Monadelphous

TOGETHER WE DELIVER.

Annual Report 2014

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 Group (ASX:MND) is a company limited by shares listed on the Australian Securities Exchange and incorporated in Australia. The Company is included in the S&P/ASX100 index.

ANNUAL GENERAL MEETING

Shