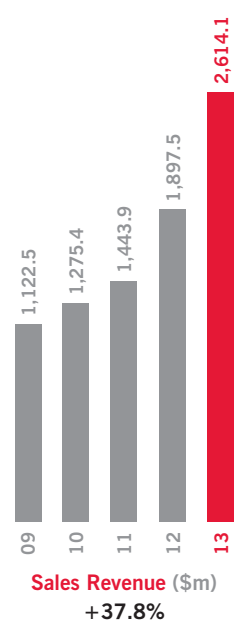
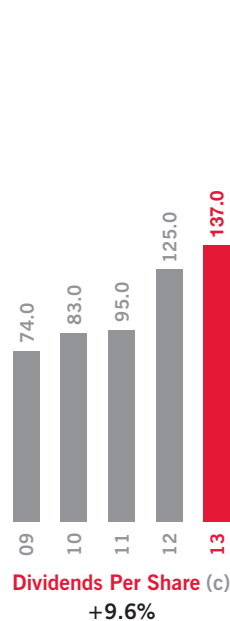
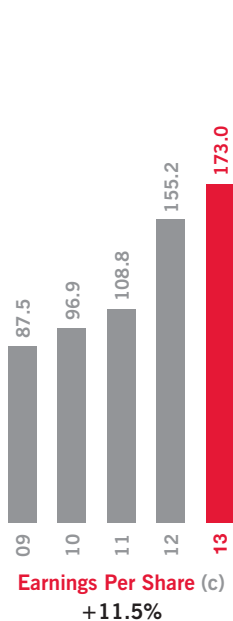
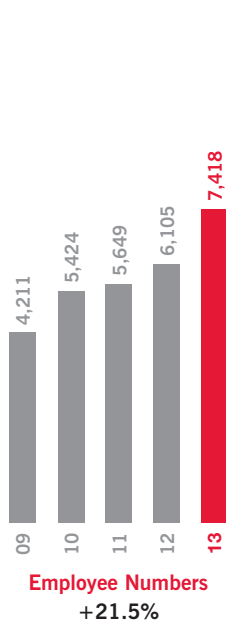
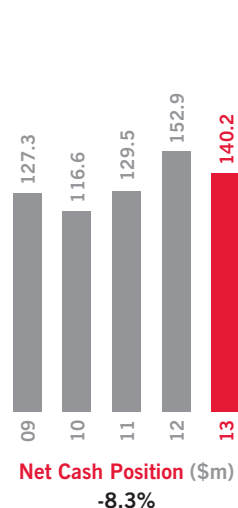
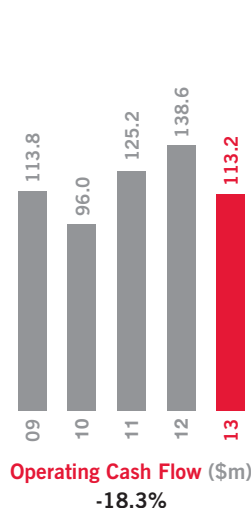
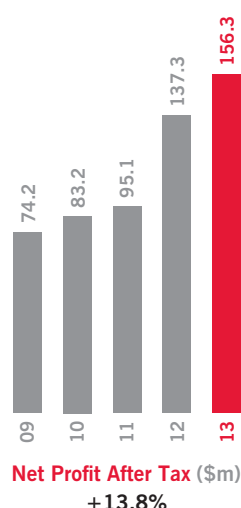
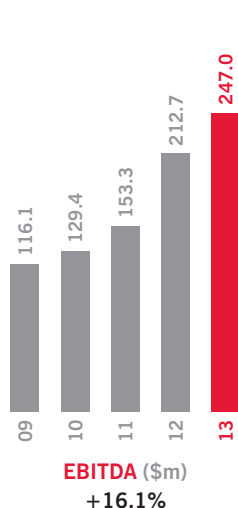
- Sales revenue up 37.8% to \$2,614.1 million
- NPAT up 13.8% to \$156.3 million
- EPS up 11.5% to 173 cents, DPS up 9.6% to 137 cents fully franked

### Operations

- Extraordinary surge in construction activity
- All three operating divisions delivered record revenues
- Awarded approximately \$1.3 billion of new contracts and extensions

### Safety and Wellbeing

- Record safety performance in a rapid growth environment
- TCIFR improved 32% to 4.1 incidents per million man-hours worked
- Launched Life Saving Rules





## Summary of 2013 Performance

Monadelphous delivered another record sales and earnings result for the year ended 30 June 2013. This marks the Company's twelfth consecutive year of earnings growth.

The Company secured approximately \$1.3 billion of new contracts and extensions during the year.

Monadelphous maintained its position in core markets and strengthened its position as a leading maintenance service provider in the rapidly growing oil and gas market by securing two significant new liquefied natural gas (LNG) service contracts. Contribution from marine construction, pipelines and water service markets expansion made up 17 per cent of revenue.

Safety performance was the best ever annual result, an outstanding outcome given the rapid growth in activity and workforce numbers.

### People and Culture

- More than 7,400 people at year end
- Established Employee Development Centre
- Launched Reconciliation Action Plan

### Markets and Growth

- Maintained leadership position in core markets
- Increased presence in energy
- Opened a support office in Mongolia

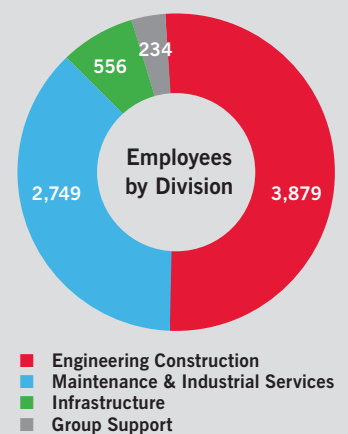
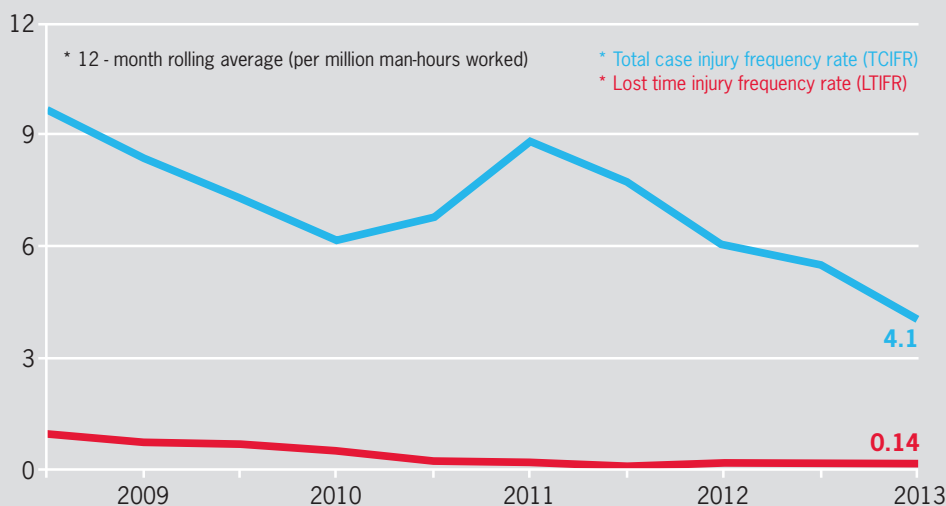
### Productivity

- Consolidated operating structure into two key core competencies
- Introduced tender risk assessment process
- Initiated Group-wide cost reduction program

|                           |     | 2013    | 2012    | Change |
|---------------------------|-----|---------|---------|--------|
| Sales revenue             | \$m | 2,614.1 | 1,897.5 | +37.8% |
| EBITDA                    | \$m | 247.0   | 212.7   | +16.1% |
| Net profit after tax      | \$m | 156.3   | 137.3   | +13.8% |
| Basic earnings per share  | c   | 173.0   | 155.2   | +11.5% |
| Total dividends per share | c   | 137.0   | 125.0   | +9.6%  |
| Return on equity          | %   | 50.8    | 55.9    | -5.1pp |

pp = percentage points

### Injury Frequency Rates\*



## Our Locations

The table on the opposite page shows the Company's coverage of projects, customers and commodities. The map below illustrates Monadelphous's geographic locations.

Monadelphous's activities are predominantly in Australia, with operations also in Papua New Guinea, China and New Zealand. Work in Western Australia dominated the Company's revenue, followed by Queensland.

During the year, approximately five per cent of the Company's revenue came from overseas projects and operations.

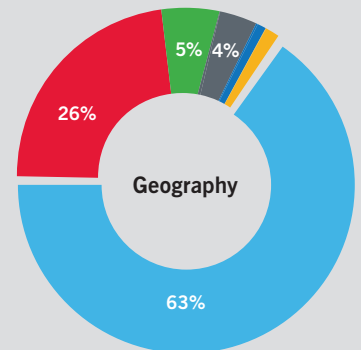
The Company operates major offices in Perth and Brisbane with a network of workshop facilities in Kalgoorlie, Karratha, Darwin, Roxby Downs, Gladstone, Mackay and the Hunter Valley.



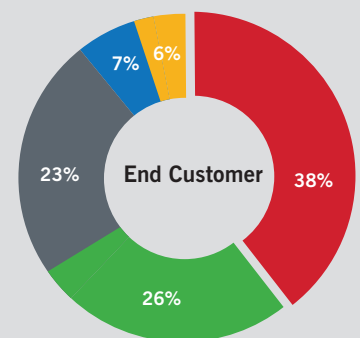
| Engineering Construction |                                                                   |                      |                   |
|--------------------------|-------------------------------------------------------------------|----------------------|-------------------|
|                          | Project / Contract Name                                           | Commodity            | Location          |
| 1                        | Bechtel (WA) Wheatstone Project - Construction General Services 1 | Oil & Gas            | Ashburton North   |
| 2                        | Caval Ridge Mine Project                                          | Coal                 | Moranbah          |
| 3                        | Chevron CO <sub>2</sub> Injection Pipeline                        | Oil & Gas            | Barrow Island     |
| 4                        | Chevron Gorgon Pipes, Cables and Tubes                            | Oil & Gas            | Barrow Island     |
| 5                        | Jimblebar Mine Project                                            | Iron Ore             | Newman            |
| 6                        | Macedon Gas Project                                               | Oil & Gas            | Onslow            |
| 7                        | Newcrest Cadia East Expansion                                     | Gold                 | Orange            |
| 8                        | Newcrest Mining Million Ounce Plant Upgrade                       | Gold                 | Lihir Island, PNG |
| 9                        | OK Tedi Pipeline Remediation Works                                | Copper, Gold, Silver | Tabubil, PNG      |
| 10                       | Port Hedland Inner Harbour                                        | Iron Ore             | Port Hedland      |
| 11                       | Rio Tinto & Hancock Prospecting Hope Downs 4                      | Iron Ore             | Newman            |
| 12                       | Rio Tinto Coastal Waters Project                                  | Iron Ore             | Pilbara           |
| 13                       | Rio Tinto Kestrel Mine Extension                                  | Coal                 | Emerald           |
| 14                       | Rio Tinto Marandoo Mine                                           | Iron Ore             | Marandoo          |
| 15                       | Rio Tinto Cape Lambert Port A & B                                 | Iron Ore             | Cape Lambert      |
| 16                       | Rio Tinto West Angelas Gas Pipeline and Facilities                | Oil & Gas            | Newman            |
| 17                       | Rio Tinto Western Turner Brockman                                 | Iron Ore             | Brockman          |
| 18                       | SapuraClough Sea Trucks Domgas Onshore Pipeline                   | Oil & Gas            | Pilbara           |
| 19                       | Wiggins Island Coal Export Terminal                               | Coal                 | Golding Point     |
| 20                       | Glenore Xstrata Coal Ulan West                                    | Coal                 | Ulan West         |

| Maintenance and Industrial Services |                                                 |                       |                                |
|-------------------------------------|-------------------------------------------------|-----------------------|--------------------------------|
|                                     | Contract Name                                   | Commodity             | Location                       |
| 1                                   | Boyne Smelters Maintenance                      | Alumina               | Gladstone                      |
| 2                                   | BP Turnarounds and Capital Projects             | Oil & Gas             | Kwinana                        |
| 3                                   | Chevron (WA Oil) General Maintenance            | Oil & Gas             | Barrow and Thevenard Islands   |
| 4                                   | Chevron Gorgon Project Facilities Maintenance   | Oil & Gas             | Barrow Island                  |
| 5                                   | ConocoPhillips Darwin LNG Project               | Oil & Gas             | Darwin                         |
| 6                                   | Dragline Shutdowns                              | Coal                  | Mackay                         |
| 7                                   | Framework Agreements - Maintenance and Shutdown | Nickel                | Kalgoorlie, Leinster, Mt Keith |
| 8                                   | Sustaining Capital Works                        | Iron Ore              | North West                     |
| 9                                   | Maintenance and Shutdown                        | Coal                  | Hunter Valley                  |
| 10                                  | Maintenance and Shutdown                        | Copper, Uranium, Gold | Olympic Dam                    |
| 11                                  | Minor Capital Works - Worsley                   | Alumina               | Collie                         |
| 12                                  | Oil Search Field Construction Services          | Oil & Gas             | Southern Highlands, PNG        |
| 13                                  | QAL Maintenance and Minor Capital Works         | Alumina               | Gladstone                      |
| 14                                  | Queensland Curtis LNG Project                   | Oil & Gas             | Curtis Island                  |
| 15                                  | Rio Tinto Maintenance and Shutdown              | Iron Ore              | Coastal and West Pilbara       |
| 16                                  | Rio Tinto Maintenance and Shutdown              | Iron Ore              | Karratha                       |
| 17                                  | Rio Tinto Maintenance                           | Alumina               | Gladstone                      |
| 18                                  | Rio Tinto Maintenance                           | Alumina               | Yarwun                         |
| 19                                  | Rio Tinto Structural Integrity Project          | Iron Ore              | Coastal and Inland Pilbara     |
| 20                                  | Santos Minor Capital Works                      | Oil & Gas             | Roma                           |
| 21                                  | Woodside Maintenance and Shutdowns              | Oil & Gas             | Karratha                       |

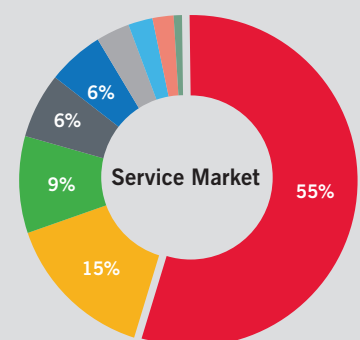
| Infrastructure |                                                              |                  |                                                                    |
|----------------|--------------------------------------------------------------|------------------|--------------------------------------------------------------------|
|                | Project / Contract Name                                      | Commodity        | Location                                                           |
| 1              | Nambucca Heads Sewerage Augmentation                         | Wastewater       | Nambucca Heads                                                     |
| 2              | Toowoomba Regional Council Wastewater Infrastructure Project | Water            | Toowoomba                                                          |
| 3              | Tronox KMK Cogeneration Plant Works                          | Power            | Kwinana                                                            |
| 4              | Unitywater Sewage Plant Augmentation                         | Water            | Cooroy                                                             |
| 5              | Unitywater Sewage Plant Augmentation                         | Water            | Woodford                                                           |
| 6              | Unitywater Sewage Treatment Plant Upgrade                    | Water            | Maleny                                                             |
| 7              | Verve Energy Collie Basin Coal Infrastructure (CBCI)         | Power            | Collie                                                             |
| 8              | Western Metropolitan Regional Council Stage II               | Waste Management | Shenton Park                                                       |
| 9              | Airport Services                                             | N/A              | Christchurch, Dunedin                                              |
| 10             | Airport Services                                             | N/A              | Perth, Kalgoorlie, Karratha, Kambalda, Hamilton Island, Proserpine |



■ Western Australia  
■ Queensland  
■ Overseas  
■ New South Wales  
■ Northern Territory  
■ South Australia



■ Iron Ore  
■ Oil & Gas  
■ Coal  
■ Other Minerals  
■ Infrastructure



■ Process Plant SMP\*  
■ Process Plant SMP and E&I\*  
■ Pipelines  
■ O&M\*  
■ Marine  
■ Fabrication  
■ Process Plant and E&I\*  
■ Water  
■ Airport Services

\*SMP - Structural, Mechanical and Piping  
 \*E&I - Electrical and Instrumentation  
 \*O&M - Operations and Maintenance



## Board of Directors and Chief Financial Officer

# TOGETHER WE LEAD THE WAY.



**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 and continued as Chairman. John has 47 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 34 years experience in the construction and engineering services industry. Rob is a Corporate Member of the Institution of Engineers, Australia.



**Peter Dempsey**  
**Independent Non-Executive Director (Lead)**

Peter was appointed to the Board on 30 May 2003. He is a Civil Engineer with 41 years experience in the construction and engineering services industry. Peter is a Fellow of the Institution of Engineers, Australia.



**Chris Michelmores**  
Independent Non-Executive Director

Chris was appointed to the Board on 1 October 2007. He has 41 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 21 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.



**Zoran Bebic**  
Chief Financial Officer and  
Company Secretary

Zoran is a Certified Practising Accountant and is a Member of CPA Australia. He has 20 years experience with the Company and in the construction and engineering services industry. Zoran has held a number of financial and general management positions.

## Chairman's Report

### John Rubino

"Monadelphous achieved another record sales and earnings result for shareholders after activity reached unprecedented levels."



It is with great pleasure that I present the 2013 Monadelphous Group Limited Annual Report for a year when sales revenue exceeded \$2 billion for the first time. The Company has achieved another record sales and earnings result for shareholders as market conditions softened in resources after activity reached unprecedented levels.

Sales revenue was \$2.61 billion, up 37.8 per cent on the previous year. An extraordinary level of construction activity led to this outstanding result. Net profit after tax (NPAT) was a record \$156.3 million, up 13.8 per cent on the previous year, marking the Company's twelfth consecutive year of earnings growth.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$247 million, an increase of 16.1 per cent. Margins were impacted by tightening market conditions together with underperformance across several transmission pipeline projects. Earnings per share was 173 cents, up 11.5 per cent.

Following this result, the Board of Directors declared a final dividend of 75 cents per share fully franked. This took the full-year dividend to 137 cents per share fully franked, a 9.6 per cent increase on the previous year. The Monadelphous Group Limited Dividend Reinvestment Plan applied to the final dividend.

It was particularly pleasing that the continued commitment to safety across the entire business resulted in a record safety performance.

The Monadelphous Employee Development Centre, at Belmont in Western Australia, was opened during the year. The new purpose-built facility provides pre-mobilisation and nationally accredited construction skills and competency training services for the Company's projects and operations.

Reconciliation Australia approved Monadelphous's Reconciliation Action Plan (RAP), which is a public commitment to the implementation of the Company's Indigenous engagement strategy.

The Company continued to develop its overseas expansion strategy, establishing a support office in Mongolia to pursue opportunities in this emerging resource development market over the longer term.

During a period of unprecedented demand, when sales revenue increased by more than 80 per cent over two years and doubled over three, the Company has capitalised on its strong position across a broadening range of customer and service markets.

Monadelphous maintained its leadership position in core markets, with iron ore expansions in the north-west of WA providing significant and ongoing opportunities for the Engineering Construction (EC) division.

The Maintenance and Industrial Services (M&IS) division extended its involvement in the rapidly growing oil and gas market. M&IS secured two significant new liquefied natural gas (LNG) service contracts and is now providing maintenance services for all of Australia's major onshore LNG facilities.

A strategic review of the effectiveness and efficiency of the Company's divisional operating structure was completed during the second half of the year. As a result of this review, the Infrastructure division was consolidated into the operating structure of the two service-based divisions, EC and M&IS.

The new structure, which was effective from 1 July 2013, will provide more effective delivery of services through common execution methods and skills capability, and drive the expansion of opportunities in newer markets through excellence in service delivery. In addition, it will provide greater flexibility in resourcing variable workloads within divisions, improve efficiency and reduce fixed costs.

The structure is aligned with the core competencies of EC and M&IS and will help to maximise the Company's competitive advantage and to achieve the strategic goals of market leadership and diversification.

The outlook for the Australian resources market changed during the financial year with market conditions softening following an unprecedented surge in construction activity that peaked in 2013.

Oil and gas activity is forecast to remain strong, offsetting the decline in resources, as several multi-billion dollar LNG projects progress. Whilst the pipeline of opportunities are solid, construction revenue flows will be dependent on the size and timing of new contract decisions. As a result, Monadelphous views 2013/14 as likely to be a year of consolidation.

On behalf of the Board, I thank all stakeholders for their loyalty and support and particularly our people for their dedication, commitment and highly valued contribution to another successful year at Monadelphous.

A stylized, handwritten signature in black ink, appearing to read 'John Rubino'.

John Rubino  
Chairman







## Managing Director's Report

### Rob Velletri

"Construction activity was particularly intense, with a number of projects on accelerated schedules ramping up concurrently."



The 2012/13 financial year was a period of abnormal growth for Monadelphous which reflected an unprecedented volume of construction contracts from the record level of resources and energy developments in execution phase.

Record revenue was achieved in all three operating divisions, with the biggest increases in the Engineering Construction and Infrastructure divisions.

Construction activity was particularly intense, with a number of projects on accelerated schedules ramping up concurrently.

Monadelphous was awarded approximately \$1.3 billion in new contracts for major construction work in the iron ore and coal sectors and new and extended contracts for maintenance in the oil and gas market.

The Company continued to focus on its core value of safety and wellbeing, and achieved a record safety performance for the year. The total case injury frequency rate (TCIFR) improved by 32 per cent to 4.1 incidents per million man-hours worked, the Company's best annual result. This was an outstanding outcome given the rapid growth in activity and workforce numbers.

Development of the Safety Management Program continued throughout the year with the launch of company-wide Life Saving Rules, focused on the management of critical safety risks. The integration of the Safety Leadership Program from the group to the divisional level was also progressed.

Monadelphous's total workforce was 7,418 at 30 June 2013, an increase of 21.5 per cent on 12 months earlier. Workforce numbers, which peaked at 8,700 people, placed significant demands on the Company's operational and financial resources. Highlights of the period included a successful recruitment campaign to meet the extraordinarily high project demands and an improving trend in overall employee retention and permanent staff turnover.

#### Engineering Construction

The Engineering Construction division achieved sales revenue of \$1.78 billion, an increase of 55.9 per cent on a like-for-like basis compared with the previous financial year.

The division began the year with a healthy workload and experienced a surge of construction activity, driven by a wave of new resources and energy construction projects. Iron ore and coal projects dominated the division's revenue for the period.

The major project involvement for the year was engineering construction services for BHP Billiton Iron Ore's Port Hedland Inner Harbour Project at Finucane Island and Nelson Point in Western Australia (WA). Other major projects included the Wiggins Island Coal Export Terminal at Gladstone in Queensland, Rio Tinto's Cape Lambert port expansion in WA and the Rio Tinto-managed Kestrel Mine near Emerald in Queensland.

The division was awarded approximately \$700 million in new contracts with major iron ore and coal customers during the year. There was significant growth in the number and scale of projects with blue chip customers and a broadening of the range of services provided.

During the period, M I & E Holdings Pty Ltd, trading as MIE, was renamed Monadelphous Electrical & Instrumentation Pty Ltd to leverage the strength of the Monadelphous brand and generate market growth. The name of the Company's transmission pipeline business, KT Pty Ltd, was changed to Monadelphous KT Pty Ltd to reflect its existing customer relationships and market position.

#### Maintenance and Industrial Services

The Maintenance and Industrial Services division delivered sales revenue of \$644.0 million, an increase of 1.5 per cent on the previous year. This result was pleasing given the division's sales grew 58 per cent in the previous financial year.

Strong growth in oil and gas maintenance activity during 2012/13 was offset by lower volumes in the mining and

minerals sector, as customers across the board focused on cost reduction and discretionary capital spending in response to changing market conditions.

The division was awarded approximately \$600 million in new maintenance contracts and contract extensions during the period, including two new liquefied natural gas (LNG) services contracts. These were a six-and-a-half year contract with QGC to provide maintenance services at its Queensland Curtis LNG plant, near Gladstone, and a three-year contract for maintenance and shutdown services at the Woodside-operated Karratha Gas Plant at Dampier in WA.

The most significant contracts for the year were facilities management services provided at the Chevron-operated Gorgon Project on Barrow Island in WA and shutdown services at the Karratha Gas Plant. Other major activity included maintenance and shutdown services at BHP Billiton's Nickel West Operations in the Goldfields of WA and field construction services for Oil Search Limited in the Southern Highlands of Papua New Guinea.

The consolidation and restructuring of the division's east and west businesses, which included several key managerial appointments, was completed during the year. The new structure will provide the foundation for further growth.

#### Infrastructure

The Infrastructure division recorded sales revenue of \$199.8 million, an increase of 49.9 per cent on a like-for-like basis compared with the previous year.

Following the transfer of Monadelphous KT to the Engineering Construction (EC) division in 2012, the remainder of the Infrastructure division was consolidated into the operating structures of the two service-based divisions of EC and Maintenance and Industrial Services (M&IS) during the year. The water business has moved to EC and the power asset management business, Monadelphous Energy Services, has moved to M&IS.

The water business, which provides innovative construct, operate and





## Managing Director's Report (continued)



Recruitment Officer Chloe Colegate (left) and Aboriginal Program Advisor Tara Martin in Perth, Western Australia.

maintain service solutions for essential service assets, experienced very strong growth. Its most significant project was works on the construction of a potable water supply system with Rio Tinto's Coastal Waters Project at Bungaroo Valley in the Pilbara region of WA. The business also secured a new contract with Unitywater to upgrade the Maleny Sewage Treatment Plant in Queensland.

Other major contract activity during the period included construction of the Toowoomba Wastewater Infrastructure Projects program, in joint venture with Transfield Services, for the Toowoomba Regional Council in Queensland.

Construction of the AnaeCo AWT Plant in Shenton Park, WA, for the Western Metropolitan Regional Council, was substantially completed during the year. The project, with joint venture partner AnaeCo Limited, is to design and construct an alternative waste management solution for the council. During the year, Monadelphous increased its shareholding in AnaeCo to 15.72 per cent.

Monadelphous Energy Services continued to strengthen its operations and maintenance capabilities and recorded pleasing growth during the year.

Skystar Airport Services, which offers complete ground handling services to the aviation industry in Australia and New Zealand, recorded strong revenue growth of 20 per cent. Skystar has operated for 12 years and more than doubled in size in the past four years.

Subsequent to the reporting period, the Group entered into an agreement to sell its wholly owned Skystar operating

subsidiaries, Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd. The agreement with Menzies Aviation, a division of John Menzies plc, is subject to regulatory approvals with completion expected to occur around the end of September 2013.

### Outlook

The Company experienced an extraordinary surge in growth in the past financial year. Maintaining this level of activity over the short term will be very challenging.

Market conditions in the mining and minerals sector have progressively and significantly tightened as customers pulled back and reassessed their capital expenditure plans and focused on optimising asset performance and reducing costs. Customer sentiment has changed from an aggressive growth focus to a deferral and cautionary approach to new project demand as commodity prices have normalised in a rising cost environment.

These factors have provided some respite to an overheated market and the Company has responded by consolidating its fixed cost structure and implementing a comprehensive group-wide program of cost reductions and efficiency improvements to better position it for this changing and less certain market environment.

Prospects from committed and planned resource developments in the iron ore and oil and gas sectors will continue to provide construction opportunities in the new financial year and beyond. In particular, the large volume of committed LNG projects moving into the mechanical

and electrical phase of construction will provide significant construction prospects over the next few years.

The maintenance service market remains robust as new resource development operations come on stream. While maintenance services volumes are under pressure from mining and minerals customers, volumes in the oil and gas market are expected to grow as new LNG projects move to the operating phase.

The Company entered the new financial year with a steady forward workload from \$1.3 billion of new contracts and contract extensions secured in 2012/13. While a number of construction contracts will ramp down, there has been a very high level of bidding activity in the early part of the new financial year.

Subsequent to the reporting period, the Company has secured approximately \$500 million in new contracts and contract extensions.

The Company's leadership position in resources and energy markets and continued development of its diversification strategy will support long-term growth. It will continue to pursue opportunities for expansion in existing infrastructure markets of water and power and longer-term market diversification, including new services and overseas expansion for existing customers.

A handwritten signature in black ink, appearing to read 'Rob Velletri'.

Rob Velletri  
Managing Director



## Chief Financial Officer's Report

### Zoran Bebic



"A healthy balance sheet along with robust operational and financial strategies and a continued focus on earnings quality will support long term sustainable growth."



The strong performance of the Company continued in 2012/13 as significant demands were placed on its financial resources.

Earnings per share (EPS) increased 21.5% per cent to 173 cents on an underlying<sup>^</sup> basis, cash at bank was \$195.3 million at year end and net assets grew 25.4 per cent to \$308 million.

The Company continued to provide strong returns to shareholders. The Board declared a final dividend of 75 cents per share fully franked, taking the full-year dividend to 137 cents per share fully franked, a 9.6 per cent increase on the previous year.

Strong revenue performance resulted in earnings before interest, tax, depreciation and amortisation (EBITDA) of \$247 million, an increase of 25.7 per cent on an underlying<sup>^</sup> basis. Net profit after tax (NPAT) was \$156.3 million, up 24.1 per cent on the previous year's underlying<sup>^</sup> NPAT. Margins were impacted by a general tightening in market conditions together with underperformance across several transmission pipeline projects.

Return on equity remains strong at 50.8 per cent and continues to demonstrate the Company's capability and efficiency in generating earnings.

The Company's balance sheet remained robust with a net cash position of \$140.2 million at year end. During the period, bond facilities were increased by \$85 million to support higher levels of construction activity and prospective new work. Undrawn bond facilities stood at \$105.6 million at 30 June 2013.

Working capital increased by approximately \$80 million during the year as a result of rapid growth in the scale of the business from a significant surge in construction activity, several large projects approaching completion concurrently at year end and the increasing trend of customers lengthening the duration of the contract claim and payment cycle. Notably, no major construction contracts were closed out during the period.

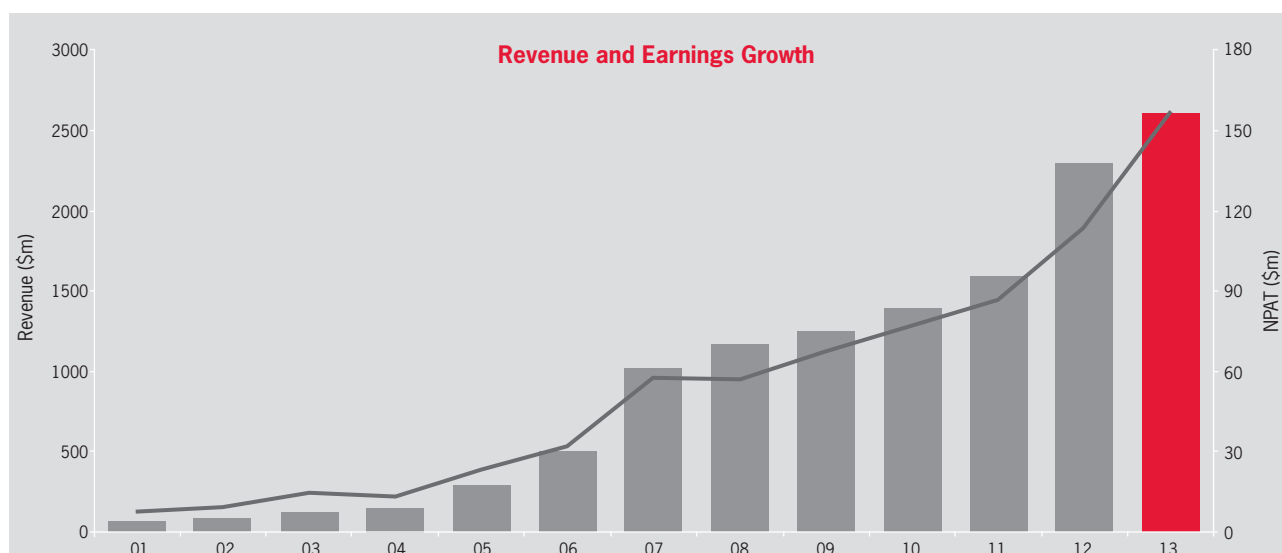
Following a year of substantial investment in the heavy lift fleet and specialised pipe-laying equipment, capital expenditure in 2012/13 was down 37.5 per cent to \$46.4 million.

The reduction reflected a return to a more typical level of capital expenditure. Capital commitments totalled \$1.6 million at 30 June 2013, compared with \$19.6 million at the end of the previous year.

In response to changing market conditions, a comprehensive Group-wide cost reduction program was initiated in the second half of the year, aimed at maintaining profitability and improving productivity. The ongoing program includes consolidation of support structures, improvements in project execution and reductions to fixed overheads, procurement and plant and equipment costs.

A healthy balance sheet along with robust operational and financial strategies and a continued focus on earnings quality will support long term sustainable growth.

Zoran Bebic  
Chief Financial Officer  
and Company Secretary



<sup>^</sup> Refer to page 35 for the definition of underlying and reconciliation of underlying EBITDA.

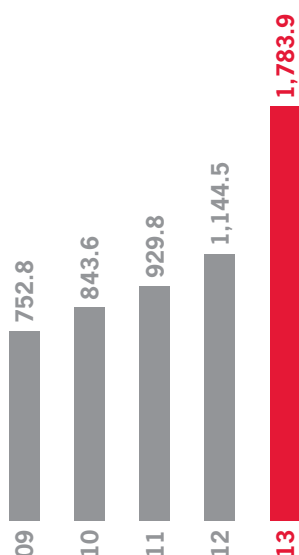
## Operations in Focus

### Engineering Construction

#### Highlights

- Record sales up 56% to \$1,784 million
- Secured \$700 million in new contracts
- More than 30 million man-hours lost time injury free

Sales Revenue (\$m)



The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported sales revenue of \$1.78 billion, an increase of 55.9 per cent on a like-for-like basis compared to the previous year.

The division experienced extraordinary levels of activity as a result of the wave of resources and energy projects secured in the previous period. Approximately \$700 million in new contracts were awarded during the year, including large construction contracts with major customers in the iron ore, coal and oil and gas sectors in Western Australia (WA), Queensland and the Northern Territory (NT).

The division continued to improve its safety performance with a total case injury frequency rate of 4.05 per million man-hours worked and in excess of 30 million man-hours lost time injury free.

During the year the division established a support office in Mongolia to participate in the country's rapidly expanding resources sector in the longer term.

#### Resources

The division's major resources project for the year was structural, mechanical and piping work associated with the materials handling and processing facilities at the port operations for BHP Billiton Iron Ore's Port Hedland Inner Harbour Project at Finucane Island and Nelson Point in WA.

The project involved 18 major shutdowns across both sites to facilitate the linkup of new conveyors and the modification of the existing plant and was substantially complete by the end of the financial year.

Also in WA, the division provided structural and mechanical works associated with coarse iron ore stockpiles, installation of a screenhouse and a new car dumper for Rio Tinto at Cape Lambert.

Additionally, the division undertook structural, mechanical and piping works for the Rio Tinto Kestrel Mine and processing plant in Queensland. The division was awarded three packages of work at Kestrel with a combined contract value of \$260 million. Works included an upgrade of the Coal Handling and Processing Plant, supply and installation

of materials and handling plant and equipment.

In iron ore, work continued at the Rio Tinto and Hancock Prospecting's Hope Downs 4 Iron Ore Project in WA. Projects secured during the year included a major contract for structural, mechanical, piping, and electrical and instrumentation works for the construction of the Western Turner Brockman iron ore plant in the Pilbara. The project, valued at approximately \$260 million, forms part of Rio Tinto's expansion of its Pilbara operations to increase iron ore capacity to 360 million tonnes per annum.

The division was awarded a contract for structural, mechanical and piping works at Rio Tinto's Marandoo Mine Phase 2 Expansion Project, east of Tom Price in WA and a contract for the construction of stacking, reclaiming, train load out, product sampling and water infrastructure facilities for BHP Billiton Iron Ore's Jimblebar Mine, east of Newman in WA.

In New South Wales, the division completed a project at the Glencore Xstrata Ulan West mine. The scope of work included electrical design, civil construction, structural fabrication and erection, mechanical installation of equipment, electrical and instrumentation supply and installation and plant commissioning.

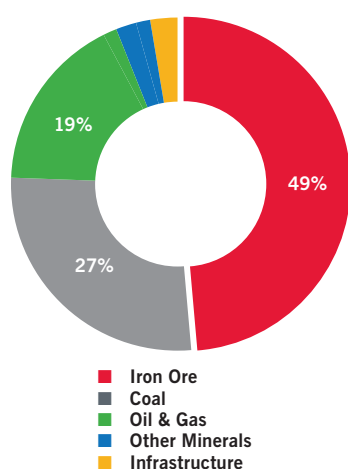
In Queensland, the division secured a major contract for civil, structural, mechanical, piping and electrical and instrumentation works for a coal handling plant for the BHP Billiton Mitsubishi Alliance (BMA) Caval Ridge Mine Project, south-east of Moranbah.

Subsequent to the reporting period, a contract with Rio Tinto Iron Ore at its Cape Lambert Port B Project in WA was awarded.

#### Energy

Activity continued at the Chevron-operated Wheatstone Project located at Ashburton North, 12 kilometres west of Onslow in WA where Monadelphous is delivering the Construction General Services 1 subcontract associated with early phases of the Project for Bechtel. The current work is expected to be substantially complete by the end of 2013.

End Customer (%)









## Operations in Focus

### Engineering Construction (continued)



Monadelphous employees assembling the top section of the drift surge bin at a coal operation in Queensland.

Monadelphous continued work with BHP Billiton's petroleum business providing structural, mechanical and piping installation works associated with the construction of the onshore gas plant for the Macedon Gas Project near Onslow in WA.

#### Marine

Monadelphous entered the marine sector in 2012 when it secured its first major contract for the construction of an approach jetty and ship berth at the Wiggins Island Coal Export Terminal (WICET) Project in Gladstone, Queensland.

The work is being undertaken by the Monadelphous Muhibbah Marine (MMM) joint venture. The joint venture is between Monadelphous's wholly owned subsidiary Monadelphous Engineering Pty Ltd and Muhibbah Construction Pty Ltd, a wholly owned subsidiary of Malaysian-based marine contractor Muhibbah Engineering (M) Bhd.

The contract, valued at approximately \$330 million, involves the construction of offshore plant and infrastructure to create a new coal export wharf. It includes a 1.8 kilometre approach jetty and transfer tower platform, wharf structure, wharf conveyor, berthing and mooring dolphins, ship access platforms, jetty conveyor and transfer tower. The work is part of stage one of the WICET Project and is scheduled to be completed by the third quarter of the 2014 financial year.

MMM was subsequently awarded a further contract to construct and commission the shiploader to be installed on the new WICET export wharf. The

division was also awarded a contract for the supply of fabricated steelwork for stacker bridges and runway support gantries for WICET's coal stockyard.

#### Transmission Pipelines

The transmission pipelines business, Monadelphous KT, became part of the Engineering Construction division at the beginning of the financial year. The move was designed to leverage its common resources and energy customer base, construction focus and a similar delivery model.

Its major projects for the year were the installation of onshore pipelines, cables and tubes, the CO<sub>2</sub> injection pipeline, and onshore domestic gas pipeline for the Chevron-operated Gorgon Project on Barrow Island in WA.

Also in WA, activity continued on the design and construction of a transmission pipeline and associated facilities, in joint venture with OSD Projects Pty Ltd, for Rio Tinto at West Angelas, near Newman. Pipeline remediation works continued for OK Tedi Mining at Tabubil, Western Province in Papua New Guinea.

Two new transmission pipelines contracts were secured during the year. The first was engineering, procurement and construction, with JKC Australia LNG, of the gas export pipeline works for the Ichthys Project's onshore facilities near Darwin, NT. The second was a design and construction contract, in joint venture with OSD Projects Pty Ltd, of approximately two kilometres of pipeline and a delivery station for Rio Tinto's Cape Lambert Petroleum Gas Pipeline in WA. Subsequent to the reporting period a

new pipeline contract was secured by Monadelphous KT at the Wheatstone Ashburton West Pipeline in Onslow, WA. Work is scheduled to be completed in the fourth quarter of 2014.

#### Outlook

Major resources customers have reassessed capital expenditure plans and focused on optimising asset performance and reducing costs following a period in which commodity prices have normalised. This has resulted in a general decline for the outlook in the resources sector.

Construction opportunities from committed and planned iron ore and oil and gas markets will provide a continuing revenue stream for the 2014 financial year and beyond. The large volumes of committed LNG projects moving into the mechanical and electrical construction phase will provide significant opportunities over the next few years.

Following the establishment of a support office in Mongolia, the division will continue to assess opportunities to broaden overseas activities in the longer term.





Monadelphous employees delivering a stacker bridge to Wiggins Island Coal Export Terminal, Gladstone, Queensland. At 15 metres wide, 125 metres long and weighing 377 tonnes this is the largest item built and shipped from China by Monadelphous's subsidiary, SinoStruct.

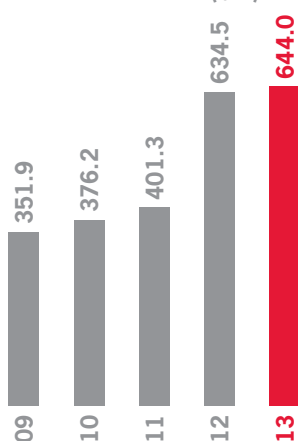
## Operations in Focus

### Maintenance and Industrial Services

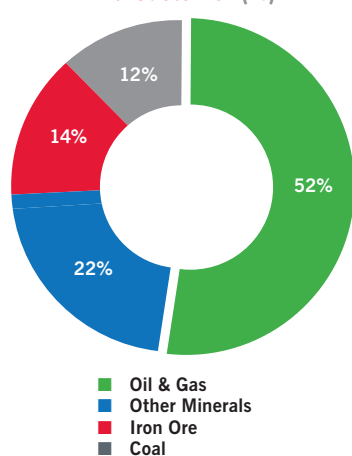
#### Highlights

- Record sales of \$644 million
- Secured \$600 million in new contracts and extensions
- Strong growth in oil and gas maintenance activity

Sales Revenue (\$m)



End Customer (%)



The Maintenance and Industrial Services division delivered record sales revenue of \$644 million, an increase of 1.5 per cent on the previous year. The result was pleasing given the extraordinary revenue growth of 58.1 per cent in the previous financial year.

The division was awarded approximately \$600 million in new maintenance contracts and contract extensions during the period. It strengthened its position as a leading maintenance services provider in the rapidly growing oil and gas market by securing two significant liquefied natural gas (LNG) services contracts. The first was a three-year agreement to provide maintenance and shutdown services at the Woodside-operated Karratha Gas Plant in Western Australia (WA). This was followed by a contract with QGC for maintenance services at its Queensland Curtis LNG plant, near Gladstone, for a six-and-a-half year term. Monadelphous is now providing maintenance services to all of Australia's major onshore LNG plants.

Strong growth in oil and gas maintenance activity during 2012/13 was offset by lower volumes in the mining and minerals sector, as customers focused on cost reduction and discretionary capital spending in response to changing market conditions.

Safety performance improved significantly during the period, with a 45 per cent reduction in the total case injury frequency rate over the 12-month period. In addition, 16 of the division's sites were recordable free for the year.

The consolidation and restructuring of the division's east and west businesses, to create one business with a common purpose was completed during the year. This will support the division in achieving its objective of long-term growth.

#### Energy

The contract that drove most of the division's activity for the year was the provision of facilities management services at the Chevron-operated Gorgon Project (Chevron Australia) on Barrow Island in WA, where work commenced on-site in 2010. The scope of services includes operating and maintaining the water and wastewater treatment plants

and the power generation and distribution systems as well as the management and maintenance of the accommodation facilities and various buildings, vehicles, plant and equipment.

The division completed its largest ever shutdown during the year at the Woodside-operated Karratha Gas Plant. The shutdown involved more than 750 people and was delivered with no recordable incidents. Activity continued at Woodside-operated Pluto LNG (Pluto), WA, where the division delivers maintenance services on the onshore and offshore facilities. The division was awarded this contract in the previous period and completed its first shutdown at Pluto during the year.

Another significant contract was the provision of multidisciplinary services at the Darwin LNG facility, operated by ConocoPhillips, in the Northern Territory (NT).

The division carried on with field construction services for Oil Search Limited at the oil and gas production support facilities in the Southern Highlands Province of Papua New Guinea. Additionally, more than a decade of work continued on the general maintenance services contract for Chevron Australia at its Barrow Island and Thevenard Island operations in WA.

Subsequent to the reporting period, a one-year extension was awarded for the facilities management services contract associated with the Chevron-operated Gorgon Project. The contract extension, valued at approximately \$150 million, is to continue the operation and maintenance of construction facilities and utilities on Barrow Island, WA. This is the second one-year extension to the original three-year contract, which was awarded in November 2009.

#### Resources

Major activity in the resources sector during the year in WA included shutdown and maintenance services through two contracts for Rio Tinto's coastal and inland west operations in the Pilbara. Both contracts were extended for a further three years.







## Operations in Focus

### Maintenance and Industrial Services (continued)



Mechanical crew perform maintenance duties at a shutdown at a LNG plant, Darwin, Northern Territory.

Work continued at BHP Billiton's Nickel West operations in the Goldfields, WA, where the division provides shutdown and maintenance services. Work commenced at Nickel West as part of a panel in late 2009. Services are supplied through the division's Kalgoorlie regional office, which also provides maintenance services and capital works to many customers throughout the Goldfields region.

#### Strategic

The division's focus is to secure new contracts and retain those held with existing customers. During the year, the division commenced global benchmarking of best practice in maintenance services to increase efficiency.

Another key focus is to encourage innovation and continuous improvement. During the year, the division published its first innovation booklet to share information across sites with the objective of improving performance and reducing costs for customers.

Safety leadership is fundamental to the division's continued performance and competitive advantage. During the year the division distributed its fifth 'Spread the Word' booklet at its annual safety conference for employees and customers. It also implemented the Safety Leadership Expectations initiative that aims to achieve a step change in safety performance to support the Company's overarching objective of zero harm to its people.

#### Outlook

The maintenance market remains robust with a number of new operations under construction phase expected to enter production in the coming year. These new operations will provide further opportunities for the division.

While customers in the resources market are expected to maintain a strong focus on reducing costs, maintenance activity in oil and gas is expected to continue to grow as a number of development projects reach completion.

The division will focus on maximising efficiency in service delivery, increasing innovation and maintaining leading safety performance in the new financial year and beyond.





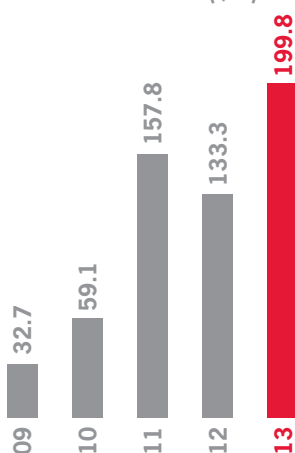
## Operations in Focus

### Infrastructure

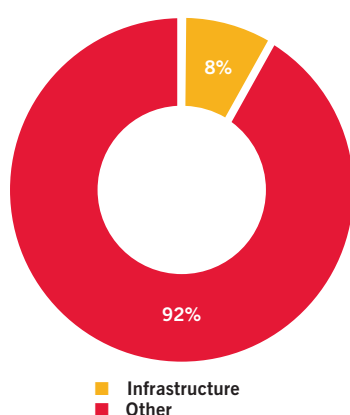
#### Highlights

- Record sales revenue up 50% to \$200 million
- Consolidation into the Company's two service based divisions

Sales Revenue (\$m)



Sales Contribution (%)



<sup>1</sup> The WMRC works on behalf of the Town of Claremont, Town of Cottesloe, Town of Mosman Park, Shire of Peppermint Grove and City of Subiaco. The waste management facility will accept household waste from these five Councils along with household waste from surrounding local governments and businesses.

The Infrastructure division recorded sales revenue of \$199.8 million, an increase of 49.9 per cent on a like-for-like basis when compared with the previous year.

#### Water

The water business, which provides innovative construct, operate and maintain service solutions for essential service assets, experienced very strong growth as it executed a number of contracts awarded in the previous year.

Its most significant project was work on the construction of a potable water supply system with Rio Tinto's Coastal Waters Project at Bungaroo Valley in the Pilbara region of Western Australia (WA). The contract is the Company's largest-ever water project and involves the construction and installation of a pipeline that will deliver 10 gigalitres of potable water per year from the Bungaroo Valley to the West Pilbara Supply Scheme. The system consists of a bore field, approximately 15 kilometres of collector main, 87 kilometres of transfer pipeline and a transfer pump station.

Other major contract activity during the period included the construction of the Toowoomba Wastewater Infrastructure Projects program, in joint venture with Transfield Services, for the Toowoomba Regional Council in Queensland.

During the year, the division was awarded a new contract with Unitywater to upgrade the Maleny Sewage Treatment Plant in Queensland.

#### Solid Waste Management

Construction of the AnaeCo AWT Plant in Shenton Park, WA, for the Western Metropolitan Regional Council (WMRC)<sup>1</sup>, was substantially completed during the year. The project, with joint venture partner AnaeCo Limited (ASX:ANQ) ("AnaeCo") is to design and construct an alternative waste management solution for the WMRC.

The solid waste management project, funded by Palisade Regional Fund, utilises AnaeCo's DiCOM technology, which sorts waste and recyclables, then breaks down the organics to form compost and biogas. The biogas can be used to power the process, with surplus exported to the grid as renewable energy.

Monadelphous held a 15.72 per cent stake in AnaeCo at the end of the reporting period.

#### Monadelphous Energy Services

Asset management company Monadelphous Energy Services continued to strengthen its operations and maintenance capabilities and recorded growth during the year. It manages two long-term operations and maintenance contracts in the power sector in WA, the Collie Basin coal infrastructure contract with Verve Energy and a plant operations and maintenance agreement with Tronox Management at its Cogeneration Plant at Kwinana.

#### Aviation Support Services

Skystar Airport Services, which offers complete ground handling services to the aviation industry in Australia and New Zealand, recorded strong revenue growth of 20 per cent. Skystar has operated for 12 years and has more than doubled in size in the past four years. Its key customers include Qantas and Jetstar.

Subsequent to the reporting period, the Group entered into an agreement to sell its wholly owned Skystar operating subsidiaries, Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd. The agreement with Menzies Aviation, a division of John Menzies plc, is subject to regulatory approvals and completion is expected to occur around the end of September 2013.

#### Outlook

Following the transfer of Monadelphous KT to the Engineering Construction (EC) division in 2012, the remainder of the Infrastructure division was consolidated into the operating structures of the two service-based divisions of EC and Maintenance and Industrial Services (M&IS). Power asset management business Monadelphous Energy Services has since transitioned into M&IS and the water business into EC.

The consolidation of Infrastructure's business units will provide significant benefits through capability-led service delivery. The revised structure will support the Company's long term market and growth objectives, which include diversifying into markets outside resources and energy.





### Highlights

- Record safety performance in rapid-growth environment
- TCIFR improved 32% to 4.1 incidents per million man-hours worked
- Launched Life Saving Rules
- Integrated Safety Leadership Program into operations

Monadelphous is an industry leader in health and safety performance. Safety is at the forefront of everything the Company does. It is entrenched in our values and supported through the Company's safety policy message, *The Safe Way is the Only Way*. As industry safety standards continue to increase, Monadelphous is committed to continuing to find new ways to achieve its zero-harm goal.

#### Performance

The Company achieved a record safety performance for the year, an outstanding outcome given the rapid growth in project activity and workforce numbers. The total case injury frequency rate (TCIFR) improved 32 per cent to 4.1 incidents per million man-hours worked.

#### Key Activities

One of the Company's safety improvement initiatives has been an increased focus on managing critical safety risks across operations. During the year, Monadelphous implemented a set of Life Saving Rules across all sites to ensure rigorous compliance with personal safety controls of critical risk areas.

Transition of the Safety Leadership Program from the group to divisional level was completed during the year. The program provides sustainable safety improvement throughout the Company and the roll-out will facilitate internal delivery, further customisation and a greater level of ownership in the operations.

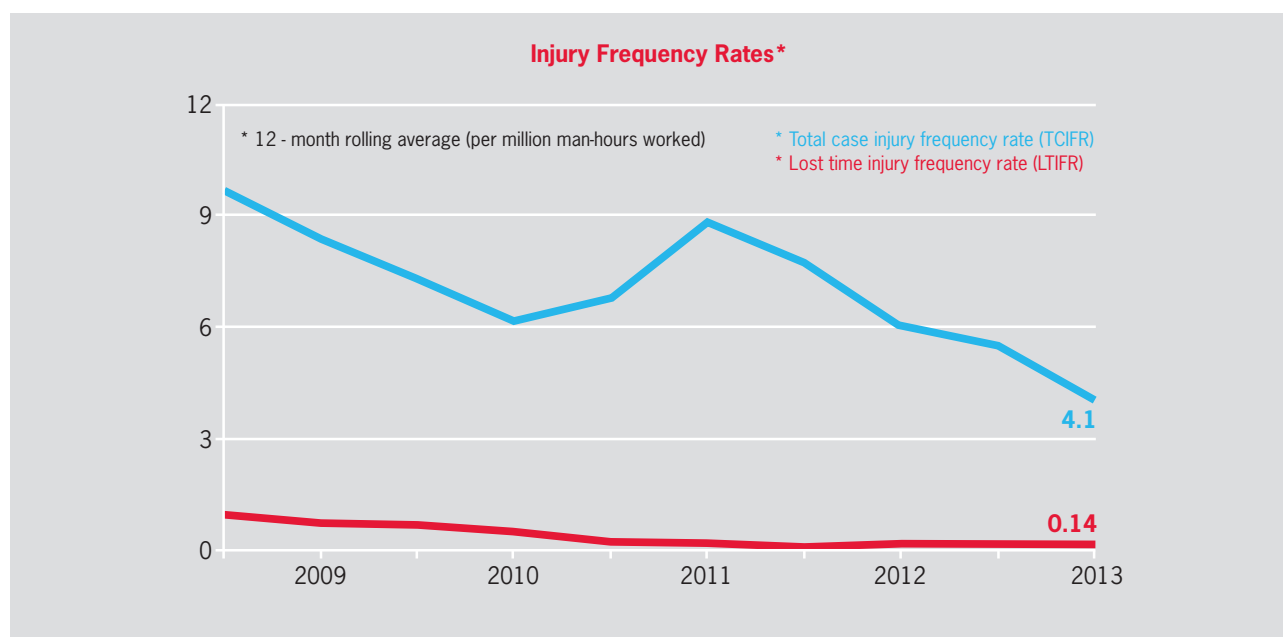
The Company made significant progress on the implementation of a contemporary system to replace the current incident data management system. The new system is expected to be fully implemented in the coming year and will allow improved analysis of data for the further development of safety management.

Monadelphous continued the improvement of its health and wellbeing program, which comprises a calendar of health awareness initiatives and services with a different focus every month.

During the year, the Company's safety management system retained certification under AS 4801, the Australian standard for safety management.

#### Outlook

Following the intense period of ramp up of large scale projects, there is likely to be a return to normal activity with a corresponding reduction in project risk profiles. This period of consolidation will assist the Company to continue to work toward safety excellence through redeployment of resources to the fine-tuning of safety management systems and implementation of safety initiatives.



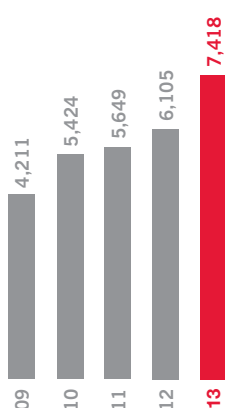




## Highlights

- Successful recruitment campaign to meet extraordinary project demands
- Opened new Monadelphous Employee Development Centre
- Launched Reconciliation Action Plan

Employee Numbers



Monadelphous's continued commitment to attracting, developing and retaining the right people has enabled the Company to grow and achieve its vision. Its unique culture, underpinned by the core values of safety and wellbeing, integrity, achievement, teamwork and loyalty, is embodied in its employees and is a significant aspect of the Company's competitive advantage.

### Key Activities

The Company's total workforce increased by 21.5 per cent to 7,418 employees at year end. The successful recruitment of the necessary quality and quantity of employees required to meet extraordinarily high project demands was a highlight and was supported by the ongoing implementation of a range of recruitment initiatives. The Company also experienced an improving trend in overall employee retention and permanent staff turnover.

In January 2013, the Monadelphous Employee Development Centre opened in Belmont, Western Australia. The facility provides the Company with the capability to deliver pre-mobilisation training, nationally-accredited licensing and high risk competencies for the Company's project and operational employees.

Monadelphous made a public commitment to its Indigenous engagement strategy with the launch of its Reconciliation Action Plan (RAP) at a ceremony in the Perth office in January 2013. The RAP brings together a wide range of initiatives in employment, training and partnerships, and formalises a commitment to continue contributing to a sustainable future for Indigenous people. It is a commitment to make Indigenous people feel welcome, respected and valued as employees, business partners and members of the community. The RAP was reviewed and endorsed by Reconciliation Australia, the national not-for-profit organisation promoting reconciliation between Aboriginal and Torres Strait Islander

people and the broader Australian community.

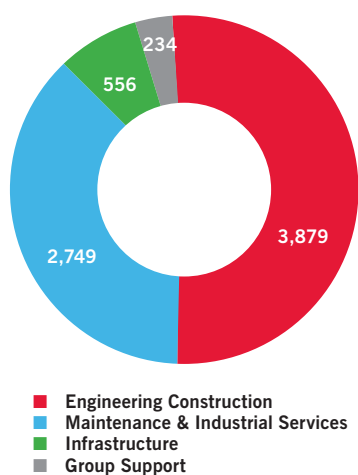
The Company's successful Graduate Recruitment Program, developed to support future growth, continued to provide new talent for the business. During the year 54 first-year graduates were recruited, taking the total number of graduates in the business to 112 at the end of the reporting period.

Monadelphous also updated its corporate website with a new, clearly defined employer brand and refreshed corporate appearance that focuses on the Company's people initiatives. It delivers a strong, coordinated presence and messaging built around 'Together We Deliver' and 'Together We Grow'. The messages enable Monadelphous to communicate its position as a market leader and continue to meet the changing needs of the business.

### Outlook

The attraction of high calibre employees, particularly for business critical roles is an ongoing challenge and despite a weakening resources sector, there continues to be a very competitive employment market for skilled professionals. Along with the focus on people-related productivity improvements, Monadelphous will continue to invest in the development and retention of its key talent to enable the Company to successfully achieve its vision and maintain its competitive advantage.

Employees by Division





The Hon. Fred Chaney AO (left), Nomad Two Worlds artist Clifton Bieundurry and Monadelphous Managing Director Rob Velletri at the launch of the Reconciliation Action Plan, Perth, Western Australia.

Monadelphous aims to make positive contributions to the many widely dispersed communities in which it operates, in Australia and overseas. These communities range from cities to very small population centres, including ones remote from major towns. It concentrates its support in the communities where it operates and where the people it employs live and work.

In these areas Monadelphous encourages and assists community and sporting organisations and clubs, schools, fund-raising activities associated with health and wellbeing, charities, events and shows.

At a broader level, Monadelphous assists education, health and Indigenous initiatives, industry professional bodies, the arts and charities. It provides that support through funding, donations, help in kind and encouragement of involvement by employees. Many Monadelphous people give their time and make personal contributions in volunteer roles and through charities.

During the year, Monadelphous provided direct support for or encouraged employees to participate in a wide variety of community and charity events.

These included Clean Up Australia Day, fun runs such as the Perth City to Surf and Bridge to Brisbane, Nissan Corporate Triathlon, Movember for men's health, Lifeline, Royal Flying Doctor Service, Starlight Children's Foundation, St Vincent de Paul Society's CEO

Sleepout for the homeless, Australia's Biggest Morning Tea for Cancer Research, Salvation Army Christmas Appeal, The Smith Family's Toy and Book Appeal, MS Brissie to the Bay, Pink Ribbon morning tea for the National Breast Cancer Foundation and many other activities at work sites around Australia.

#### **Tertiary education facilities**

Monadelphous has partnerships with the University of Western Australia (UWA) and Curtin University that provide modern learning facilities on their Perth campuses.

The Monadelphous Integrated Learning Centre, in UWA's Faculty of Engineering, Computing and Mathematics, brings together world-class teaching and practical engineering training in a learning environment based on a simulated professional workplace.

Monadelphous is also a supporting partner in the Curtin University Engineering Pavilion which provides a vibrant learning centre to help educate more and better engineers.

#### **NAIDOC Week**

Monadelphous proudly supported NAIDOC Week activities in regional areas in July 2012. The week-long celebrations, held across Australia, recognise the history, culture and achievements of Aboriginal and Torres Strait Islander people.

#### **FeNaCIng Festival**

Monadelphous continued its major sponsorship of the family entertainment nights at the annual FeNaCIng Festival in the Pilbara region of Western Australia. The two-day festival, organised by the Lions Club of Karratha/Dampier to raise funds for community activities, takes its name from the chemical symbols of iron ore (Fe), salt (NaCl) and natural gas (NG), the main industries in the region.

Other organisations and activities supported during the year included Beacon Foundation, Committee for Perth, Engineers Australia in Queensland and WA, Australian Water Association and Society of Petroleum Engineers for their international conferences, Asthma Foundation WA and the Victoria Park Art Awards.



## Environment



Sunset over Gladstone harbour, where the Wiggins Island Coal Export Terminal approach jetty and wharf, are being constructed by the Monadelphous Muhibbah Marine joint venture.

Monadelphous recognises the importance of the natural environment and the need to manage the Company's activities for long-term sustainability. The objective is to minimise the impact from operations through identification and mitigation of risks to the natural environment and community heritage. This is achieved through leadership, improving data collection, raising awareness, education and promotion of environmental initiatives.

### Performance

Monadelphous maintained strong performance during the year with no significant environmental incidents. This achievement is pleasing, given the highly sensitive locations in which the Company operates, including Barrow Island, the Great Barrier Reef Marine Park and projects adjacent to nature reserves, drinking water catchments and areas of high conservation value.

The Company's scope 1 and 2 carbon emissions remain under the threshold for legislative reporting. However, Monadelphous voluntarily reports its carbon emissions through the Carbon Disclosure Project and uses the data to highlight areas of opportunity to reduce energy and fuel use.

### Initiatives

During the year the Company began developing an environmental performance measurement framework to promote continual improvement and innovation.

The Company continued to participate in recycling initiatives, Clean Up Australia Day and the global Earth Hour event. Other activities included trialling low-emission vehicles and plant and equipment, and adopting measures to reduce chemical, fuel and resource use across all sites.

In early 2013, Monadelphous obtained an independent review of the methodology used in calculating its carbon emissions. This included the emissions boundary, data sources and incidental emission calculations.

### Outlook

Monadelphous will continue to refine targets for environmental improvement, including increasing the scope of data collection to include waste, water and fauna interactions at the Company's operations.

The Company will focus on the emerging environmental risk areas such as marine works, pipeline construction through wetlands, coastal areas and other environmentally sensitive areas, together with the public health risks associated with water and wastewater projects.



Monadelphous at a screenhouse facility at an iron ore operation, Cape Lambert, Western Australia.

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## DIRECTORS

**Calogero Giovanni Battista Rubino**  
Chairman

**Robert Velletri**  
Managing Director

**Irwin Tollman**  
Non-Executive Director

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

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

## COMPANY SECRETARIES

**Zoran Bubic**  
**Philip Trueman**

## PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

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

## POSTAL ADDRESS

PO Box 600  
Victoria Park  
Western Australia 6979

## SHARE REGISTRY

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

## ASX CODE

MND – Fully Paid Ordinary Shares

## BANKERS

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

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

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

## AUDITORS

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

## SOLICITORS

**Clifford Chance**  
190 St George's Terrace  
Perth  
Western Australia 6000

**King and Wood Mallesons**  
152 St George's Terrace  
Perth  
Western Australia 6000

## CONTROLLED ENTITIES

Monadelphous Engineering Associates Pty Ltd  
Monadelphous Engineering Pty Ltd  
Skystar Airport Services Pty Ltd  
Monadelphous Properties Pty Ltd  
Monadelphous Workforce Pty Ltd  
Genco Pty Ltd  
Monadelphous Electrical & Instrumentation Pty Ltd  
(formerly M I & E Holdings Pty Ltd)  
Monadelphous PNG Ltd  
Skystar Airport Services Holdings Pty Ltd  
Skystar Airport Services NZ Pty Ltd  
Moway International Limited  
SinoStruct Pty Ltd  
Moway AustAsia Steel Structures Trading (Beijing) Company Limited  
Monadelphous Group Limited Employee Share Trust  
Monadelphous KT Pty Ltd (formerly KT Pty Ltd)  
Monadelphous Energy Services Pty Ltd  
Monadelphous Singapore Pte Ltd (incorporated 2 November 2012)  
Monadelphous Mongolia LLC (incorporated 5 February 2013)

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

|                                             | 2013<br>\$'000   | 2012<br>\$'000 | 2011<br>\$'000 | 2010<br>\$'000 | 2009<br>\$'000 | 2008<br>\$'000 |
|---------------------------------------------|------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue                                     | <b>2,617,459</b> | 1,904,984      | 1,449,252      | 1,279,862      | 1,127,474      | 958,966        |
| Profit before income tax expense            | <b>216,578</b>   | 187,259        | 131,576        | 115,148        | 104,149        | 99,749         |
| Income tax expense                          | <b>60,264</b>    | 49,924         | 36,509         | 31,931         | 29,908         | 30,206         |
| Profit after income tax expense             | <b>156,314</b>   | 137,335        | 95,067         | 83,217         | 74,241         | 69,543         |
| Basic earnings per share                    | <b>173.03c</b>   | 155.24c        | 108.84c        | 96.86c         | 87.48c         | 83.21c         |
| Interim dividends per share (fully franked) | <b>62.00c</b>    | 50.00c         | 40.00c         | 35.00c         | 30.00c         | 29.00c         |
| Final dividends per share (fully franked)   | <b>75.00c</b>    | 75.00c         | 55.00c         | 48.00c         | 44.00c         | 43.00c         |
| Net tangible asset backing per share        | <b>333.45c</b>   | 270.34c        | 214.54c        | 164.74c        | 139.84c        | 117.73c        |
| Total equity and reserves                   | <b>308,034</b>   | 245,642        | 193,234        | 144,286        | 122,565        | 101,817        |
| Depreciation                                | <b>28,726</b>    | 26,541         | 23,341         | 16,789         | 15,066         | 12,718         |
| Return on equity                            | <b>50.7%</b>     | 55.9%          | 49.2%          | 57.7%          | 60.6%          | 68.3%          |
| EBITDA margin                               | <b>9.4%</b>      | 11.2%          | 10.6%          | 10.1%          | 10.3%          | 11.5%          |

^The word "underlying" used within the Chief Financial Officer's Report, refers to the statutory result for the year ended 30 June 2012 excluding the one-off gain from the sale of Norfolk Group Limited shares. This measure is important to management as an additional way to evaluate the Company's performance. Underlying measures are unaudited.

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

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

|                                                | 2013<br>\$'000 | 2012<br>\$'000 |
|------------------------------------------------|----------------|----------------|
| Profit before income tax                       | <b>216,578</b> | 187,259        |
| Gain from sale of Norfolk Group Limited shares | -              | (16,262)       |
| Interest expense                               | <b>3,971</b>   | 3,447          |
| Interest revenue                               | <b>(3,386)</b> | (6,717)        |
| Depreciation expense                           | <b>28,726</b>  | 26,541         |
| Amortisation expense                           | <b>1,121</b>   | 2,195          |
| Underlying EBITDA                              | <b>247,010</b> | 196,463        |

\*Working capital is a non-IFRS financial measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to working capital presented by other companies. This measure is important to management when used as an additional means to evaluate the Company's performance.

Working capital movement includes the change in cash and cash equivalents, trade and other receivables, inventories, trade and other payables and current provisions.



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

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

| RECOMMENDATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Comply<br>Yes/No | Reference/<br>Explanation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------|
| <b>Principle 1 – Lay solid foundations for management and oversight</b>                                                                                                                                                                                                                                                                                                                                                                                                                                      |                  |                           |
| 1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.                                                                                                                                                                                                                                                                                                                                                                    | Yes              | Page 38                   |
| 1.2 Companies should disclose the process for evaluating the performance of senior executives.                                                                                                                                                                                                                                                                                                                                                                                                               | Yes              | Page 40                   |
| 1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.                                                                                                                                                                                                                                                                                                                                                                                                             | Yes              |                           |
| <b>Principle 2 – Structure the Board to add value</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                  |                           |
| 2.1 A majority of the Board should be independent directors.                                                                                                                                                                                                                                                                                                                                                                                                                                                 | No               | Page 38                   |
| 2.2 The chair should be an independent director.                                                                                                                                                                                                                                                                                                                                                                                                                                                             | No               | Page 38                   |
| 2.3 The roles of chair and chief executive officer should not be exercised by the same individual.                                                                                                                                                                                                                                                                                                                                                                                                           | Yes              | Page 38                   |
| 2.4 The Board should establish a nomination committee.                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Yes              | Page 39                   |
| 2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.                                                                                                                                                                                                                                                                                                                                                                              | Yes              | Page 40                   |
| 2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.                                                                                                                                                                                                                                                                                                                                                                                                             | Yes              |                           |
| <b>Principle 3 – Promote ethical and responsible decision-making</b>                                                                                                                                                                                                                                                                                                                                                                                                                                         |                  |                           |
| 3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>- the practices necessary to maintain confidence in the Company's integrity;</li> <li>- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;</li> <li>- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul> | Yes              | Website                   |
| 3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.                                                                                                                                                                            | Yes              | Page 41                   |
| 3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.                                                                                                                                                                                                                                                                                                   | Yes              | Page 41                   |
| 3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.                                                                                                                                                                                                                                                                                                                                 | Yes              | Page 41                   |
| 3.5 Companies should provide the information indicated in the guide to reporting on Principle 3.                                                                                                                                                                                                                                                                                                                                                                                                             | Yes              |                           |

| RECOMMENDATION (CONTINUED)                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Comply<br>Yes/No | Reference/<br>Explanation |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------|
| <b>Principle 4 – Safeguard integrity in financial reporting</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                           |
| 4.1                                                             | The Board should establish an audit committee.                                                                                                                                                                                                                                                                                                                                                                                                      | Yes              | Page 39                   |
| 4.2                                                             | The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>- consists only of non-executive directors;</li> <li>- consists of a majority of independent directors;</li> <li>- is chaired by an independent chair, who is not chair of the Board;</li> <li>- has at least three members.</li> </ul>                                                                                                                 | Yes              | Page 39                   |
| 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              |                           |
| <b>Principle 5 – Make timely and balanced disclosure</b>        |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                           |
| 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              |                           |
| <b>Principle 6 – Respect the rights of shareholders</b>         |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                           |
| 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              |                           |
| <b>Principle 7 – Recognise and manage risk</b>                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                           |
| 7.1                                                             | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.                                                                                                                                                                                                                                                                                                           | Yes              | Page 40                   |
| 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 40                   |
| 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 <i>Corporations Act 2001</i> 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 40                   |
| 7.4                                                             | Companies should provide the information indicated in the guide to reporting on Principle 7.                                                                                                                                                                                                                                                                                                                                                        | Yes              |                           |
| <b>Principle 8 – Remunerate fairly and responsibly</b>          |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                           |
| 8.1                                                             | The Board should establish a remuneration committee.                                                                                                                                                                                                                                                                                                                                                                                                | Yes              | Page 40                   |
| 8.2                                                             | The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>- consists of a majority of independent directors;</li> <li>- is chaired by an independent chair;</li> <li>- has at least three members.</li> </ul>                                                                                                                                                                                              | Yes              | Page 40                   |
| 8.3                                                             | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.                                                                                                                                                                                                                                                                                                 | Yes              | Page 40                   |
| 8.4                                                             | 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 2013, 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](http://www.monadelphous.com.au)



### Board Functions

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

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

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

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

To this end the Board has established the following committees:

- Audit
- Nomination
- Remuneration

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

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

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

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- 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 43. The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required. Directors of Monadelphous are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, 'materiality' is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company's loyalty.

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

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

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

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

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

|                  |          |                                         |
|------------------|----------|-----------------------------------------|
| C. G. B. Rubino  | 22 years | Executive Director                      |
| R. Velletri      | 21 years | Executive Director                      |
| I. Tollman       | 21 years | Non-Executive Director                  |
| P. J. Dempsey    | 10 years | Lead Independent Non-Executive Director |
| C. P. Michelmore | 6 years  | Independent Non-Executive Director      |

### Trading Policy

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

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

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

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

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

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

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

### Nomination Committee

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

- C. G. B. Rubino (Chairman)
- C. P. Michelmores
- P. J. Dempsey

For details of directors' attendance at meetings of the nomination committee, refer to page 53 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. Michelmores

### Qualifications of audit committee members

P. J. Dempsey has over 41 years experience in the management of risks associated with the industry in which Monadelphous operates.

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 10 years.

C. P. Michelmores has over 41 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 53 of the Directors' Report.

### Risk

In conducting its business, the Group takes commercial and business risks to achieve its objectives. The Group's exposure to risks covers areas such as tendering, execution and delivery, safety, reputation, contracts, human resources, liquidity and finance.

The Board is responsible for setting the strategic direction of the Group and for creating and maintaining the environment and structures within which risk management practices can operate effectively.

The audit committee assists the Board and is responsible for the assessment of the effectiveness of risk management procedures, internal controls, policies and procedures in identifying business and financial risks and controlling their financial impact by considering any significant matters identified by management.

The Managing Director and Chief Financial Officer have ultimate accountability to the Board for the risk management and internal control system. The Group Risk and Business Process Management function is responsible for the risk management framework. Group Assurance is responsible for providing an appraisal of the adequacy of and compliance with, the risk management and internal control system.

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 2001*, the Managing Director and Chief Financial Officer have provided a written statement to the Board that:

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

### Performance

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

### Remuneration Committee

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the remuneration committee links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives
- attraction of quality management to the Company
- performance incentives which allow executives to share in 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)
- I. Tollman
- P.J. Dempsey

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to page 53 of the Directors' Report.



## Diversity

At Monadelphous, we recognise that the source of our competitive advantage is our people, and our success is a reflection of their quality and skills. We focus on attracting, developing and retaining the right people who are highly competent, live our values and actively contribute to the long term success of our business. Our workforce consists of people with diverse cultures, backgrounds and skills, and this diversity enriches our breadth of knowledge, capability and experience.

On 30 June 2010, The Australian Securities Exchange Corporate Governance Council introduced a number of new recommendations in respect of diversity reporting. The changes applied to listed entities for the financial year commencing on or after 1 January 2011.

Monadelphous is committed to diversity, and we manage and recruit based on competence and performance. We believe in the principle of equal opportunity in employment for all people, regardless of any personal attributes such as gender, sexual preference, marital status, pregnancy, family responsibilities, race, political or religious belief, disability and age.

This commitment to diversity is evidenced through, among other things:

- Promoting the awareness of, and commitment to, workplace diversity principles
- Recruitment strategies that ensure we attract employees from a diverse pool of qualified candidates
- Actions and policies which ensure all employees are valued, encouraged and provided with opportunities to develop to their full potential
- Integration of workplace diversity principles into business and human resources processes and systems
- Establishing and assessing measurable objectives for achieving greater diversity

Monadelphous has established the following measurable objectives across the organisation to enhance gender diversity:

| Action                                                                                                                                                                                                                                                                   | Progress                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ensuring all female employees in senior management positions receive formal performance feedback with identified development opportunities, and are encouraged to enter into formal career mentoring relationships.                                                      | Formal performance feedback for employees is communicated at least once annually.                                                                                                                                                                                                                                                                                                                                                                                                             |
| An annual executive review of development plans for female senior executives is performed by the General Manager Human Resources to ensure their appropriateness in developing and retaining Monadelphous' key female talent.                                            | The General Manager Human Resources completes the review at least once annually.                                                                                                                                                                                                                                                                                                                                                                                                              |
| The provision of suitable working arrangements for employees returning from maternity leave and the ongoing engagement with these employees during this period.                                                                                                          | In place and subject to periodic review.                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Continued promotion of career opportunities in the resources sector including presentations at career exhibitions, universities, professional institutions and other suitable forums to amongst other things, engage females to consider engineering as a career choice. | During the year Monadelphous attended a number of universities, national career expos and employment events to continue promoting career opportunities in the resources sector. Efforts to engage female graduates in the Engineering discipline were enhanced by the sponsorship and provision of on-campus presentations to Women in Engineering Curtin Division (WICED) at Curtin University, coupled with the on-going involvement in the Monadelphous Integrated Learning Centre at UWA. |
| A review of the number of candidates from diverse backgrounds identified as key talent for the purposes of succession planning.                                                                                                                                          | Annual review completed.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| An annual pay audit across all key roles within the business to ensure gender parity in our pay levels.                                                                                                                                                                  | A thorough pay audit was conducted during the year to ensure gender parity in the Company's pay levels.                                                                                                                                                                                                                                                                                                                                                                                       |
| The establishment of confidential reporting avenues to allow employees to report matters of discrimination.                                                                                                                                                              | In place.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Prominent communication of our Equal Employment Opportunity policy across the organisation.                                                                                                                                                                              | In place.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

These objectives, and the progress towards them, will be assessed on an annual basis.

At 30 June 2013, 12% of our workforce was female. This reflects the reality of the industry within which we operate and the generally low participation rates of women in the engineering and manual trades workforce across Australia. The available pool of female candidates for engineering and manual roles is limited and consequently constrains the ability of the Company to increase female participation through internal promotion and external recruitment both across the workforce and at the senior executive level. Across the Group's service and support functions the female participation rate increases to 51%.

At the senior level, currently 22% of our senior executives, being those who report to the Managing Director, and their direct reports, are female.

### **Diversity (continued)**

We currently have five directors on the Board of Monadelphous all of whom are male. The Board regularly reviews its composition and structure to ensure its membership is the most suitable to achieve long-term sustainable shareholder wealth. The nomination committee of the Board reviews its membership and recommends the appointment of new directors based on competency, experience and knowledge whilst being cognisant of the benefit of diversity to the Board's make-up.

Furthermore, we recognise the special place of Indigenous people, the traditional custodians of the land, and the role that they play in the success of our business, and we acknowledge the special hardship and disadvantage which they have historically experienced.

Our Reconciliation Action Plan is a commitment by Monadelphous to make Indigenous people feel welcomed, respected and valued as employees, business partners and members of the community, especially those communities in which we operate.

We are committed to offering meaningful and sustainable employment for Indigenous people, increasing the number of Indigenous people we employ and giving them genuine support to build their careers with us. Our executive team, and a number of our key site based leaders attended cultural awareness training throughout the year to facilitate improved cultural understanding. The objective of these training sessions is to enhance the experience of our Indigenous site based employees.

For further details of the Diversity Policy and Code of Conduct covering Equality of Employment (including gender) and Harassment please refer to our website.

Your directors submit their report for the year ended 30 June 2013.

## 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  
47 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  
34 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  
21 years experience in the construction and engineering services industry  
Retired as Executive Director on 25 July 2003 and continued as a Non-Executive Director

**Peter John Dempsey**

*Lead Independent Non-Executive Director*

Appointed 30 May 2003  
Civil Engineer, Fellow of the Institution of Engineers Australia  
41 years experience in the construction and engineering services industry  
Also a non-executive director of the following other publicly listed entities:  
Service Stream Limited (ASX: SSM) – appointed 1 November 2010; and  
Becton Property Group Limited (ASX: BEC) – appointed 25 July 2008, resigned 26 February 2013

**Christopher Percival Michelmore**

*Independent Non-Executive Director*

Appointed 1 October 2007  
Civil Engineer, Fellow of the Institution of Engineers Australia  
Member Institution of Structural Engineers, UK  
41 years experience in the construction and engineering services industry

## COMPANY SECRETARIES

**Zoran Bebic**

*Company Secretary and Chief Financial Officer*

Appointed 24 August 2009  
Certified Practising Accountant, Member of CPA Australia  
20 years experience in the construction and engineering services industry

**Philip Trueman**

*Company Secretary and General Manager, Human Resources*

Appointed 21 December 2007  
Chartered Accountant, Member Institute of Chartered Accountants in Australia and the South African Institute of Chartered Accountants  
13 years experience in the construction and engineering services industry



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

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

|                   | Ordinary Shares | Options over Ordinary Shares |
|-------------------|-----------------|------------------------------|
| C. G. B. Rubino   | 2,014,816       | Nil                          |
| R. Velletri       | 2,500,000       | 400,000                      |
| I. Tollman        | 579,614         | Nil                          |
| P. J. Dempsey     | 78,000          | Nil                          |
| C. P. Micheltmore | 18,597          | Nil                          |

## EARNINGS PER SHARE

|                            | Cents  |
|----------------------------|--------|
| Basic Earnings Per Share   | 173.03 |
| Diluted Earnings Per Share | 170.55 |

## DIVIDENDS

|                                 | Cents | \$'000 |
|---------------------------------|-------|--------|
| Final dividends declared        |       |        |
| - on ordinary shares            | 75.00 | 68,205 |
| Dividends paid during the year: |       |        |
| <i>Current year interim</i>     |       |        |
| - on ordinary shares            | 62.00 | 56,211 |
| <i>Final for 2012</i>           |       |        |
| - on ordinary shares            | 75.00 | 67,969 |

## 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 include:

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

#### Skystar Airport Services

Provides aviation support services.

#### General

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

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 7,418 employees as of 30 June 2013 (2012: 6,105 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 on pages 6 to 32 of this Annual Report.

### Operating results for the year

Operating results for the year were:

|                                 | 2013<br>\$'000 | 2012<br>\$'000 |
|---------------------------------|----------------|----------------|
| Revenue from services           | 2,614,073      | 1,897,490      |
| Profit after income tax expense | 156,314        | 137,335        |

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On 19 August 2013, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2013 financial year. The total amount of the dividend is \$68,205,193 which represents a fully franked final dividend of 75 cents per share. This dividend has not been provided for in the 30 June 2013 financial statements. The Monadelphous Group Limited Dividend Reinvestment plan will apply to the dividend.

On 19 August 2013, the Group entered into an agreement to sell its wholly owned Skystar operating subsidiaries, Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd. The agreement with Menzies Aviation, a division of John Menzies plc, is subject to regulatory approvals and completion is expected to occur around the end of September 2013. The financial impact of this transaction is not expected to be material to the results of the Group for the year ending 30 June 2014.

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 5,305,750 unissued ordinary shares under options as follows:

- 180,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$12.22.  
The options expire on 30 September 2013.
- 355,750 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$14.84.  
The options expire between 30 September 2013 and 30 September 2014.
- 4,190,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$17.25.  
The options expire between 10 September 2013 and 14 September 2015.
- 40,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$19.31.  
The options expire between 10 September 2013 and 14 September 2015.
- 540,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of \$19.70.  
The options expire between 14 September 2014 and 14 September 2016.

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 or since the end of the financial year, employees and directors have exercised the option to acquire 2,120,250 fully paid ordinary shares at a weighted average exercise price of \$10.41. As a result of the exercise of 2,120,250 options, 1,989,216 new fully paid ordinary shares were issued.

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

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

The total amount of insurance contract premiums paid during the financial year was \$89,599 (2012: \$nil). The premium for the year ended 30 June 2012 was paid prior to 1 July 2011.

## INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

During or since the end of the financial year, no director has had any interest in a contract or proposed contract with the Company being an interest the nature of which has been declared by the director in accordance with Section 300(11)(d) of the *Corporations Act 2001*.



## REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2013 outlines the Key Management Personnel remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

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

### *Details of Key Management Personnel*

#### *(i) Directors*

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

#### *(ii) Executives*

|           |                                                              |
|-----------|--------------------------------------------------------------|
| D. Foti   | Executive General Manager, Engineering Construction          |
| A. Erdash | Executive General Manager, Maintenance & Industrial Services |
| Z. Bebic  | Chief Financial Officer and Company Secretary                |
| S. Murray | General Manager, Infrastructure (resigned 24 June 2013)      |

### Remuneration Philosophy

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

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

### Remuneration Committee

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

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

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

### Remuneration 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 2013 is detailed in Table 1 on page 50 of this report.

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## 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 survey data from a recognised remuneration research organisation and considers market levels 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 50 and 51 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 and relevant comparative remuneration in the market and internally.

Monadelphous has a structured approach aimed at delivering fixed remuneration which is market competitive and rewards performance.

The Company participates in a number of respected remuneration surveys from which it receives quarterly or six-monthly market and forecast data, and its remuneration system is designed to analyse detailed market and sector information at various levels.

#### Structure

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

The fixed remuneration component of the executives of the Company is detailed in Tables 1 and 2 on pages 50 and 51 of this report.

### Variable Remuneration – Short Term Incentive (STI)

#### Objective

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

#### Structure

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

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

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

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

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

100% of the cash bonus previously accrued in the 2012 financial year vested and was paid in the 2013 financial year. The amount payable for the 2013 financial year in relation to Key Management Personnel is \$360,000 which has been fully accrued at 30 June 2013. This amount vested and was fully paid subsequent to the year end on approval by the remuneration committee. No amounts were forfeited.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Executive Remuneration (continued)

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

##### Objective

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

##### Structure

LTI grants to executives are delivered at the discretion of the remuneration committee in the form of options. The individual performance rating of each executive and the annual cost to the Company, on an individual basis, of any issue is taken into account when determining the amount, if any, of options granted. During the year ended 30 June 2013, there were 560,000 options granted under the Monadelphous Group Limited Employee Plan – October 2012. No Directors or Key Management Personnel received options during the year ended 30 June 2013. 75,000 options were forfeited by a departing Key Management Personnel during the year. All executives are eligible to participate in the Monadelphous Group Limited Employee Option Plan.

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

25% 2 years after the options were issued

25% 3 years after the options were issued

50% 4 years after the options were issued

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

##### 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 or 3 months written notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred.

##### Company Performance

The profit after income tax expense and basic earnings per share for the Group for the last six years is as follows:

|                                 | <b>2013</b><br><b>\$'000</b> | 2012<br>\$'000 | 2011<br>\$'000 | 2010<br>\$'000 | 2009<br>\$'000 | 2008<br>\$'000 |
|---------------------------------|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Profit after income tax expense | <b>156,314</b>               | 137,335        | 95,067         | 83,217         | 74,241         | 69,543         |
| Basic earnings per share        | <b>173.03c</b>               | 155.24c        | 108.84c        | 96.86c         | 87.48c         | 83.21c         |

A review of the Company's performance and returns to shareholders over the last six years has been provided on page 35 of this report.



# REMUNERATION REPORT (AUDITED) (CONTINUED)

## Remuneration of Key Management Personnel

**Table 1: Remuneration for the year ended 30 June 2013**

|                                                | 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          |                  |                           |                       |
|                                                | \$                  | \$            | \$             | \$              | \$                  | \$                 | \$                   | \$               | %                         | %                     |
| <b>Non-Executive Directors</b>                 |                     |               |                |                 |                     |                    |                      |                  |                           |                       |
| I. Tollman                                     | 80,000              | 975           | -              | -               | -                   | -                  | -                    | 80,975           | -                         | -                     |
| P. J. Dempsey                                  | 121,101             | 1,477         | -              | 10,899          | -                   | -                  | -                    | 133,477          | -                         | -                     |
| C. P. Michelmore                               | 115,000             | 1,402         | -              | -               | -                   | -                  | -                    | 116,402          | -                         | -                     |
| <b>Subtotal Non-Executive Directors</b>        | <b>316,101</b>      | <b>3,854</b>  | <b>-</b>       | <b>10,899</b>   | <b>-</b>            | <b>-</b>           | <b>-</b>             | <b>330,854</b>   | <b>-</b>                  | <b>-</b>              |
| <b>Executive Directors</b>                     |                     |               |                |                 |                     |                    |                      |                  |                           |                       |
| C. G. B. Rubino                                | 449,872             | 4,868         | -              | 16,470          | -                   | 14,833             | -                    | 486,043          | -                         | -                     |
| R. Velletri                                    | 856,554             | 17,988        | 110,000        | 16,470          | -                   | 56,143             | 587,655              | 1,644,810        | 42.42                     | 35.73                 |
| <b>Subtotal Executive Directors</b>            | <b>1,306,426</b>    | <b>22,856</b> | <b>110,000</b> | <b>32,940</b>   | <b>-</b>            | <b>70,976</b>      | <b>587,655</b>       | <b>2,130,853</b> | <b>32.74</b>              | <b>27.58</b>          |
| <b>Other Key Management Personnel</b>          |                     |               |                |                 |                     |                    |                      |                  |                           |                       |
| D. Foti                                        | 692,560             | 12,624        | 110,000        | 16,470          | -                   | 52,198             | 318,082              | 1,201,934        | 35.62                     | 26.46                 |
| A. Erdash                                      | 542,587             | 11,998        | 70,000         | 16,470          | -                   | 20,338             | 190,149              | 851,542          | 30.55                     | 22.33                 |
| Z. Bebic                                       | 504,739             | 9,190         | 70,000         | 16,470          | -                   | 26,509             | 190,149              | 817,057          | 31.84                     | 23.27                 |
| S. Murray #                                    | 350,527             | 6,370         | -              | 15,837          | -                   | 3,203              | (32,722)             | 343,215          | -                         | -                     |
| <b>Subtotal Other Key Management Personnel</b> | <b>2,090,413</b>    | <b>40,182</b> | <b>250,000</b> | <b>65,247</b>   | <b>-</b>            | <b>102,248</b>     | <b>665,658</b>       | <b>3,213,748</b> | <b>28.49</b>              | <b>20.71</b>          |
| <b>Total</b>                                   | <b>3,712,940</b>    | <b>66,892</b> | <b>360,000</b> | <b>109,086</b>  | <b>-</b>            | <b>173,224</b>     | <b>1,253,313</b>     | <b>5,675,455</b> | <b>28.43</b>              | <b>22.08</b>          |

# S. Murray ceased to meet the definition of Key Management Personnel on 24 June 2013 following his resignation from the Company. Remuneration receivable for the period up to the date of resignation is disclosed in Table 1.

**REMUNERATION REPORT (AUDITED) (CONTINUED)**
**Remuneration of Key Management Personnel (continued)**
**Table 2: Remuneration for the year ended 30 June 2012**

|                                                | 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          |                  |                           |                       |
|                                                | \$                  | \$            | \$             | \$              | \$                  | \$                 | \$                   | \$               | %                         | %                     |
| <b>Non-Executive Directors</b>                 |                     |               |                |                 |                     |                    |                      |                  |                           |                       |
| I. Tollman                                     | 66,000              | 830           | -              | -               | -                   | -                  | -                    | 66,830           | -                         | -                     |
| P. J. Dempsey                                  | 109,951             | 1,383         | -              | 9,908           | -                   | -                  | -                    | 121,242          | -                         | -                     |
| C. P. Michelmore                               | 100,000             | 1,258         | -              | -               | -                   | -                  | -                    | 101,258          | -                         | -                     |
| <b>Subtotal Non-Executive Directors</b>        | <b>275,951</b>      | <b>3,471</b>  | <b>-</b>       | <b>9,908</b>    | <b>-</b>            | <b>-</b>           | <b>-</b>             | <b>289,330</b>   | <b>-</b>                  | <b>-</b>              |
| <b>Executive Directors</b>                     |                     |               |                |                 |                     |                    |                      |                  |                           |                       |
| C. G. B. Rubino                                | 409,260             | 4,521         | -              | 15,775          | -                   | 13,618             | -                    | 443,174          | -                         | -                     |
| R. Velletri                                    | 837,978             | 17,801        | 300,000        | 15,775          | -                   | 48,460             | 466,892              | 1,686,906        | 45.46                     | 27.68                 |
| <b>Subtotal Executive Directors</b>            | <b>1,247,238</b>    | <b>22,322</b> | <b>300,000</b> | <b>31,550</b>   | <b>-</b>            | <b>62,078</b>      | <b>466,892</b>       | <b>2,130,080</b> | <b>36.00</b>              | <b>21.92</b>          |
| <b>Other Key Management Personnel</b>          |                     |               |                |                 |                     |                    |                      |                  |                           |                       |
| D. Foti                                        | 643,863             | 12,130        | 200,000        | 15,775          | -                   | 39,927             | 253,247              | 1,164,942        | 38.91                     | 21.74                 |
| A. Erdash                                      | 506,924             | 11,818        | 100,000        | 15,775          | -                   | 19,031             | 147,274              | 800,822          | 30.88                     | 18.39                 |
| C. Tabrett #                                   | 160,627             | 4,058         | 8,634          | 6,674           | -                   | 5,685              | 21,443               | 207,121          | 14.52                     | 10.35                 |
| Z. Bebic                                       | 454,756             | 8,593         | 100,000        | 15,775          | -                   | 22,957             | 147,274              | 749,355          | 33.00                     | 19.65                 |
| S. Murray                                      | 343,450             | 6,689         | 35,000         | 15,775          | -                   | 9,310              | 94,288               | 504,512          | 25.63                     | 18.69                 |
| <b>Subtotal Other Key Management Personnel</b> | <b>2,109,620</b>    | <b>43,288</b> | <b>443,634</b> | <b>69,774</b>   | <b>-</b>            | <b>96,910</b>      | <b>663,526</b>       | <b>3,426,752</b> | <b>32.31</b>              | <b>19.36</b>          |
| <b>Total</b>                                   | <b>3,632,809</b>    | <b>69,081</b> | <b>743,634</b> | <b>111,232</b>  | <b>-</b>            | <b>158,988</b>     | <b>1,130,418</b>     | <b>5,846,162</b> | <b>32.06</b>              | <b>19.34</b>          |

# C. Tabrett ceased to meet the definition of Key Management Personnel in December 2011 following the consolidation of the Eastern and Western regions of the Maintenance & Industrial Services division and the appointment of an Executive General Manager for the consolidated Maintenance & Industrial Services division. Remuneration receivable for the period up to the date of consolidation is disclosed in Table 2.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Remuneration of Key Management Personnel (continued)

**Table 3: Compensation options: Granted during the year ended 30 June 2013**

During the financial year ended 30 June 2013, no options were granted as equity compensation benefits to Key Management Personnel.

On 24 June 2013, S. Murray ceased to meet the definition of Key Management Personnel following his resignation from the Company. 75,000 options held by S. Murray were forfeited. The remaining 25,000 options are exercisable between 1 September 2013 and 10 September 2013.

**Table 4: Compensation options: Granted during the year ended 30 June 2012**

During the year ended 30 June 2012, an aggregate 1,150,000 options were granted to the following Key Management Personnel of the Company and its controlled entities as part of their remuneration.

| Terms and conditions for each Grant   |                |            |                                                      |                           |             |                     |                    |
|---------------------------------------|----------------|------------|------------------------------------------------------|---------------------------|-------------|---------------------|--------------------|
|                                       | Granted Number | Grant Date | Weighted Average Fair Value per Option at Grant Date | Exercise Price per Option | Expiry Date | First Exercise Date | Last Exercise Date |
| <b>Executive Directors</b>            |                |            |                                                      |                           |             |                     |                    |
| R. Velletri                           | 400,000        | 23/11/2011 | \$4.05                                               | \$17.25                   | 14/09/2015  | 1/09/2013           | 14/09/2015         |
| <b>Other Key Management Personnel</b> |                |            |                                                      |                           |             |                     |                    |
| D. Foti                               | 250,000        | 3/11/2011  | \$3.49                                               | \$17.25                   | 14/09/2015  | 1/09/2013           | 14/09/2015         |
| A. Erdash                             | 150,000        | 3/11/2011  | \$3.49                                               | \$17.25                   | 14/09/2015  | 1/09/2013           | 14/09/2015         |
| C. Tabrett                            | 100,000        | 3/11/2011  | \$3.49                                               | \$17.25                   | 14/09/2015  | 1/09/2013           | 14/09/2015         |
| Z. Bebic                              | 150,000        | 3/11/2011  | \$3.49                                               | \$17.25                   | 14/09/2015  | 1/09/2013           | 14/09/2015         |
| S. Murray                             | 100,000        | 3/11/2011  | \$3.49                                               | \$17.25                   | 14/09/2015  | 1/09/2013           | 14/09/2015         |
| <b>Total</b>                          | 1,150,000      |            |                                                      |                           |             |                     |                    |

**Table 5: Shares issued on exercise of compensation options during the year ended 30 June 2013**

|                   | Options Vested Number | Options Exercised Number | Shares Issued Number | Paid \$ per Share |
|-------------------|-----------------------|--------------------------|----------------------|-------------------|
| <b>Directors</b>  |                       |                          |                      |                   |
| R. Velletri ^     | 250,000               | 250,000                  | 250,000              | 10.00             |
| <b>Executives</b> |                       |                          |                      |                   |
| D. Foti ^         | 140,000               | 140,000                  | 140,000              | 10.00             |
| A. Erdash ^       | 70,000                | 70,000                   | 70,000               | 10.00             |
| Z. Bebic ^        | 70,000                | 70,000                   | 70,000               | 10.00             |
| S. Murray ^       | 35,000                | 35,000                   | 35,000               | 10.00             |
| <b>Total</b>      | 565,000               | 565,000                  | 565,000              |                   |

^ On 12 September 2012, the date of exercise of the above options, the closing share price was \$19.89.



## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Remuneration of Key Management Personnel (continued)

**Table 6: Shares issued on exercise of compensation options during the year ended 30 June 2012**

|                   | Options Vested<br>Number | Options Exercised<br>Number | Shares Issued<br>Number | Paid<br>\$ per Share |
|-------------------|--------------------------|-----------------------------|-------------------------|----------------------|
| <b>Directors</b>  |                          |                             |                         |                      |
| R. Velletri ^     | 125,000                  | 125,000                     | 125,000                 | 10.00                |
| <b>Executives</b> |                          |                             |                         |                      |
| D. Foti ^         | 70,000                   | 70,000                      | 70,000                  | 10.00                |
| A. Erdash ^       | 35,000                   | 35,000                      | 35,000                  | 10.00                |
| C. Tabrett ^      | 35,000                   | 35,000                      | 35,000                  | 10.00                |
| Z. Bebic ^        | 35,000                   | 35,000                      | 35,000                  | 10.00                |
| S. Murray ^       | 17,500                   | 17,500                      | 17,500                  | 10.00                |
| <b>Total</b>      | 317,500                  | 317,500                     | 317,500                 |                      |

^ On 7 September 2011, the date of exercise of the above options, the closing share price was \$19.49.

## END OF REMUNERATION REPORT

### DIRECTORS' MEETINGS

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

|                                     | Directors'<br>Meetings | Audit | Meetings of Committees<br>Remuneration | Nomination |
|-------------------------------------|------------------------|-------|----------------------------------------|------------|
| <b>Number of meetings held:</b>     | 17                     | 6     | 3                                      | 1          |
| <b>Number of meetings attended:</b> |                        |       |                                        |            |
| C. G. B. Rubino                     | 15                     | -     | -                                      | 1          |
| R. Velletri                         | 16                     | -     | -                                      | -          |
| I. Tollman                          | 16                     | 6     | 2                                      | -          |
| P. J. Dempsey                       | 17                     | 6     | 3                                      | 1          |
| C. P. Michelmores                   | 17                     | 6     | 3                                      | 1          |

### COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an audit committee, a remuneration committee and a nomination committee. Members acting on the committees of the Board during the year were:

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

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

### ROUNDING

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

### CORPORATE GOVERNANCE

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

The Company's Corporate Governance Statement is detailed on page 36 of this report.

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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



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## 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 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz  
Partner  
19 August 2013

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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 | 25,711        |
| Assurance related       | 5,665         |
|                         | <u>31,376</u> |

Signed in accordance with a resolution of the directors.

C. G. B. Rubino  
Chairman  
Perth, 19 August 2013



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## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MONADELPHOUS GROUP LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Monadelphous Group Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

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

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

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

### Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.





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## Opinion

In our opinion:

- a. the financial report of Monadelphous Group Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

## REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Monadelphous Group Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G H Meyerowitz  
Partner  
Perth  
19 August 2013

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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 2013 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 2013.

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, 19 August 2013

## Consolidated Income Statement | For The Year Ended 30 June 2013

|                                                                     | Notes | 2013<br>\$'000     | 2012<br>\$'000 |
|---------------------------------------------------------------------|-------|--------------------|----------------|
| <b>Continuing Operations</b>                                        |       |                    |                |
| <b>REVENUE</b>                                                      | 3(a)  | <b>2,617,459</b>   | 1,904,984      |
| Cost of services rendered                                           |       | <b>(2,341,895)</b> | (1,675,069)    |
| <b>GROSS PROFIT</b>                                                 |       | <b>275,564</b>     | 229,915        |
| Other income                                                        | 3(b)  | <b>3,114</b>       | 2,837          |
| Profit on sale of available-for-sale financial assets               |       | -                  | 16,262         |
| Business development and tender expenses                            |       | <b>(18,770)</b>    | (18,262)       |
| Occupancy expenses                                                  |       | <b>(2,935)</b>     | (3,035)        |
| Administrative expenses                                             |       | <b>(36,251)</b>    | (35,650)       |
| Finance costs                                                       | 3(c)  | <b>(3,971)</b>     | (3,447)        |
| Other expenses                                                      | 3(d)  | <b>(173)</b>       | (1,361)        |
| <b>PROFIT BEFORE INCOME TAX</b>                                     |       | <b>216,578</b>     | 187,259        |
| Income tax expense                                                  | 4     | <b>(60,264)</b>    | (49,924)       |
| <b>PROFIT AFTER INCOME TAX</b>                                      |       | <b>156,314</b>     | 137,335        |
| <b>PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED</b> | 17(a) | <b>156,314</b>     | 137,335        |
| Basic earnings per share (cents per share)                          | 22    | <b>173.03</b>      | 155.24         |
| Diluted earnings per share (cents per share)                        | 22    | <b>170.55</b>      | 152.05         |

## Consolidated Statement of Comprehensive Income | For The Year Ended 30 June 2013

|                                                                                                                         | 2013<br>\$'000 | 2012<br>\$'000 |
|-------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>NET PROFIT FOR THE PERIOD</b>                                                                                        | <b>156,314</b> | 137,335        |
| <b>OTHER COMPREHENSIVE INCOME</b>                                                                                       |                |                |
| Items that may be reclassified subsequently to profit or loss:                                                          |                |                |
| Net fair value loss on available-for-sale financial assets                                                              | -              | (1,444)        |
| Income tax effect                                                                                                       | -              | 433            |
|                                                                                                                         | -              | (1,011)        |
| Reclassification adjustment relating to the disposal of available-for-sale investments included in the income statement | -              | (16,262)       |
| Income tax effect                                                                                                       | -              | 4,878          |
|                                                                                                                         | -              | (11,384)       |
| Foreign currency translation                                                                                            | <b>272</b>     | 69             |
| Income tax effect                                                                                                       | -              | -              |
|                                                                                                                         | <b>272</b>     | 69             |
| <b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>                                                            | <b>272</b>     | (12,326)       |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED</b>                  | <b>156,586</b> | 125,009        |



|                                       | Notes | 2013<br>\$'000 | 2012<br>\$'000 |
|---------------------------------------|-------|----------------|----------------|
| <b>ASSETS</b>                         |       |                |                |
| <b>Current assets</b>                 |       |                |                |
| Cash and cash equivalents             | 18(b) | <b>195,341</b> | 203,556        |
| Trade and other receivables           | 6     | <b>223,221</b> | 239,595        |
| Inventories                           | 7     | <b>173,732</b> | 72,090         |
| Derivative financial instruments      | 8     | <b>263</b>     | 433            |
| <b>Total current assets</b>           |       | <b>592,557</b> | 515,674        |
| <b>Non-current assets</b>             |       |                |                |
| Available-for-sale financial assets   | 9     | <b>3,511</b>   | -              |
| Property, plant and equipment         | 10    | <b>135,656</b> | 141,102        |
| Deferred tax assets                   | 4     | <b>33,730</b>  | 29,215         |
| Intangible assets and goodwill        | 11    | <b>4,797</b>   | 5,918          |
| <b>Total non-current assets</b>       |       | <b>177,694</b> | 176,235        |
| <b>TOTAL ASSETS</b>                   |       | <b>770,251</b> | 691,909        |
| <b>LIABILITIES</b>                    |       |                |                |
| <b>Current liabilities</b>            |       |                |                |
| Trade and other payables              | 13    | <b>231,636</b> | 280,686        |
| Interest bearing loans and borrowings | 14    | <b>22,547</b>  | 18,783         |
| Income tax payable                    | 4     | <b>27,269</b>  | 15,678         |
| Provisions                            | 15    | <b>140,311</b> | 93,578         |
| <b>Total current liabilities</b>      |       | <b>421,763</b> | 408,725        |
| <b>Non-current liabilities</b>        |       |                |                |
| Interest bearing loans and borrowings | 14    | <b>32,596</b>  | 31,838         |
| Provisions                            | 15    | <b>7,858</b>   | 5,427          |
| Deferred tax liabilities              | 4     | <b>-</b>       | 277            |
| <b>Total non-current liabilities</b>  |       | <b>40,454</b>  | 37,542         |
| <b>TOTAL LIABILITIES</b>              |       | <b>462,217</b> | 446,267        |
| <b>NET ASSETS</b>                     |       | <b>308,034</b> | 245,642        |
| <b>EQUITY</b>                         |       |                |                |
| Contributed equity                    | 16    | <b>83,448</b>  | 57,876         |
| Reserves                              | 17    | <b>30,917</b>  | 26,231         |
| Retained earnings                     | 17    | <b>193,669</b> | 161,535        |
| <b>TOTAL EQUITY</b>                   |       | <b>308,034</b> | 245,642        |

# Consolidated Statement of Changes in Equity

For The Year Ended 30 June 2013

| ATTRIBUTABLE TO EQUITY HOLDERS                              |                   |                                       |                                   |                                               |                      |                |
|-------------------------------------------------------------|-------------------|---------------------------------------|-----------------------------------|-----------------------------------------------|----------------------|----------------|
|                                                             | Issued<br>Capital | Net<br>Unrealised<br>Gains<br>Reserve | Share-Based<br>Payment<br>Reserve | Foreign<br>Currency<br>Translation<br>Reserve | Retained<br>Earnings | Total          |
|                                                             | \$'000            | \$'000                                | \$'000                            | \$'000                                        | \$'000               | \$'000         |
| At 1 July 2012                                              | 57,876            | -                                     | 26,441                            | (210)                                         | 161,535              | 245,642        |
| Other comprehensive income                                  | -                 | -                                     | -                                 | 272                                           | -                    | 272            |
| Profit for the period                                       | -                 | -                                     | -                                 | -                                             | 156,314              | 156,314        |
| <b>Total comprehensive income for the period</b>            | <b>-</b>          | <b>-</b>                              | <b>-</b>                          | <b>272</b>                                    | <b>156,314</b>       | <b>156,586</b> |
| <b>Transactions with owners in their capacity as owners</b> |                   |                                       |                                   |                                               |                      |                |
| Share-based payments                                        | -                 | -                                     | 6,069                             | -                                             | -                    | 6,069          |
| Exercise of employee options                                | 19,229            | -                                     | -                                 | -                                             | -                    | 19,229         |
| Dividend reinvestment plan                                  | 6,343             | -                                     | -                                 | -                                             | -                    | 6,343          |
| Deferred tax asset recognised on Employee Share Trust       | -                 | -                                     | (1,655)                           | -                                             | -                    | (1,655)        |
| Dividends paid                                              | -                 | -                                     | -                                 | -                                             | (124,180)            | (124,180)      |
| At 30 June 2013                                             | <b>83,448</b>     | <b>-</b>                              | <b>30,855</b>                     | <b>62</b>                                     | <b>193,669</b>       | <b>308,034</b> |

| ATTRIBUTABLE TO EQUITY HOLDERS                              |                   |                                       |                                   |                                               |                      |                |
|-------------------------------------------------------------|-------------------|---------------------------------------|-----------------------------------|-----------------------------------------------|----------------------|----------------|
|                                                             | Issued<br>Capital | Net<br>Unrealised<br>Gains<br>Reserve | Share-Based<br>Payment<br>Reserve | Foreign<br>Currency<br>Translation<br>Reserve | Retained<br>Earnings | Total          |
|                                                             | \$'000            | \$'000                                | \$'000                            | \$'000                                        | \$'000               | \$'000         |
| At 1 July 2011                                              | 46,612            | 12,395                                | 17,210                            | (279)                                         | 117,296              | 193,234        |
| Other comprehensive income                                  | -                 | (12,395)                              | -                                 | 69                                            | -                    | (12,326)       |
| Profit for the period                                       | -                 | -                                     | -                                 | -                                             | 137,335              | 137,335        |
| <b>Total comprehensive income for the period</b>            | <b>-</b>          | <b>(12,395)</b>                       | <b>-</b>                          | <b>69</b>                                     | <b>137,335</b>       | <b>125,009</b> |
| <b>Transactions with owners in their capacity as owners</b> |                   |                                       |                                   |                                               |                      |                |
| Share-based payments                                        | -                 | -                                     | 4,678                             | -                                             | -                    | 4,678          |
| Exercise of employee options                                | 11,264            | -                                     | -                                 | -                                             | -                    | 11,264         |
| Deferred tax asset recognised on Employee Share Trust       | -                 | -                                     | 4,553                             | -                                             | -                    | 4,553          |
| Dividends paid                                              | -                 | -                                     | -                                 | -                                             | (93,096)             | (93,096)       |
| At 30 June 2012                                             | 57,876            | -                                     | 26,441                            | (210)                                         | 161,535              | 245,642        |

|                                                               | Notes | <b>2013<br/>\$'000</b> | <b>2012<br/>\$'000</b> |
|---------------------------------------------------------------|-------|------------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |       |                        |                        |
| Receipts from customers (inclusive of GST)                    |       | <b>2,826,393</b>       | 2,029,173              |
| Payments to suppliers and employees (inclusive of GST)        |       | <b>(2,659,132)</b>     | (1,849,459)            |
| Interest received                                             |       | <b>3,386</b>           | 6,667                  |
| Borrowing costs                                               |       | <b>(3,971)</b>         | (3,447)                |
| Other income                                                  |       | <b>1,678</b>           | 1,954                  |
| Income tax paid                                               |       | <b>(55,114)</b>        | (46,244)               |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>               | 18(a) | <b>113,240</b>         | 138,644                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |       |                        |                        |
| Proceeds from sale of property, plant and equipment           |       | <b>23,775</b>          | 20,880                 |
| Purchase of property, plant and equipment                     |       | <b>(33,887)</b>        | (54,564)               |
| Proceeds from disposal of available-for-sale financial assets |       | -                      | 24,431                 |
| Purchase of available-for-sale financial assets               |       | <b>(6,266)</b>         | -                      |
| Dividends received                                            |       | -                      | 777                    |
| Acquisition of subsidiary                                     |       | -                      | (4,434)                |
| <b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>            |       | <b>(16,378)</b>        | (12,910)               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |       |                        |                        |
| Dividend paid                                                 |       | <b>(117,837)</b>       | (93,096)               |
| Proceeds from issue of shares                                 |       | <b>19,229</b>          | 11,264                 |
| Proceeds from borrowings                                      |       | <b>12,850</b>          | 5,207                  |
| Repayment of borrowings                                       |       | <b>(1,524)</b>         | (716)                  |
| Payment of finance leases                                     |       | <b>(19,290)</b>        | (16,421)               |
| <b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>            |       | <b>(106,572)</b>       | (93,762)               |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>   |       | <b>(9,710)</b>         | 31,972                 |
| Net foreign exchange differences                              |       | <b>1,495</b>           | (895)                  |
| Cash and cash equivalents at beginning of period              |       | <b>203,556</b>         | 172,479                |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>             | 18(b) | <b>195,341</b>         | 203,556                |

## 1. CORPORATE INFORMATION

The consolidated financial report of Monadelphous Group Limited (the Company) and its subsidiaries for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of directors on 19 August 2013.

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 as applicable to a for-profit entity. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

### a) Compliance with IFRS

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

### b) Changes in Accounting Policies

Australian Accounting Standards and Interpretations that have recently been issued or amended and are effective 1 July 2012 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 2013.

Monadelphous Group Limited and its subsidiaries ('the Group') has adopted all new and amended Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2012, including:

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 2013. Relevant standards and interpretations are outlined below:

| Reference   | Title                                                                                                               | Application date of standard | Application date for Group | Impact on the Group financial report                                                                                                                                                                                                                                                                                                                                            |
|-------------|---------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AASB 10     | Consolidated Financial Statements                                                                                   | 1 January 2013               | 1 July 2013                | No material impact on the Group expected based on analysis to date.                                                                                                                                                                                                                                                                                                             |
| AASB 11     | Joint Arrangements                                                                                                  | 1 January 2013               | 1 July 2013                | No material impact on the Group expected based on analysis to date.                                                                                                                                                                                                                                                                                                             |
| AASB 12     | Disclosure of Interests in Other Entities                                                                           | 1 January 2013               | 1 July 2013                | No material impact on the financial performance or position of the Group expected based on analysis to date. Changes to disclosures expected.                                                                                                                                                                                                                                   |
| AASB 13     | Fair Value Measurement                                                                                              | 1 January 2013               | 1 July 2013                | No material impact on the Group expected based on analysis to date.                                                                                                                                                                                                                                                                                                             |
| AASB 119    | Employee Benefits                                                                                                   | 1 January 2013               | 1 July 2013                | The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether benefits are expected to be settled wholly within 12 months after the reporting date. This may affect the measurement of some employee benefit provisions in the statement of financial position. |
| AASB 1053   | Application of Tiers of Australian Accounting Standards                                                             | 1 July 2013                  | 1 July 2013                | No material impact on the Group expected based on analysis to date.                                                                                                                                                                                                                                                                                                             |
| AASB 2012-2 | Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities | 1 January 2013               | 1 July 2013                | This standard amends disclosure requirements only. No material impact on the Group expected based on analysis to date.                                                                                                                                                                                                                                                          |
| AASB 2012-5 | Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle                      | 1 January 2013               | 1 July 2013                | No material impact on the Group expected based on analysis to date.                                                                                                                                                                                                                                                                                                             |
| AASB 2012-9 | Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039                                | 1 January 2013               | 1 July 2013                | No material impact on the Group expected based on analysis to date.                                                                                                                                                                                                                                                                                                             |
| AASB 2011-4 | Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements | 1 January 2013               | 1 July 2013                | No material impact on the Group expected based on analysis to date.                                                                                                                                                                                                                                                                                                             |

## 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 2012-3       | Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities | 1 January 2014               | 1 July 2014                | The Group has not yet determined the extent of the impact of the amendments, if any. |
| Interpretation 21 | Levies *                                                                                              | 1 January 2014               | 1 July 2014                | The Group has not yet determined the extent of the impact of the amendments, if any. |
| AASB 9            | Financial Instruments                                                                                 | 1 January 2015               | 1 July 2015                | The Group has not yet determined the extent of the impact of the amendments, if any. |

\* The AASB have not yet issued the Australian equivalent of this Interpretation

### 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 a financial asset or liability will be recognised in accordance with AASB 139 whether in the income statement 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. 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 at the date of exchange.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### f) Foreign currency translation

#### *Functional and presentation currency*

Each entity in the Group determines its own functional currency.

Both the functional and presentation currencies of Monadelphous Group Limited, its Australian subsidiaries and its Papua New Guinea subsidiary (Monadelphous PNG Ltd) are Australian dollars (A\$).

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

#### *Transactions and balances*

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

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

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

As at the reporting date the assets and liabilities of the New Zealand, Hong Kong, Chinese, Singaporean and Mongolian subsidiaries are translated into the presentation currency of Monadelphous Group Limited at the rate of exchange ruling at the reporting date and the income statements are translated at the weighted average exchange rates for the year.

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

### g) Cash and cash equivalents

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

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### h) Trade and other receivables

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

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

### i) Inventories

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

### j) Derivative financial instruments

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

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 income statement 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. The group determines the classification of its financial assets at initial recognition.

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

#### **Recognition and derecognition**

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

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through the profit or loss'.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the income statement and the related assets are classified as current assets in the consolidated statement of financial position.

#### **(ii) Loans and receivables**

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

#### **(iii) Available-for-sale securities**

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

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 reporting 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 income statement as incurred.

Depreciation is calculated on a straight line basis on all classes of property, plant and equipment other than freehold land.

Major depreciation periods are:

|                     | 2013          | 2012          |
|---------------------|---------------|---------------|
| 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 the recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value.

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

### n) Leases

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

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

#### *Finance leases*

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

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

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) Interests in jointly controlled operations

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

### p) Interests in jointly controlled assets

The Group's interests in jointly controlled assets are accounted for by recognising its proportionate share of assets and liabilities from joint ventures.

Joint venture expenses and income from the use of its share of output of jointly controlled assets are recognised on a pro-rata basis according to the Group's joint venture interest.

### q) Goodwill and intangibles

#### *Goodwill*

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

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

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **q) Goodwill and intangibles (continued)**

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

#### ***Intangibles***

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

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

### **r) 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 9 June 2011 and 1 June 2012. 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.

### **s) Interest bearing loans and borrowings**

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

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

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

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). All other borrowing costs are expensed as incurred.

### **t) Provisions**

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

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

Provisions are measured at the present value of management's best estimate of the expenditure to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relevant to the expected life of the provision is used as a discount rate. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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)**

### **u) 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 due to be settled within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liability is settled. Expenses for non-vesting sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

#### *(ii) Long service leave*

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

#### *(iii) Defined contribution superannuation plans*

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

#### *(iv) Workers compensation*

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

### **v) 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 and the Monadelphous Group Limited Employee Option Prospectus.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Monadelphous Group Limited (market conditions), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

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 diluted 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)**

### **w) Contributed equity**

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

#### ***Reserved shares***

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

### **x) 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 as services have been rendered 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.

### **y) 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.

### **z) 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 reporting date.

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

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

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

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

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### z) Taxation (continued)

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

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

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists 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 statement of financial position.

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

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

### aa) 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)**

### **ab) 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.

#### ***Impairment of non-financial assets other than goodwill***

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

#### ***Impairment of goodwill and intangibles with indefinite useful lives***

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 11.

#### ***Impairment of available-for-sale assets***

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

#### ***Share-based payment transactions***

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

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the consolidated statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

#### ***Construction contracts***

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

#### ***Workers compensation***

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

### **ac) Comparatives**

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

|                                                                               | 2013<br>\$'000   | 2012<br>\$'000   |
|-------------------------------------------------------------------------------|------------------|------------------|
| <b>3. REVENUES AND EXPENSES</b>                                               |                  |                  |
| <b>(a) Revenue</b>                                                            |                  |                  |
| Rendering of services                                                         | 2,614,073        | 1,897,490        |
| Finance revenue                                                               | 3,386            | 6,717            |
| Dividends received                                                            | -                | 777              |
|                                                                               | <b>2,617,459</b> | <b>1,904,984</b> |
| <b>(b) Other income</b>                                                       |                  |                  |
| Net gains on disposal of property, plant and equipment                        | 1,436            | 883              |
| Other income                                                                  | 1,678            | 1,954            |
|                                                                               | <b>3,114</b>     | <b>2,837</b>     |
| <b>(c) Finance costs</b>                                                      |                  |                  |
| Bank loans and overdrafts                                                     | 659              | 128              |
| Finance charges payable under finance leases and hire purchase contracts      | 3,312            | 3,319            |
|                                                                               | <b>3,971</b>     | <b>3,447</b>     |
| <b>(d) Other expenses</b>                                                     |                  |                  |
| Net foreign exchange differences                                              | 170              | 965              |
| Other                                                                         | 3                | 396              |
|                                                                               | <b>173</b>       | <b>1,361</b>     |
| <b>(e) Depreciation and amortisation</b>                                      |                  |                  |
| Depreciation expense                                                          | 28,726           | 26,541           |
| Amortisation of intangible assets                                             | 1,121            | 2,195            |
|                                                                               | <b>29,847</b>    | <b>28,736</b>    |
| <b>(f) Employee benefits expense</b>                                          |                  |                  |
| Employee benefits expense                                                     | 1,171,287        | 897,048          |
| Defined contribution superannuation expense                                   | 57,209           | 46,028           |
| Share-based payment expense                                                   | 6,069            | 4,678            |
|                                                                               | <b>1,234,565</b> | <b>947,754</b>   |
| <b>(g) Lease payments and other expenses included in the income statement</b> |                  |                  |
| Minimum lease payments – operating lease                                      | 24,796           | 16,127           |
| Impairment allowance for bad and doubtful debts                               | 64               | 1,111            |
| Net (gain)/loss on held for trading foreign currency derivatives              | 170              | (433)            |

**Notes to the Consolidated Financial Statements (Continued)**  
**For The Year Ended 30 June 2013**

|                                                                                                                                                                   | 2013<br>\$'000 | 2012<br>\$'000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>4. INCOME TAX</b>                                                                                                                                              |                |                |
| <b>(a) Income tax expense</b>                                                                                                                                     |                |                |
| The major components of income tax expense are:                                                                                                                   |                |                |
| <b>Income statement</b>                                                                                                                                           |                |                |
| <i>Current income tax</i>                                                                                                                                         |                |                |
| Current income tax charge                                                                                                                                         | 80,854         | 55,939         |
| Adjustments in respect of current income tax of previous years                                                                                                    | (8,921)        | (8,767)        |
| <i>Deferred income tax</i>                                                                                                                                        |                |                |
| Relating to origination and reversal of temporary differences                                                                                                     | (11,931)       | 1,745          |
| Adjustments in respect of deferred income tax of previous years                                                                                                   | 262            | 1,007          |
| Income tax expense reported in the income statement                                                                                                               | 60,264         | 49,924         |
| <b>(b) Amounts charged or credited directly to equity</b>                                                                                                         |                |                |
| <i>Deferred income tax related to items charged (credited) directly to equity – see note 17</i>                                                                   |                |                |
| Net unrealised gains reserve                                                                                                                                      | -              | (5,312)        |
| Share-based payment reserve                                                                                                                                       | 1,655          | (4,553)        |
| Income tax expense / (benefit) reported in equity                                                                                                                 | 1,655          | (9,865)        |
| <b>(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate</b> |                |                |
| 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                                                                                                                               | 216,578        | 187,259        |
| At the Parent Entity's statutory income tax rate of 30% (2012: 30%)                                                                                               | 64,973         | 56,178         |
| - Adjustments in respect of current and deferred income tax of previous years                                                                                     | (8,659)        | (7,760)        |
| - Share based payment expense                                                                                                                                     | 2,988          | (221)          |
| - Other                                                                                                                                                           | 962            | 1,727          |
| Aggregate income tax expense                                                                                                                                      | 60,264         | 49,924         |



#### 4. INCOME TAX (CONTINUED)

##### (d) Recognised deferred tax assets and liabilities

|                   | 2013<br>\$'000<br>Current<br>Income Tax | 2013<br>\$'000<br>Deferred<br>Income Tax | 2012<br>\$'000<br>Current<br>Income Tax | 2012<br>\$'000<br>Deferred<br>Income Tax |
|-------------------|-----------------------------------------|------------------------------------------|-----------------------------------------|------------------------------------------|
| Opening balance   | (15,678)                                | 28,938                                   | (17,920)                                | 24,810                                   |
| Acquisition       | -                                       | -                                        | -                                       | 185                                      |
| Charged to income | (71,933)                                | 11,669                                   | (47,172)                                | (2,752)                                  |
| Charged to equity | 5,228                                   | (6,883)                                  | 3,170                                   | 6,695                                    |
| Other / payments  | 55,114                                  | 6                                        | 46,244                                  | -                                        |
| Closing balance   | (27,269)                                | 33,730                                   | (15,678)                                | 28,938                                   |

Amounts recognised in the consolidated statement of financial position:

|                        |               |               |
|------------------------|---------------|---------------|
| Deferred tax asset     | 33,730        | 29,215        |
| Deferred tax liability | -             | (277)         |
|                        | <b>33,730</b> | <b>28,938</b> |

|                                                          | 2013<br>\$'000 | 2012<br>\$'000 |
|----------------------------------------------------------|----------------|----------------|
| Deferred income tax at 30 June relates to the following: |                |                |
| <i>(i) Deferred tax liabilities</i>                      |                |                |
| Accelerated depreciation                                 | 5,397          | 4,528          |
| Other                                                    | 634            | 972            |
| Gross deferred tax liabilities                           | 6,031          | 5,500          |
| Set-off against deferred tax assets                      | 6,031          | 5,223          |
| Net deferred tax liabilities                             | -              | 277            |
| <i>(ii) Deferred tax assets</i>                          |                |                |
| Provisions                                               | 39,065         | 25,031         |
| Share-based payments                                     | 311            | 9,305          |
| Other                                                    | 385            | 102            |
| Gross deferred tax assets                                | 39,761         | 34,438         |
| Set-off of deferred tax liabilities                      | 6,031          | 5,223          |
| Net deferred tax assets                                  | 33,730         | 29,215         |

##### (e) Unrecognised temporary differences

At 30 June 2013, 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 (2012: \$nil).

#### 4. INCOME TAX (CONTINUED)

##### (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

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*.

###### (iii) 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. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-company loan account.

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
|--|----------------|----------------|

#### 5. DIVIDENDS PAID AND PROPOSED

##### (a) Recognised amounts

Declared and paid during the year

###### (i) Current year interim

|                                                                                   |        |        |
|-----------------------------------------------------------------------------------|--------|--------|
| Interim franked dividend for 2013 (62 cents per share) (2012: 50 cents per share) | 56,211 | 44,337 |
|-----------------------------------------------------------------------------------|--------|--------|

###### (ii) Previous year final

|                                                                                       |        |        |
|---------------------------------------------------------------------------------------|--------|--------|
| Final franked dividend for 2012 (75 cents per share) (2011: 55 cents per share final) | 67,969 | 48,759 |
|---------------------------------------------------------------------------------------|--------|--------|

##### (b) Unrecognised amounts

###### Current year final

|                                                                                 |        |        |
|---------------------------------------------------------------------------------|--------|--------|
| Final franked dividend for 2013 (75 cents per share) (2012: 75 cents per share) | 68,205 | 66,506 |
|---------------------------------------------------------------------------------|--------|--------|

##### (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                                                | 57,760        | 56,448 |
| - franking credits that will arise from the payment of income tax payable as at the end of the financial year | 25,235        | 12,252 |
|                                                                                                               | <b>82,995</b> | 68,700 |

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 | (29,231)      | (28,502) |
|                                                                                                                                                                                                  | <b>53,764</b> | 40,198   |

##### (d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2012: 30%). Dividends payable will be franked at the rate of 30% (2012: 30%).

|                                       | Notes | 2013<br>\$'000 | 2012<br>\$'000 |
|---------------------------------------|-------|----------------|----------------|
| <b>6. TRADE AND OTHER RECEIVABLES</b> |       |                |                |
| <b>CURRENT</b>                        |       |                |                |
| Trade receivables                     |       | <b>211,206</b> | 218,197        |
| Less allowance for impairment loss    | 6(a)  | <b>(4,310)</b> | (4,246)        |
|                                       |       | <b>206,896</b> | 213,951        |
| Other debtors                         | 6(b)  | <b>16,325</b>  | 25,644         |
|                                       |       | <b>223,221</b> | 239,595        |

**(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 \$64,000 (2012: \$1,111,000) has been recognised by the Group in the current year. These amounts have been included in the administrative expenses item in the consolidated income statement.

Movements in the allowance for impairment loss were as follows:

|                                      | 2013<br>\$'000 | 2012<br>\$'000 |
|--------------------------------------|----------------|----------------|
| Balance at the beginning of the year | 4,246          | 3,135          |
| Charge for the year                  | <b>64</b>      | 1,111          |
| Balance at the end of the year       | <b>4,310</b>   | 4,246          |

**Impaired trade receivables:**

At 30 June 2013, the current trade receivables of the Group were \$211,206,000 (2012: \$218,197,000). The amount of the allowance for impairment loss was \$4,310,000 (2012: \$4,246,000). An impairment allowance 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 2013, the ageing of receivables past due but not considered impaired is as follows:

|              | 2013<br>\$'000 | 2012<br>\$'000 |
|--------------|----------------|----------------|
| 31 – 60 Days | <b>56,356</b>  | 57,647         |
| 61 – 90 Days | <b>2,743</b>   | 6,781          |
| 91+ Days     | <b>8,084</b>   | 4,052          |
| <b>TOTAL</b> | <b>67,183</b>  | 68,480         |

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

## 6. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (a) Allowance for impairment loss (continued)

#### 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

**2013**  
**\$'000**

2012  
\$'000

## 7. INVENTORIES

### Construction work in progress

Cost incurred to date plus profit recognised

**4,160,096**

2,481,387

Consideration received and receivable as progress billings

**(4,048,692)**

(2,567,499)

**111,404**

(86,112)

Represented by:

Amounts due to customers

7(a),13

**62,328**

158,202

Amounts due from customers

**173,732**

72,090

(a) Advances received for construction work not yet commenced or for committed subcontractor work not yet received are recognised as a current liability in trade and other payables. Refer note 13.



|  | <b>2013</b>   | 2012   |
|--|---------------|--------|
|  | <b>\$'000</b> | \$'000 |

## **8. DERIVATIVE FINANCIAL INSTRUMENTS**

### **CURRENT**

|                                               |            |     |
|-----------------------------------------------|------------|-----|
| Forward currency contracts - held for trading | <b>263</b> | 433 |
|-----------------------------------------------|------------|-----|

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

(i) Forward currency contracts – held for trading

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

|                               | Notional Amounts<br>\$AUD |        | Average Exchange Rate |           |
|-------------------------------|---------------------------|--------|-----------------------|-----------|
|                               | <b>2013</b>               | 2012   | <b>2013</b>           | 2012      |
|                               | <b>\$'000</b>             | \$'000 | <b>\$</b>             | <b>\$</b> |
| Buy US\$ Maturity 0-12 months | <b>3,305</b>              | 26,947 | <b>0.9985</b>         | 1.0124    |

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 income statement in the period they occur. The net fair value loss on foreign currency derivatives during the year was \$170,000 for the Group (2012: \$433,000 gain).

Notes

|  | <b>2013</b>   | 2012   |
|--|---------------|--------|
|  | <b>\$'000</b> | \$'000 |

## **9. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

### **NON-CURRENT**

At fair value

|                            |      |              |   |
|----------------------------|------|--------------|---|
| Shares – Australian listed | 9(a) | <b>3,511</b> | - |
|----------------------------|------|--------------|---|

At 30 June 2013, the available-for-sale investments consist of investments in ordinary shares at fair value in Anaeco Limited (ASX: ANQ).

### **(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.

**Notes to the Consolidated Financial Statements (Continued)**  
**For The Year Ended 30 June 2013**

**10. PROPERTY, PLANT AND EQUIPMENT**

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

|                                                    | Freehold Land<br>\$'000 | Buildings on<br>Freehold Land<br>\$'000 | Leasehold<br>Improvements<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Plant and<br>Equipment<br>Under Hire<br>Purchase<br>\$'000 | Total<br>\$'000 |
|----------------------------------------------------|-------------------------|-----------------------------------------|-------------------------------------|----------------------------------|------------------------------------------------------------|-----------------|
| <b>Year ended 30 June 2013</b>                     |                         |                                         |                                     |                                  |                                                            |                 |
| At 1 July 2012 net of<br>accumulated depreciation  | 14,165                  | 15,420                                  | 1,243                               | 55,864                           | 54,410                                                     | 141,102         |
| Additions                                          | -                       | 3,751                                   | 749                                 | 30,136                           | 11,737                                                     | 46,373          |
| Assets transferred                                 | -                       | -                                       | -                                   | 3,895                            | (3,895)                                                    | -               |
| Disposals (note 10(c))                             | (754)                   | (120)                                   | -                                   | (22,219)                         | -                                                          | (23,093)        |
| Depreciation charge                                | -                       | (731)                                   | (185)                               | (16,648)                         | (11,162)                                                   | (28,726)        |
| At 30 June 2013 net of<br>accumulated depreciation | 13,411                  | 18,320                                  | 1,807                               | 51,028                           | 51,090                                                     | 135,656         |
| <b>At 30 June 2013</b>                             |                         |                                         |                                     |                                  |                                                            |                 |
| Cost                                               | 13,411                  | 23,354                                  | 2,379                               | 149,518                          | 71,989                                                     | 260,651         |
| Accumulated depreciation                           | -                       | (5,034)                                 | (572)                               | (98,490)                         | (20,899)                                                   | (124,995)       |
| Net carrying amount                                | 13,411                  | 18,320                                  | 1,807                               | 51,028                           | 51,090                                                     | 135,656         |

|                                                    | Freehold Land<br>\$'000 | Buildings on<br>Freehold Land<br>\$'000 | Leasehold<br>improvements<br>\$'000 | Plant and<br>Equipment<br>\$'000 | Plant and<br>Equipment<br>Under Hire<br>Purchase<br>\$'000 | Total<br>\$'000 |
|----------------------------------------------------|-------------------------|-----------------------------------------|-------------------------------------|----------------------------------|------------------------------------------------------------|-----------------|
| <b>Year ended 30 June 2012</b>                     |                         |                                         |                                     |                                  |                                                            |                 |
| At 1 July 2011 net of<br>accumulated depreciation  | 4,924                   | 13,195                                  | 639                                 | 47,493                           | 47,191                                                     | 113,442         |
| Additions                                          | 9,241                   | 3,028                                   | 715                                 | 42,295                           | 18,881                                                     | 74,160          |
| Additions through business combinations            | -                       | -                                       | -                                   | 38                               | -                                                          | 38              |
| Assets transferred                                 | -                       | -                                       | -                                   | 2,288                            | (2,288)                                                    | -               |
| Disposals (note 10(c))                             | -                       | (127)                                   | -                                   | (19,870)                         | -                                                          | (19,997)        |
| Depreciation charge                                | -                       | (676)                                   | (111)                               | (16,380)                         | (9,374)                                                    | (26,541)        |
| At 30 June 2012 net of<br>accumulated depreciation | 14,165                  | 15,420                                  | 1,243                               | 55,864                           | 54,410                                                     | 141,102         |
| <b>At 30 June 2012</b>                             |                         |                                         |                                     |                                  |                                                            |                 |
| Cost                                               | 14,165                  | 19,837                                  | 1,630                               | 138,991                          | 70,551                                                     | 245,174         |
| Accumulated depreciation                           | -                       | (4,417)                                 | (387)                               | (83,127)                         | (16,141)                                                   | (104,072)       |
| Net carrying amount                                | 14,165                  | 15,420                                  | 1,243                               | 55,864                           | 54,410                                                     | 141,102         |

|  | 2013<br>\$'000 | 2012<br>\$'000 |
|--|----------------|----------------|
|--|----------------|----------------|

## 10. 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 | <b>52,897</b> | 55,653 |
|----------------------------|---------------|--------|

### (c) Disposals

Disposal of property, plant and equipment for the year ended 30 June 2013 totalled \$23,093,000 (2012: \$19,997,000). Included within plant and equipment disposals for the year ended 30 June 2013 is an amount of \$21,367,000 (2012: \$19,278,000) relating to cranes sold and immediately leased back under operating leases.

|  | Intangible<br>Assets<br>\$'000 | Goodwill<br>\$'000 | Total<br>\$'000 |
|--|--------------------------------|--------------------|-----------------|
|--|--------------------------------|--------------------|-----------------|

## 11. INTANGIBLE ASSETS AND GOODWILL

### Year ended 30 June 2013

|                 |                |              |                |
|-----------------|----------------|--------------|----------------|
| At 1 July 2012  | 2,971          | 2,947        | 5,918          |
| Amortisation    | <b>(1,121)</b> | -            | <b>(1,121)</b> |
| At 30 June 2013 | <b>1,850</b>   | <b>2,947</b> | <b>4,797</b>   |

### Year ended 30 June 2012

|                           |         |       |         |
|---------------------------|---------|-------|---------|
| At 1 July 2011            | 2,416   | 2,933 | 5,349   |
| Acquisition of subsidiary | 4,092   | 14    | 4,106   |
| Amortisation              | (2,195) | -     | (2,195) |
| Impairment loss           | (1,342) | -     | (1,342) |
| At 30 June 2012           | 2,971   | 2,947 | 5,918   |

### (a) Description of the Group's intangible assets and goodwill

#### (i) Intangible assets

Intangible assets have been acquired through business combinations and are carried at cost less accumulated amortisation and impairment losses. Intangible assets have been assessed as having a finite life and are amortised using the straight line method over a period of between 3 and 4 years. The amortisation and impairment loss has been recognised in the income statement in the cost of services rendered classification. Intangible assets include the fair value of contracts acquired on acquisition of PearlStreet Energy Services Pty Ltd (subsequently re-named Monadelphous Energy Services Pty Ltd) and KT Pty Ltd (subsequently re-named Monadelphous KT Pty Ltd).

#### (ii) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section (b) of this note).

## **11. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)**

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

#### *(i) Intangible assets*

At 30 June 2013, no impairment loss relating to intangible assets acquired through business combinations has been recognised in the income statement (2012: \$1,342,000).

#### *(ii) Goodwill*

Goodwill acquired through a business combination has been allocated to cash generating units for impairment testing purposes. The cash generating units are the entity Monadelphous Electrical & Instrumentation Pty Ltd (goodwill of \$2,311,000), the Hunter Valley business unit (goodwill of \$240,000), the entity Monadelphous KT Pty Ltd (goodwill of \$382,000) and the entity Monadelphous Energy Services Pty Ltd (goodwill of \$14,000). The recoverable amount of each cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period have not been used in the calculation.

The discount rate applied to the cash flow projections is 15% for the entity Monadelphous Electrical & Instrumentation Pty Ltd (2012: 15%), the Hunter Valley business unit (2012: 15%), the entity Monadelphous KT Pty Ltd (2012: 15%) and the entity Monadelphous Energy Services Pty Ltd (2012: 15%). The cash flows are based on the entities' and business unit's budgeted cash flows. No reasonable possible changes in key assumptions would result in the carrying amount exceeding the recoverable amount.

## **12. INTERESTS IN JOINT VENTURES**

A joint venture agreement establishing the Anaeco Monadelphous joint venture was executed on 29 March 2010. The principal activity of the joint venture is to deliver design-and-construct waste management systems for the WMRC DiCOM facility at Shenton Park in Western Australia.

Monadelphous Muhibbah Marine joint venture was established on 1 July 2011. The principal activity of the joint venture is to construct the approach jetty and ship berth associated with the Wiggins Island Coal Export Terminal project at Gladstone in Queensland.

A joint venture agreement between Skystar Airport Services Pty Ltd and Menzies Aviation (Australia) Pty Ltd was executed on 28 July 2011. The principal activity of the joint venture is to provide aviation support services at Perth International Airport.

A joint venture agreement between Monadelphous Engineering Pty Ltd and Transfield Services (Australia) Pty Ltd was executed on 5 September 2011. The principal activity of the joint venture is to undertake construction of the Toowoomba Wastewater Infrastructure Projects program for the Toowoomba Regional Council in Queensland.

A joint venture agreement between Monadelphous KT Pty Ltd and OSD Projects Pty Ltd was established on 10 November 2011. The principal activity of the joint venture is design and construction of a transmission pipeline and associated facilities for Hamersley Iron at West Angelas, near Newman in WA.

### **(a) Commitments relating to the jointly controlled operations**

There were no capital commitments relating to the jointly controlled operations at 30 June 2013 (2012: nil).

### **(b) Contingent liabilities relating to the jointly controlled operations**

There were no contingent liabilities relating to the jointly controlled operations at 30 June 2013 (2012: nil).

### **(c) Impairment**

No assets employed in the jointly controlled operations were impaired during the year ended 30 June 2013 (2012: nil).



|                                                                         | Notes | 2013<br>\$'000 | 2012<br>\$'000 |
|-------------------------------------------------------------------------|-------|----------------|----------------|
| <b>13. TRADE AND OTHER PAYABLES</b>                                     |       |                |                |
| <b>CURRENT</b>                                                          |       |                |                |
| Trade payables                                                          | 13(a) | <b>140,519</b> | 93,696         |
| Advances on construction work in progress<br>- amounts due to customers | 7     | <b>62,328</b>  | 158,202        |
| Sundry creditors and accruals                                           | 13(a) | <b>28,789</b>  | 28,788         |
|                                                                         |       | <b>231,636</b> | 280,686        |

**(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    | 2013<br>\$'000 | 2012<br>\$'000 |
|--------------------------------------------------|----------|----------------|----------------|
| <b>14. INTEREST BEARING LOANS AND BORROWINGS</b> |          |                |                |
| <b>CURRENT</b>                                   |          |                |                |
| Hire purchase liability – secured                | 14(a),20 | <b>18,512</b>  | 18,128         |
| Bank loan – secured                              | 14(a)    | <b>4,035</b>   | 655            |
|                                                  |          | <b>22,547</b>  | 18,783         |
| <b>NON-CURRENT</b>                               |          |                |                |
| Hire purchase liability – secured                | 14(a),20 | <b>25,984</b>  | 30,322         |
| Bank loan – secured                              | 14(a)    | <b>6,612</b>   | 1,516          |
|                                                  |          | <b>32,596</b>  | 31,838         |

**(a) Terms and conditions**

- (i) Bank loans are repayable monthly. Interest is charged at the bank's fixed rate. Bank loans are secured either by way of registered first mortgages over land and buildings of a controlled entity, with an interlocking debenture from the parent entity and controlled entities or by a fixed and floating charge over the assets of certain companies within the group. The average discount rate implicit in the bank loans is 5.11% (2012: 7.12%).
- (ii) Hire purchase agreements have an average term of three years. The average discount rate implicit in the hire purchase liability is 6.76% (2012: 7.30%). 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 to the Consolidated Financial Statements (Continued)**  
**For The Year Ended 30 June 2013**

|                                        | Notes        | 2013<br>\$'000 | 2012<br>\$'000 |
|----------------------------------------|--------------|----------------|----------------|
| <b>15. PROVISIONS</b>                  |              |                |                |
| <b>CURRENT</b>                         |              |                |                |
| Employee benefits                      | 15(a)        | <b>106,168</b> | 66,067         |
| Workers' compensation                  | 15(b), 15(c) | <b>34,143</b>  | 27,511         |
|                                        |              | <b>140,311</b> | 93,578         |
| <b>NON-CURRENT</b>                     |              |                |                |
| Employee benefits – long service leave |              | <b>7,858</b>   | 5,427          |

**(a) Employee benefits**

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

**(b) Workers' compensation**

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

|                                              | 2013<br>\$'000 |
|----------------------------------------------|----------------|
| <b>(c) Movements in provisions</b>           |                |
| <i>Workers' compensation:</i>                |                |
| Carrying amount at the beginning of the year | 27,511         |
| Additional provision                         | <b>15,098</b>  |
| Amounts utilised during the year             | <b>(8,466)</b> |
| Carrying amount at the end of the year       | <b>34,143</b>  |

|                                         | Notes | 2013<br>\$'000 | 2012<br>\$'000 |
|-----------------------------------------|-------|----------------|----------------|
| <b>16. CONTRIBUTED EQUITY</b>           |       |                |                |
| Ordinary shares - Issued and fully paid | 16(a) | <b>83,448</b>  | 57,876         |

**(a) Ordinary shares**

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

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

|                              | 2013                |               | 2012                |        |
|------------------------------|---------------------|---------------|---------------------|--------|
|                              | Number of<br>Shares | \$'000        | Number of<br>Shares | \$'000 |
| Beginning of the year        | 88,674,327          | 57,876        | 87,576,827          | 46,612 |
| Exercise of employee options | <b>1,989,216</b>    | <b>19,229</b> | 1,097,500           | 11,264 |
| Dividend reinvestment plan   | <b>276,715</b>      | <b>6,343</b>  | -                   | -      |
| End of the year              | <b>90,940,258</b>   | <b>83,448</b> | 88,674,327          | 57,876 |

During the year ended 30 June 2013, under the Monadelphous Group Limited Employee Option Plan, employees and directors have exercised the option to acquire 1,989,216 fully paid ordinary shares at a weighted average exercise price of \$10.41. All 1,989,216 shares were issued as new fully paid ordinary shares.

**(b) Share options**

*Options over ordinary shares*

During the financial year, there were 560,000 options issued over ordinary shares.

At the end of the year there were 5,305,750 (2012: 7,331,000) unissued ordinary shares in respect of which options were outstanding (note 23).

**(c) Capital management**

Capital is managed by the Group's Chief Financial Officer in conjunction with the Group's Finance & Accounting department. Management continually monitor the Group's net cash/debt position and the gearing levels to ensure efficiency and compliance with the Group's banking facility covenants, including the current ratio, gearing ratio, operating leverage ratio and fixed charge coverage ratio. At 30 June 2013, the Group is in a net cash position of \$140,198,000 (2012: \$152,935,000) and has a debt to equity ratio of 17.9% (2012: 20.6%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2013, management paid dividends of \$124,180,703. The policy is to payout dividends of 80% to 100% of annual net profit after tax, subject to the working capital requirements of the business, potential investment opportunities and business and economic conditions generally.

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

**Notes to the Consolidated Financial Statements (Continued)**  
**For The Year Ended 30 June 2013**

|                                                                  | Notes | 2013<br>\$'000   | 2012<br>\$'000 |
|------------------------------------------------------------------|-------|------------------|----------------|
| <b>17. RESERVES AND RETAINED EARNINGS</b>                        |       |                  |                |
| Foreign currency translation reserve                             | 17(b) | 62               | (210)          |
| Share-based payment reserve                                      | 17(b) | 30,855           | 26,441         |
|                                                                  |       | <b>30,917</b>    | 26,231         |
| Retained earnings                                                | 17(a) | <b>193,669</b>   | 161,535        |
| <b>(a) Movements in retained earnings</b>                        |       |                  |                |
| Balance at the beginning of the year                             |       | 161,535          | 117,296        |
| Net profit attributable to members of Monadelphous Group Limited |       | <b>156,314</b>   | 137,335        |
| Total available for appropriation                                |       | <b>317,849</b>   | 254,631        |
| Dividends paid                                                   |       | <b>(124,180)</b> | (93,096)       |
| Balance at the end of the year                                   |       | <b>193,669</b>   | 161,535        |

**(b) Movements in reserves**

|                                                                                            | Net<br>unrealised gains<br>reserve<br>\$'000 | Foreign currency<br>translation reserve<br>\$'000 | Share-based<br>payment reserve<br>\$'000 | Total<br>\$'000 |
|--------------------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------------|------------------------------------------|-----------------|
| At 1 July 2011                                                                             | 12,395                                       | (279)                                             | 17,210                                   | 29,326          |
| Foreign currency translation                                                               | -                                            | 69                                                | -                                        | 69              |
| Share-based payment                                                                        | -                                            | -                                                 | 4,678                                    | 4,678           |
| Net fair value gains on available-for-sale financial assets                                | (1,012)                                      | -                                                 | -                                        | (1,012)         |
| Reclassification adjustment for gains included in the income statement (net of tax effect) | (11,383)                                     | -                                                 | -                                        | (11,383)        |
| Deferred tax asset recognised on Employee Share Trust                                      | -                                            | -                                                 | 4,553                                    | 4,553           |
| At 30 June 2012                                                                            | -                                            | (210)                                             | 26,441                                   | 26,231          |
| Foreign currency translation                                                               | -                                            | <b>272</b>                                        | -                                        | <b>272</b>      |
| Share-based payment                                                                        | -                                            | -                                                 | <b>6,069</b>                             | <b>6,069</b>    |
| Deferred tax asset recognised on Employee Share Trust                                      | -                                            | -                                                 | <b>(1,655)</b>                           | <b>(1,655)</b>  |
| At 30 June 2013                                                                            | -                                            | <b>62</b>                                         | <b>30,855</b>                            | <b>30,917</b>   |

**(c) Nature and purpose of reserves**

**Net unrealised gains reserve**

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

**Foreign currency translation reserve**

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

**Share-based payment reserve**

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



|                                                                                                                          | 2013<br>\$'000 | 2012<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>18. CASH AND CASH EQUIVALENTS</b>                                                                                     |                |                |
| <b>(a) Reconciliation of net profit after tax to the net cash flows from operating activities</b>                        |                |                |
| Net Profit                                                                                                               | 156,314        | 137,335        |
| <b>Adjustments for:</b>                                                                                                  |                |                |
| Depreciation of non-current assets                                                                                       | 28,726         | 26,541         |
| Amortisation and impairment of intangible assets                                                                         | 1,121          | 3,537          |
| Net profit on sale of property, plant and equipment                                                                      | (1,436)        | (883)          |
| Profit on sale of available-for-sale financial assets                                                                    | -              | (16,262)       |
| Dividend income classified as an investing activity                                                                      | -              | (777)          |
| Impairment of available-for-sale financial assets                                                                        | 2,755          | -              |
| Share-based payment expense                                                                                              | 6,069          | 4,678          |
| Unrealised foreign exchange (gain)/loss                                                                                  | (1,223)        | 964            |
| Other                                                                                                                    | 754            | (2)            |
| <b>Changes in assets and liabilities</b>                                                                                 |                |                |
| (Increase)/decrease in receivables                                                                                       | 16,374         | (70,112)       |
| (Increase)/decrease in inventories                                                                                       | (101,642)      | (45,956)       |
| (Increase)/decrease in deferred tax assets                                                                               | (11,398)       | 2,598          |
| (Increase)/decrease in derivative instruments                                                                            | 170            | (433)          |
| Increase/(decrease) in payables                                                                                          | (49,050)       | 96,705         |
| Increase/(decrease) in provisions                                                                                        | 49,164         | (371)          |
| Increase/(decrease) in income tax payable                                                                                | 16,819         | 928            |
| Increase/(decrease) in deferred tax liabilities                                                                          | (277)          | 154            |
| Net cash flows from operating activities                                                                                 | 113,240        | 138,644        |
| <b>(b) For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:</b> |                |                |
| <b>Cash balances comprise:</b>                                                                                           |                |                |
| - Cash at bank                                                                                                           | 195,341        | 143,556        |
| - Short term deposits                                                                                                    | -              | 60,000         |
|                                                                                                                          | 195,341        | 203,556        |

**Notes to the Consolidated Financial Statements (Continued)**  
**For The Year Ended 30 June 2013**

|                                                                                           |      | <b>2013<br/>\$'000</b> | 2012<br>\$'000 |
|-------------------------------------------------------------------------------------------|------|------------------------|----------------|
| <b>18. CASH AND CASH EQUIVALENTS (CONTINUED)</b>                                          |      |                        |                |
| <b>(c) Financing facilities available</b>                                                 |      |                        |                |
| At balance date the following financing facilities had been negotiated and were available |      |                        |                |
| Total facilities:                                                                         |      |                        |                |
| - Bank guarantee and performance bonds                                                    | (i)  | <b>506,179</b>         | 421,179        |
| - Revolving credit                                                                        | (ii) | <b>122,609</b>         | 116,166        |
|                                                                                           |      | <b>628,788</b>         | 537,345        |
| Facilities used at balance date:                                                          |      |                        |                |
| - Bank guarantee and performance bonds                                                    |      | <b>400,534</b>         | 331,349        |
| - Revolving credit                                                                        |      | <b>55,143</b>          | 50,621         |
|                                                                                           |      | <b>455,677</b>         | 381,970        |
| Facilities unused at balance date:                                                        |      |                        |                |
| - Bank guarantee and performance bonds                                                    |      | <b>105,645</b>         | 89,830         |
| - Revolving credit                                                                        |      | <b>67,466</b>          | 65,545         |
|                                                                                           |      | <b>173,111</b>         | 155,375        |

**(i) Bank guarantees and performance bonds**

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

**(ii) Revolving credit**

The revolving credit includes bank loans and hire purchase/leasing facilities. Refer to note 14(a) for terms and conditions.

**(d) Non-cash financing and investing activities**

**Hire purchase transactions:**

During the year the consolidated entity acquired plant and equipment by means of hire purchase agreements with an aggregate fair market value of \$12,486,059 (2012: \$19,596,302).

## 19. CHANGE IN COMPOSITION OF ENTITY

On 2 November 2012, Monadelphous Singapore Pte Ltd was incorporated. Monadelphous Group Limited owns 100% of the voting shares of Monadelphous Singapore Pte Ltd, a private company based in Singapore.

On 5 February 2013, Monadelphous Mongolia LLC was incorporated. Monadelphous Singapore Pte Ltd owns 100% of the voting shares of Monadelphous Mongolia LLC, a private company based in Mongolia.

|                                                     | Notes | 2013<br>\$'000 | 2012<br>\$'000 |
|-----------------------------------------------------|-------|----------------|----------------|
| <b>20. COMMITMENTS AND CONTINGENCIES</b>            |       |                |                |
| <b>(a) Hire purchase commitments</b>                |       |                |                |
| Payable:                                            |       |                |                |
| - Within one year                                   |       | 21,198         | 21,024         |
| - Later than one year but not later than five years |       | 27,261         | 32,722         |
| Minimum lease payments                              |       | 48,459         | 53,746         |
| Less future finance charges                         |       | (3,963)        | (5,296)        |
| Present value of minimum lease payments             |       | 44,496         | 48,450         |
| Current liability                                   | 14    | 18,512         | 18,128         |
| Non-current liability                               | 14    | 25,984         | 30,322         |
|                                                     |       | 44,496         | 48,450         |

Hire purchase agreements have an average term of three years.

|                                                                                 | 2013<br>Properties<br>\$'000 | 2013<br>Other<br>\$'000 | 2013<br>Total<br>\$'000 | 2012<br>Total<br>\$'000 |
|---------------------------------------------------------------------------------|------------------------------|-------------------------|-------------------------|-------------------------|
| <b>(b) Operating lease commitments</b>                                          |                              |                         |                         |                         |
| Minimum lease payments                                                          |                              |                         |                         |                         |
| - Within one year                                                               | 15,063                       | 14,936                  | 29,999                  | 21,662                  |
| - Later than one year but not later than five years                             | 43,472                       | 28,757                  | 72,229                  | 58,731                  |
| - Later than five years                                                         | 45,366                       | -                       | 45,366                  | 29,712                  |
| Aggregate lease expenditure contracted for at balance date but not provided for | 103,901                      | 43,693                  | 147,594                 | 110,105                 |

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

## (c) Capital commitments

The consolidated group has capital commitments of \$1,554,670 at 30 June 2013 (2012: \$19,618,754).

## (d) Guarantees

|                                                                           | 2013<br>\$'000 | 2012<br>\$'000 |
|---------------------------------------------------------------------------|----------------|----------------|
| Guarantees given to various clients for satisfactory contract performance | 400,534        | 331,349        |

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 9 June 2011 and 1 June 2012 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.

**Notes to the Consolidated Financial Statements (Continued)**  
**For The Year Ended 30 June 2013**

## 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 2013, the Engineering Construction division contributed revenue of \$1,783.9 million (2012: \$1,144.5 million), the Maintenance and Industrial Services division contributed revenue of \$644.0 million (2012: \$634.5 million), and the Infrastructure division contributed revenue of \$199.8 million (2012: \$133.3 million). Included in these amounts is \$13.6 million (2012: \$14.8 million) of inter-entity revenue, which is eliminated on consolidation. Comparatives have been restated to allocate transmission pipelines revenue to the Engineering Construction division from the Infrastructure division. The operating divisions are exposed to similar risks and rewards from operations, and are only segmented to facilitate appropriate management structures.

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

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

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

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

The Group has a number of customers to which it provides services. The largest customer represented 32% of the Group's revenue. One other customer contributed over 10% of revenue, which represented 22%. There are multiple contracts with these customers, across a number of their subsidiaries, divisions within those subsidiaries and locations.

|  | <b>2013</b><br><b>\$'000</b> | 2012<br>\$'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     | <b>156,314</b> | 137,335 |
| Earnings used in calculation of basic and diluted earnings per share | <b>156,314</b> | 137,335 |

|  | <b>2013</b><br><b>Number</b> | 2012<br>Number |
|--|------------------------------|----------------|
|--|------------------------------|----------------|

### Number of shares

|                                                                                                         |                   |            |
|---------------------------------------------------------------------------------------------------------|-------------------|------------|
| Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share | <b>90,339,712</b> | 88,468,526 |
|---------------------------------------------------------------------------------------------------------|-------------------|------------|

### Effect of dilutive securities

|                                                                                                    |                   |            |
|----------------------------------------------------------------------------------------------------|-------------------|------------|
| Share options                                                                                      | <b>1,315,020</b>  | 1,852,452  |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | <b>91,654,732</b> | 90,320,978 |

Conversions, calls, subscriptions or issues after 30 June 2013:

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 and Employee Option Prospectus have been established where eligible directors and employees of the consolidated entity are issued with options over the ordinary shares of Monadelphous Group Limited. The options, issued for nil consideration, are issued in accordance with the guidelines established by the remuneration committee of Monadelphous Group Limited. The options issued carry various terms and exercising conditions. There is currently 1 director and 259 employees participating in these schemes.

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

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

The ability to exercise options during each applicable window period is subject to the financial performance of the Company during the option vesting period. The options shall only be capable of exercise during that window period where the Company's Earnings Per Share (EPS) metric is growing at a rate of at least 10% per year on average. If, however, this hurdle is not achieved for a particular window period, rather than lapsing, the options will be re-tested during all later window periods in respect of that issue and may become exercisable at that later date.

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

|                                       | 2013                 |                                             | 2012                 |                                             |
|---------------------------------------|----------------------|---------------------------------------------|----------------------|---------------------------------------------|
|                                       | Number<br>of Options | Weighted<br>Average<br>Exercise Price<br>\$ | Number<br>of Options | Weighted<br>Average<br>Exercise Price<br>\$ |
| Balance at the beginning of the year  | 7,331,000            | 15.00                                       | 3,928,500            | 11.01                                       |
| Granted during the year               |                      |                                             |                      |                                             |
| - Employee Option Plan - October 2011 | -                    | -                                           | 40,000               | 19.31                                       |
| - Employee Option Prospectus          | -                    | -                                           | 4,630,000            | 17.25                                       |
| - Employee Option Plan - October 2012 | <b>560,000</b>       | <b>19.70</b>                                | -                    | -                                           |
| Forfeited during the year             | <b>(465,000)</b>     | <b>16.74</b>                                | (170,000)            | 15.55                                       |
| Exercised during the year             | <b>(2,120,250)</b>   | <b>10.41</b>                                | (1,097,500)          | 10.26                                       |
| Balance at the end of the year        | <b>5,305,750</b>     | <b>17.18</b>                                | 7,331,000            | 15.00                                       |
| Exercisable during the next year      | <b>1,402,750</b>     | <b>16.41</b>                                | 2,120,250            | 10.41                                       |

The weighted average share price at the date of exercise during the year was \$19.51 (2012: \$19.21).

#### *Options granted during the reporting period*

In November 2012, a total of 560,000 options were granted by Monadelphous Group Limited under the Employee Option Plan – October 2012 at an exercise price of \$19.70. The exercise price of the options granted under the Employee Option Plan – October 2012 was calculated as the average closing market price of the shares for the five trading days prior to the invitation date to apply for the options of 2 October 2012. The fair value of each option issued during the year was estimated on the date of grant using a Binomial option-pricing model.

The following weighted average assumptions were used for grants during the year:

|                         |               |
|-------------------------|---------------|
| Dividend yield          | 6.7%          |
| Expected volatility     | 30.0% - 40.0% |
| Historical volatility   | 30.0% - 40.0% |
| Risk-free interest rate | 2.62%         |
| Expected life of option | 25% - 2 years |
|                         | 25% - 3 years |
|                         | 50% - 4 years |



## 23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

### (a) Share-based payment plan (continued)

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

The resulting weighted average fair values for options outstanding at 30 June 2013 are:

| Number    | Grant Date | Final Vesting Date | Fair Value Per Option at Grant Date |
|-----------|------------|--------------------|-------------------------------------|
| 180,000   | 28/09/2009 | 30/09/2013         | \$3.53                              |
| 355,750   | 25/10/2010 | 30/09/2014         | \$3.74                              |
| 3,790,000 | 3/11/2011  | 14/09/2015         | \$3.49                              |
| 40,000    | 17/11/2011 | 14/09/2015         | \$3.39                              |
| 400,000   | 23/11/2011 | 14/09/2015         | \$4.05                              |
| 540,000   | 1/11/2012  | 14/09/2016         | \$3.52                              |

The share-based payment expense for the year ended 30 June 2013 was \$6,069,132 (2012: \$4,677,715) for the consolidated entity.

### *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 2013:

| Number of Options | Grant Date | Vesting Date | Expiry Date | Exercise Price |
|-------------------|------------|--------------|-------------|----------------|
| 180,000           | 28/09/2009 | 01/09/2013   | 30/09/2013  | \$12.22        |
| 120,250           | 25/10/2010 | 01/09/2013   | 30/09/2014  | \$14.84        |
| 235,500           | 25/10/2010 | 01/09/2014   | 30/09/2014  | \$14.84        |
| 992,500           | 3/11/2011  | 01/09/2013   | 14/09/2015  | \$17.25        |
| 932,500           | 3/11/2011  | 01/09/2014   | 14/09/2015  | \$17.25        |
| 1,865,000         | 3/11/2011  | 01/09/2015   | 14/09/2015  | \$17.25        |
| 10,000            | 17/11/2011 | 01/09/2013   | 14/09/2015  | \$19.31        |
| 10,000            | 17/11/2011 | 01/09/2014   | 14/09/2015  | \$19.31        |
| 20,000            | 17/11/2011 | 01/09/2015   | 14/09/2015  | \$19.31        |
| 100,000           | 23/11/2011 | 01/09/2013   | 14/09/2015  | \$17.25        |
| 100,000           | 23/11/2011 | 01/09/2014   | 14/09/2015  | \$17.25        |
| 200,000           | 23/11/2011 | 01/09/2015   | 14/09/2015  | \$17.25        |
| 135,000           | 1/11/2012  | 01/09/2014   | 14/09/2016  | \$19.70        |
| 135,000           | 1/11/2012  | 01/09/2015   | 14/09/2016  | \$19.70        |
| 270,000           | 1/11/2012  | 01/09/2016   | 14/09/2016  | \$19.70        |

### (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

|                      | 2013<br>\$       | 2012<br>\$ |
|----------------------|------------------|------------|
| Short term benefits  | <b>4,139,832</b> | 4,445,524  |
| Post employment      | <b>109,086</b>   | 111,232    |
| Long term benefits   | <b>173,224</b>   | 158,988    |
| Share-based payments | <b>1,253,313</b> | 1,130,418  |
| Total compensation   | <b>5,675,455</b> | 5,846,162  |

### (b) Option holdings of Key Management Personnel

| Options Held in<br>Monadelphous<br>Group Limited | Balance at<br>Beginning of<br>Period<br>1 July 2012 | Granted as<br>Remuneration | Options<br>Vested and<br>Exercised | Net Change Other | Balance at End<br>of Period<br>30 June 2013 |
|--------------------------------------------------|-----------------------------------------------------|----------------------------|------------------------------------|------------------|---------------------------------------------|
| <b>Directors</b>                                 |                                                     |                            |                                    |                  |                                             |
| C. G. B. Rubino                                  | -                                                   | -                          | -                                  | -                | -                                           |
| R. Velletri                                      | 650,000                                             | -                          | (250,000)                          | -                | 400,000                                     |
| I. Tollman                                       | -                                                   | -                          | -                                  | -                | -                                           |
| P. J. Dempsey                                    | -                                                   | -                          | -                                  | -                | -                                           |
| C. P. Michelmores                                | -                                                   | -                          | -                                  | -                | -                                           |
| <b>Executives</b>                                |                                                     |                            |                                    |                  |                                             |
| D. Foti                                          | 390,000                                             | -                          | (140,000)                          | -                | 250,000                                     |
| A. Erdash                                        | 220,000                                             | -                          | (70,000)                           | -                | 150,000                                     |
| Z. Bebic                                         | 220,000                                             | -                          | (70,000)                           | -                | 150,000                                     |
| S. Murray #                                      | 135,000                                             | -                          | (35,000)                           | (100,000)        | -                                           |
| <b>Total</b>                                     | <b>1,615,000</b>                                    | <b>-</b>                   | <b>(565,000)</b>                   | <b>(100,000)</b> | <b>950,000</b>                              |

# S. Murray ceased to meet the definition of Key Management Personnel on 24 June 2013 following his resignation from the Company. 75,000 options were forfeited on that date. The remaining 25,000 options are exercisable in September 2013.

## 24. KEY MANAGEMENT PERSONNEL (CONTINUED)

### (b) Option holdings of Key Management Personnel (continued)

| Options Held in<br>Monadelphous<br>Group Limited | Balance at<br>Beginning of<br>Period<br>1 July 2011 | Granted as<br>Remuneration | Options<br>Vested and<br>Exercised | Net Change Other | Balance at End<br>of Period<br>30 June 2012 |
|--------------------------------------------------|-----------------------------------------------------|----------------------------|------------------------------------|------------------|---------------------------------------------|
| <b>Directors</b>                                 |                                                     |                            |                                    |                  |                                             |
| C. G. B. Rubino                                  | -                                                   | -                          | -                                  | -                | -                                           |
| R. Velletri                                      | 375,000                                             | 400,000                    | (125,000)                          | -                | 650,000                                     |
| I. Tollman                                       | -                                                   | -                          | -                                  | -                | -                                           |
| P. J. Dempsey                                    | -                                                   | -                          | -                                  | -                | -                                           |
| C. P. Michelmores                                | -                                                   | -                          | -                                  | -                | -                                           |
| <b>Executives</b>                                |                                                     |                            |                                    |                  |                                             |
| D. Foti                                          | 210,000                                             | 250,000                    | (70,000)                           | -                | 390,000                                     |
| A. Erdash                                        | 105,000                                             | 150,000                    | (35,000)                           | -                | 220,000                                     |
| C. Tabrett ^                                     | 105,000                                             | 100,000                    | (35,000)                           | (170,000)        | -                                           |
| Z. Bebic                                         | 105,000                                             | 150,000                    | (35,000)                           | -                | 220,000                                     |
| S. Murray                                        | 52,500                                              | 100,000                    | (17,500)                           | -                | 135,000                                     |
| <b>Total</b>                                     | <b>952,500</b>                                      | <b>1,150,000</b>           | <b>(317,500)</b>                   | <b>(170,000)</b> | <b>1,615,000</b>                            |

^ C. Tabrett ceased to meet the definition of Key Management Personnel in December 2011 following the consolidation of the Eastern and Western regions of the Maintenance & Industrial Services division and the appointment of an Executive General Manager for the consolidated Maintenance & Industrial Services division. Net change other represents options held on the date of ceasing to meet the definition of Key Management Personnel.

## 24. KEY MANAGEMENT PERSONNEL (CONTINUED)

### (c) Shareholdings of Key Management Personnel

| Shares Held in<br>Monadelphous<br>Group Limited | Balance at<br>Beginning of<br>Period<br>1 July 2012 | Granted as<br>Remuneration | On Exercise<br>of Options | Net Change Other | Balance at End<br>of Period<br>30 June 2013 |
|-------------------------------------------------|-----------------------------------------------------|----------------------------|---------------------------|------------------|---------------------------------------------|
| <b>Directors</b>                                |                                                     |                            |                           |                  |                                             |
| C. G. B. Rubino                                 | 2,004,000                                           | -                          | -                         | 10,816           | 2,014,816                                   |
| R. Velletri                                     | 2,250,000                                           | -                          | 250,000                   | -                | 2,500,000                                   |
| I. Tollman                                      | 667,586                                             | -                          | -                         | (87,972)         | 579,614                                     |
| P. J. Dempsey                                   | 78,000                                              | -                          | -                         | -                | 78,000                                      |
| C. P. Micheltmore                               | 18,597                                              | -                          | -                         | -                | 18,597                                      |
| <b>Executives</b>                               |                                                     |                            |                           |                  |                                             |
| D. Foti                                         | 556,816                                             | -                          | 140,000                   | (400,000)        | 296,816                                     |
| A. Erdash                                       | 405,000                                             | -                          | 70,000                    | (10,000)         | 465,000                                     |
| Z. Bebic                                        | 110,000                                             | -                          | 70,000                    | (10,000)         | 170,000                                     |
| S. Murray #                                     | 3,850                                               | -                          | 35,000                    | (38,850)         | -                                           |
| <b>Total</b>                                    | <b>6,093,849</b>                                    | <b>-</b>                   | <b>565,000</b>            | <b>(536,006)</b> | <b>6,122,843</b>                            |

# S. Murray ceased to meet the definition of Key Management Personnel on 24 June 2013 following his resignation from the Company.

| Shares Held in<br>Monadelphous<br>Group Limited | Balance at<br>Beginning of<br>Period<br>1 July 2011 | Granted as<br>Remuneration | On Exercise<br>of Options | Net Change Other | Balance at End<br>of Period<br>30 June 2012 |
|-------------------------------------------------|-----------------------------------------------------|----------------------------|---------------------------|------------------|---------------------------------------------|
| <b>Directors</b>                                |                                                     |                            |                           |                  |                                             |
| C. G. B. Rubino                                 | 2,004,000                                           | -                          | -                         | -                | 2,004,000                                   |
| R. Velletri                                     | 2,125,000                                           | -                          | 125,000                   | -                | 2,250,000                                   |
| I. Tollman                                      | 667,586                                             | -                          | -                         | -                | 667,586                                     |
| P. J. Dempsey                                   | 78,000                                              | -                          | -                         | -                | 78,000                                      |
| C. P. Micheltmore                               | 18,597                                              | -                          | -                         | -                | 18,597                                      |
| <b>Executives</b>                               |                                                     |                            |                           |                  |                                             |
| D. Foti                                         | 716,816                                             | -                          | 70,000                    | (230,000)        | 556,816                                     |
| A. Erdash                                       | 370,000                                             | -                          | 35,000                    | -                | 405,000                                     |
| C. Tabrett ^                                    | 10,000                                              | -                          | 35,000                    | (45,000)         | -                                           |
| Z. Bebic                                        | 80,000                                              | -                          | 35,000                    | (5,000)          | 110,000                                     |
| S. Murray                                       | -                                                   | -                          | 17,500                    | (13,650)         | 3,850                                       |
| <b>Total</b>                                    | <b>6,069,999</b>                                    | <b>-</b>                   | <b>317,500</b>            | <b>(293,650)</b> | <b>6,093,849</b>                            |

^ C. Tabrett ceased to meet the definition of Key Management Personnel in December 2011 following the consolidation of the Eastern and Western regions of the Maintenance & Industrial Services division and the appointment of an Executive General Manager for the consolidated Maintenance & Industrial Services division. Net change other represents shares held on the date of ceasing to meet the definition of Key Management Personnel.

## 24. KEY MANAGEMENT PERSONNEL (CONTINUED)

### (d) Loans to Key Management Personnel

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.

|                                                                                                            | 2013<br>\$       | 2012<br>\$ |
|------------------------------------------------------------------------------------------------------------|------------------|------------|
| <b>25. AUDITORS' REMUNERATION</b>                                                                          |                  |            |
| The auditor of Monadelphous Group Limited is Ernst & Young.                                                |                  |            |
| <i>Amounts received or due and receivable by Ernst &amp; Young Australia for:</i>                          |                  |            |
| - An audit or review of the financial report of the entity and any other entity in the consolidated entity | <b>180,850</b>   | 168,550    |
| - Other services in relation to the entity and any other entity in the consolidated entity                 |                  |            |
| - tax compliance                                                                                           | <b>25,711</b>    | 35,918     |
| - assurance related                                                                                        | <b>5,665</b>     | 5,665      |
|                                                                                                            | <b>212,226</b>   | 210,133    |
| <i>Amounts received or due and receivable by other accounting firms for:</i>                               |                  |            |
| - tax compliance*                                                                                          | <b>1,019,191</b> | 875,352    |
| - other services                                                                                           | <b>34,000</b>    | 74,770     |
|                                                                                                            | <b>1,053,191</b> | 950,122    |

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 2013 relate predominantly to the application for Research and Development Tax Concessions and overseas tax compliance services.



## 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 | 2013 %                                 | 2012 % | 2013 \$'000              | 2012 \$'000 |
| Parent:                                                       |                          |                                        |        |                          |             |
| Monadelphous Group Limited                                    |                          |                                        |        |                          |             |
| Controlled entities of Monadelphous Group Limited:            |                          |                                        |        |                          |             |
| *Monadelphous Engineering Associates Pty Ltd                  | Australia                | 100                                    | 100    | 27,688                   | 22,850      |
| Skystar Airport Services Pty Ltd                              | Australia                | 100                                    | 100    | 489                      | 451         |
| *Monadelphous Properties Pty Ltd                              | Australia                | 100                                    | 100    | 1,941                    | 1,941       |
| *Monadelphous Engineering Pty Ltd                             | Australia                | 100                                    | 100    | 4,407                    | 3,875       |
| *Genco Pty Ltd                                                | Australia                | 100                                    | 100    | 342                      | 342         |
| *Monadelphous Workforce Pty Ltd                               | Australia                | 100                                    | 100    | 370                      | 370         |
| *Monadelphous Electrical & Instrumentation Pty Ltd            | Australia                | 100                                    | 100    | 5,403                    | 4,970       |
| *Monadelphous KT Pty Ltd                                      | Australia                | 100                                    | 100    | 16,078                   | 15,951      |
| *Monadelphous Energy Services Pty Ltd                         | Australia                | 100                                    | 100    | 4,434                    | 4,434       |
| SinoStruct Pty Ltd                                            | Australia                | 100                                    | 100    | 217                      | 116         |
| Monadelphous Group Limited Employee Share Trust               | Australia                | 100                                    | 100    | -                        | -           |
| Skystar Airport Services Holdings Pty Ltd                     | Australia                | 100                                    | 100    | -                        | -           |
| Monadelphous PNG Ltd                                          | Papua New Guinea         | 100                                    | 100    | -                        | -           |
| Skystar Airport Services NZ Pty Ltd                           | New Zealand              | 100                                    | 100    | -                        | -           |
| Moway International Limited                                   | Hong Kong                | 100                                    | 100    | 443                      | 443         |
| Moway AustAsia Steel Structures Trading (Beijing) Company Ltd | China                    | 100                                    | 100    | -                        | -           |
| Monadelphous Singapore Pte Ltd                                | Singapore                | 100                                    | -      | 144                      | -           |
| Monadelphous Mongolia LLC                                     | Mongolia                 | 100                                    | -      | -                        | -           |
|                                                               |                          |                                        |        | 61,956                   | 55,743      |

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

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

|                                                  | CLOSED GROUP |             |
|--------------------------------------------------|--------------|-------------|
|                                                  | 2013 \$'000  | 2012 \$'000 |
| <b>Consolidated Income Statement</b>             |              |             |
| Profit before income tax                         | 200,959      | 160,836     |
| Income tax expense                               | (58,604)     | (40,763)    |
| Net profit after tax for the period              | 142,355      | 120,073     |
| Retained earnings at the beginning of the period | 130,390      | 103,413     |
| Dividends paid                                   | (124,180)    | (93,096)    |
| Retained earnings at the end of the period       | 148,565      | 130,390     |

**Notes to the Consolidated Financial Statements (Continued)**  
For The Year Ended 30 June 2013

**26. RELATED PARTY DISCLOSURES (CONTINUED)**

|                                                     | CLOSED GROUP   |                |
|-----------------------------------------------------|----------------|----------------|
|                                                     | 2013<br>\$'000 | 2012<br>\$'000 |
| <b>Consolidated Statement of Financial Position</b> |                |                |
| <b>ASSETS</b>                                       |                |                |
| <b>Current assets</b>                               |                |                |
| Cash and cash equivalents                           | 180,943        | 193,690        |
| Trade and other receivables                         | 206,798        | 185,701        |
| Inventories                                         | 131,899        | 63,774         |
| Derivative financial instruments                    | 263            | 433            |
| <b>Total current assets</b>                         | <b>519,903</b> | <b>443,598</b> |
| <b>Non-current assets</b>                           |                |                |
| Investments in subsidiaries                         | 1,294          | 1,010          |
| Available-for-sale financial assets                 | 3,511          | -              |
| Property, plant and equipment                       | 118,979        | 125,816        |
| Deferred tax assets                                 | 31,482         | 27,387         |
| Intangible assets and goodwill                      | 4,797          | 5,918          |
| <b>Total non-current assets</b>                     | <b>160,063</b> | <b>160,131</b> |
| <b>TOTAL ASSETS</b>                                 | <b>679,966</b> | <b>603,729</b> |
| <b>LIABILITIES</b>                                  |                |                |
| <b>Current liabilities</b>                          |                |                |
| Trade and other payables                            | 196,088        | 232,520        |
| Interest bearing loans and borrowings               | 22,547         | 18,783         |
| Income tax payable                                  | 25,235         | 12,249         |
| Provisions                                          | 133,490        | 88,826         |
| <b>Total current liabilities</b>                    | <b>377,360</b> | <b>352,378</b> |
| <b>Non-current liabilities</b>                      |                |                |
| Interest bearing loans and borrowings               | 32,596         | 31,838         |
| Provisions                                          | 7,142          | 4,806          |
| <b>Total non-current liabilities</b>                | <b>39,738</b>  | <b>36,644</b>  |
| <b>TOTAL LIABILITIES</b>                            | <b>417,098</b> | <b>389,022</b> |
| <b>NET ASSETS</b>                                   | <b>262,868</b> | <b>214,707</b> |
| <b>EQUITY</b>                                       |                |                |
| Contributed equity                                  | 83,448         | 57,876         |
| Reserves                                            | 30,855         | 26,441         |
| Retained earnings                                   | 148,565        | 130,390        |
| <b>TOTAL EQUITY</b>                                 | <b>262,868</b> | <b>214,707</b> |

**Ultimate Parent**

Monadelphous Group Limited is the ultimate holding company.

## 27. EVENTS AFTER THE REPORTING PERIOD

On 19 August 2013, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2013 financial year. The total amount of the dividend is \$68,205,193 which represents a fully franked final dividend of 75 cents per share. This dividend has not been provided for in the 30 June 2013 financial statements. The Monadelphous Group Limited Dividend Reinvestment plan will apply to the dividend.

On 19 August 2013, the Group entered into an agreement to sell its wholly owned Skystar operating subsidiaries, Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd. The agreement with Menzies Aviation, a division of John Menzies plc, is subject to regulatory approvals and completion is expected to occur around the end of September 2013. The financial impact of this transaction is not expected to be material to the results of the Group for the year ending 30 June 2014.

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

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

### (a) Risk exposures and responses

#### *Interest rate risk*

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

|                           | Notes | 2013<br>\$'000 | 2012<br>\$'000 |
|---------------------------|-------|----------------|----------------|
| <b>Financial assets</b>   |       |                |                |
| Cash and cash equivalents | 18(b) | <b>195,341</b> | 203,556        |
| Net exposure              |       | <b>195,341</b> | 203,556        |

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)**

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

At 30 June 2013, if variable interest rates 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<br>Higher/(Lower) |                | Other Comprehensive Income<br>Higher/(Lower) |                |
|-------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------|----------------------------------------------|----------------|
|                                                                                                             | <b>2013<br/>\$'000</b>            | 2012<br>\$'000 | <b>2013<br/>\$'000</b>                       | 2012<br>\$'000 |
| Consolidated                                                                                                |                                   |                |                                              |                |
| +0.5% (2012: +0.5%)                                                                                         | <b>684</b>                        | 712            | -                                            | -              |
| -0.5% (2012: -0.5%)                                                                                         | <b>(684)</b>                      | (712)          | -                                            | -              |

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, China and Mongolia the Group's statement of financial position can be affected by movements in the US\$/A\$, NZ\$/A\$, PNGK/A\$, EUR/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 manage foreign exchange exposure by purchasing foreign currency or taking out forward contracts for the amount of foreign currency required. Where possible, Monadelphous does not take on foreign exchange risk. At 30 June 2013, the Group had forward contracts to purchase US\$3,300,000 over the next 12 months. Refer to note 8 for further information.

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

At 30 June 2013, the Group had the following exposure to US\$ foreign currency:

|                                  | <b>2013<br/>\$'000</b> | 2012<br>\$'000 |
|----------------------------------|------------------------|----------------|
| <b>Financial assets</b>          |                        |                |
| Cash and cash equivalents        | <b>12,206</b>          | 14,451         |
| Trade and other receivables      | <b>152</b>             | 7,220          |
| Derivative financial instruments | <b>263</b>             | 433            |
| Net exposure                     | <b>12,621</b>          | 22,104         |

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

At 30 June 2013, 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<br>Higher/(Lower) |                | Other Comprehensive Income<br>Higher/(Lower) |                |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------|----------------------------------------------|----------------|
|                                                                                                               | 2013<br>\$'000                    | 2012<br>\$'000 | 2013<br>\$'000                               | 2012<br>\$'000 |
| Consolidated                                                                                                  |                                   |                |                                              |                |
| +5% (2012: +5%)                                                                                               | (442)                             | (774)          | -                                            | -              |
| -5% (2012: -5%)                                                                                               | 442                               | 774            | -                                            | -              |

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

At 30 June 2013, the Group had the following exposure to Euro foreign currency:

|                           | 2013<br>\$'000 | 2012<br>\$'000 |
|---------------------------|----------------|----------------|
| <b>Financial assets</b>   |                |                |
| Cash and cash equivalents | 1,848          | 17,048         |
| Net exposure              | 1,848          | 17,048         |

At 30 June 2013, if the Euro 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 Euro: | Post Tax Profit<br>Higher/(Lower) |                | Other Comprehensive Income<br>Higher/(Lower) |                |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------|----------------------------------------------|----------------|
|                                                                                                               | 2013<br>\$'000                    | 2012<br>\$'000 | 2013<br>\$'000                               | 2012<br>\$'000 |
| Consolidated                                                                                                  |                                   |                |                                              |                |
| +5% (2012: +5%)                                                                                               | (65)                              | (597)          | -                                            | -              |
| -5% (2012: -5%)                                                                                               | 65                                | 597            | -                                            | -              |

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

At 30 June 2013, the Group had the following exposure to PGK foreign currency:

|                             | 2013<br>\$'000 | 2012<br>\$'000 |
|-----------------------------|----------------|----------------|
| <b>Financial assets</b>     |                |                |
| Cash and cash equivalents   | 13,327         | 8,384          |
| Trade and other receivables | 9,499          | 11,045         |
| Net exposure                | 22,826         | 19,429         |



## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

At 30 June 2013, if the PGK foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

| Judgements of reasonably possible movements relating to financial assets and liabilities denominated in PGK: | Post Tax Profit<br>Higher/(Lower) |                | Other Comprehensive Income<br>Higher/(Lower) |                |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------|----------------------------------------------|----------------|
|                                                                                                              | 2013<br>\$'000                    | 2012<br>\$'000 | 2013<br>\$'000                               | 2012<br>\$'000 |
| Consolidated                                                                                                 |                                   |                |                                              |                |
| +5% (2012: +5%)                                                                                              | (799)                             | (680)          | -                                            | -              |
| -5% (2012: -5%)                                                                                              | 799                               | 680            | -                                            | -              |

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

#### Price risk

Equity securities price risk arises from investments in equity securities. At 30 June 2013 the Group had a single equity investment which was publicly traded on the ASX. At 30 June 2012 the Group did not have any investments in equity securities.

At 30 June 2013, 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<br>Higher/(Lower) |                | Other Comprehensive Income<br>Higher/(Lower) |                |
|-------------------------------------------------------------------------------------------|-----------------------------------|----------------|----------------------------------------------|----------------|
|                                                                                           | 2013<br>\$'000                    | 2012<br>\$'000 | 2013<br>\$'000                               | 2012<br>\$'000 |
| Consolidated                                                                              |                                   |                |                                              |                |
| +15% (2012: +15%)                                                                         | -                                 | -              | 369                                          | -              |
| -15% (2012: -15%)                                                                         | (369)                             | -              | -                                            | -              |

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

#### Credit risk

The Group trades only with recognised, creditworthy third parties.

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

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

There are no significant concentrations of credit risk within the Group. The Group minimises concentrations of credit risk in relation to accounts receivable by undertaking transactions with a number of customers within the resources, energy and infrastructure industry sector. There are multiple contracts with our significant customers, across a number of their subsidiaries, divisions within those subsidiaries and locations.

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

With respect to credit risk arising from the other financial assets of the Group, which comprises cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The Group's maximum exposure to credit risk is its trade receivables which have a balance at 30 June 2013 of \$206,896,000 (2012: \$213,951,000).

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

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

#### Liquidity risk

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

The table below reflects all contractually fixed pay-offs, repayments and interest resulting from financial liabilities as of 30 June 2013.

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

|                                         | 2013<br>\$'000 | 2012<br>\$'000 |
|-----------------------------------------|----------------|----------------|
| <b>Derivative financial instruments</b> |                |                |
| 6 months or less                        | 263            | 143            |
| 6 - 12 months                           | -              | 290            |
|                                         | <b>263</b>     | <b>433</b>     |
| <b>Financial liabilities</b>            |                |                |
| 6 months or less                        | 245,633        | 291,508        |
| 6 - 12 months                           | 12,553         | 11,047         |
| 1 - 5 years                             | 33,300         | 34,330         |
|                                         | <b>291,486</b> | <b>336,885</b> |

Maturity analysis of derivative financial instruments and financial liabilities:

|                                         | 6 months<br>or less<br>\$'000 | 6 months<br>to 1 year<br>\$'000 | 1 year<br>to 5 years<br>\$'000 | Total Contractual<br>Cash Flows<br>\$'000 | Total Carrying<br>Amount<br>\$'000 |
|-----------------------------------------|-------------------------------|---------------------------------|--------------------------------|-------------------------------------------|------------------------------------|
| <b>Year ended 30 June 2013</b>          |                               |                                 |                                |                                           |                                    |
| <b>Derivative financial instruments</b> |                               |                                 |                                |                                           |                                    |
| US\$ inflows                            | 3,305                         | -                               | -                              | 3,305                                     | 263                                |
| A\$ outflows                            | (3,042)                       | -                               | -                              | (3,042)                                   | -                                  |
| Net maturity                            | <b>263</b>                    | <b>-</b>                        | <b>-</b>                       | <b>263</b>                                | <b>263</b>                         |
| <b>Financial liabilities</b>            |                               |                                 |                                |                                           |                                    |
| Trade and other payables *              | 231,636                       | -                               | -                              | 231,636                                   | 231,636                            |
| Bank loan                               | 3,116                         | 2,236                           | 6,039                          | 11,391                                    | 10,647                             |
| Hire purchase liability                 | 10,881                        | 10,317                          | 27,261                         | 48,459                                    | 44,496                             |
| Net maturity                            | <b>245,633</b>                | <b>12,553</b>                   | <b>33,300</b>                  | <b>291,486</b>                            | <b>286,779</b>                     |
| <b>Year ended 30 June 2012</b>          |                               |                                 |                                |                                           |                                    |
| <b>Derivative financial instruments</b> |                               |                                 |                                |                                           |                                    |
| US\$ inflows                            | 7,221                         | 20,159                          | -                              | 27,380                                    | 433                                |
| A\$ outflows                            | (7,078)                       | (19,869)                        | -                              | (26,947)                                  | -                                  |
| Net maturity                            | <b>143</b>                    | <b>290</b>                      | <b>-</b>                       | <b>433</b>                                | <b>433</b>                         |
| <b>Financial liabilities</b>            |                               |                                 |                                |                                           |                                    |
| Trade and other payables *              | 280,686                       | -                               | -                              | 280,686                                   | 280,686                            |
| Bank loan                               | 443                           | 402                             | 1,608                          | 2,453                                     | 2,171                              |
| Hire purchase liability                 | 10,379                        | 10,645                          | 32,722                         | 53,746                                    | 48,450                             |
| Net maturity                            | <b>291,508</b>                | <b>11,047</b>                   | <b>34,330</b>                  | <b>336,885</b>                            | <b>331,307</b>                     |

\* Note, trade and other payables includes advances on construction work in progress of \$62,328,000 (2012: \$158,202,000). This amount is expected to be settled by the performance of work rather than via contractual cash flows.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (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:

|                                  | Carrying Amount |                | Aggregate Net Fair value |                |
|----------------------------------|-----------------|----------------|--------------------------|----------------|
|                                  | 2013<br>\$'000  | 2012<br>\$'000 | 2013<br>\$'000           | 2012<br>\$'000 |
| <b>Financial assets</b>          |                 |                |                          |                |
| Cash                             | 195,341         | 203,556        | 195,341                  | 203,556        |
| Other debtors                    | 16,325          | 25,644         | 16,325                   | 25,644         |
| Receivables - trade              | 206,896         | 213,951        | 206,896                  | 213,951        |
| Available-for-sale assets        | 3,511           | -              | 3,511                    | -              |
| Derivative financial instruments | 263             | 433            | 263                      | 433            |
| Total financial assets           | 422,336         | 443,584        | 422,336                  | 443,584        |
|                                  |                 |                |                          |                |
|                                  | Carrying Amount |                | Aggregate Net Fair value |                |
|                                  | 2013<br>\$'000  | 2012<br>\$'000 | 2013<br>\$'000           | 2012<br>\$'000 |
| <b>Financial liabilities</b>     |                 |                |                          |                |
| Payables                         | 231,636         | 280,686        | 231,636                  | 280,686        |
| Bank loan                        | 10,647          | 2,171          | 10,477                   | 2,183          |
| Hire purchase liability          | 44,496          | 48,450         | 44,172                   | 48,490         |
| Total financial liabilities      | 286,779         | 331,307        | 286,285                  | 331,359        |

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

Cash and cash equivalents: 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 - Net present value calculated using forward exchange rates at the valuation date.

|                                                                         | Notes | 2013<br>\$'000   | 2012<br>\$'000 |
|-------------------------------------------------------------------------|-------|------------------|----------------|
| <b>29. PARENT ENTITY INFORMATION</b>                                    |       |                  |                |
| <b>Information relating to Monadelphous Group Limited parent entity</b> |       |                  |                |
| Current assets                                                          |       | <b>182,879</b>   | 194,589        |
| Total assets                                                            |       | <b>983,259</b>   | 741,321        |
| Current liabilities                                                     |       | <b>(747,869)</b> | (551,929)      |
| Total liabilities                                                       |       | <b>(773,932)</b> | (582,382)      |
| Net assets                                                              |       | <b>209,327</b>   | 158,939        |
| Contributed equity                                                      |       | <b>83,448</b>    | 57,876         |
| Share-based payment reserve                                             |       | <b>30,855</b>    | 26,441         |
| Retained earnings                                                       |       | <b>95,024</b>    | 74,622         |
| Total equity                                                            |       | <b>209,327</b>   | 158,939        |
| Profit after tax                                                        |       | <b>144,582</b>   | 114,068        |
| Total comprehensive income of the parent entity                         |       | <b>144,582</b>   | 101,673        |
| <b>Contingent liabilities</b>                                           |       |                  |                |
| Guarantees                                                              | 20(d) | <b>399,355</b>   | 330,170        |

Guarantees entered into by the Group are via the parent entity. Details are contained in note 20(d).

Guarantees entered into by joint ventures are via those entities directly.

**Capital commitments**

The parent entity has capital commitments of \$nil at 30 June 2013 (2012: \$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 10 September 2013.

#### a) Distribution of equity securities

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

| Category<br>(Size of Holdings) | Number of<br>Ordinary Shareholders | Number of<br>Ordinary Shares | % of<br>Issued Capital |
|--------------------------------|------------------------------------|------------------------------|------------------------|
| 1 – 1000                       | 11,940                             | 6,013,858                    | 6.61                   |
| 1,001 – 5,000                  | 6,651                              | 15,088,268                   | 16.59                  |
| 5,001 – 10,000                 | 955                                | 7,121,788                    | 7.83                   |
| 10,001 – 100,000               | 764                                | 20,208,276                   | 22.22                  |
| 100,001 – 99,999,999           | 58                                 | 42,508,068                   | 46.75                  |
| <b>Total</b>                   | <b>20,368</b>                      | <b>90,940,258</b>            | <b>100.00</b>          |

The number of shareholders holding less than marketable parcels is 219.

#### b) Twenty largest shareholders

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

| Rank | Name                                                    | Units             | % of Issued Capital |
|------|---------------------------------------------------------|-------------------|---------------------|
| 1    | HSBC Custody Nominees (Australia) Limited               | 11,556,700        | 12.71               |
| 2    | J P Morgan Nominees Australia Limited                   | 4,444,432         | 4.89                |
| 3    | National Nominees Limited                               | 3,251,616         | 3.57                |
| 4    | Citicorp Nominees Pty Limited                           | 2,760,828         | 3.03                |
| 5    | Velham Nominees Pty Ltd (The Velletri Family A/C)       | 2,500,000         | 2.75                |
| 6    | Thorney Holdings Pty Ltd                                | 2,115,000         | 2.33                |
| 7    | Rubi Holdings Pty Ltd (John Rubino Super Fund A/C)      | 2,014,816         | 2.22                |
| 8    | J P Morgan Nominees Australia Limited (Cash Income A/C) | 1,518,606         | 1.67                |
| 9    | Wilmar Enterprises Pty Ltd                              | 1,320,000         | 1.45                |
| 10   | BNP Paribas Noms Pty Ltd (DRP)                          | 802,448           | 0.88                |
| 11   | Warbont Nominees Pty Ltd (Accumulation Entrepot A/C)    | 544,485           | 0.60                |
| 12   | Equity Trustees Limited (SGH20)                         | 540,000           | 0.59                |
| 13   | CS Fourth Nominees Pty Ltd                              | 478,173           | 0.53                |
| 14   | Mrs Mabs Melville                                       | 430,000           | 0.47                |
| 15   | CPU Share Plans Pty Limited (MND VSP Control A/C)       | 415,762           | 0.46                |
| 16   | Tiga Trading Pty Ltd                                    | 400,000           | 0.44                |
| 17   | Irtol Investments Pty Ltd (Tollman Super Fund Account)  | 391,978           | 0.43                |
| 18   | Australian United Investment Company Limited            | 350,000           | 0.38                |
| 19   | Mrs Mary Teresa Erdash                                  | 335,000           | 0.37                |
| 20   | AMP Life Limited                                        | 314,482           | 0.35                |
|      | <b>Total</b>                                            | <b>36,484,326</b> | <b>40.12</b>        |

#### 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 |
|--------------------------------------|-----------------|--------|
| Mondrian Investment Partners Limited | 8,520,124       | 9.37%  |

#### d) Voting rights

On a show of hands every member or proxy present may be entitled to one vote unless a poll is called in which case every share may have one vote, subject to any voting restrictions that may apply (refer Corporations Amendments - Improving Accountability on Director and Executive Remuneration Bill 2011).

#### e) Securities 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 University Club, University of Western Australia, Crawley, WA on Tuesday 19 November 2013 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  
Level 2, 45 St George's Terrace  
Perth  
Western Australia 6000

Telephone: 1300 364 961 (Australia)  
+ 61 3 9946 4415 (Overseas)  
Facsimile: + 61 8 9323 2033  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Website: [www.investorcentre.com](http://www.investorcentre.com)

All written enquiries should include your Security Holder Reference Number or 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 Taxation 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](http://www.monadelphous.com.au)

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59 Albany Highway  
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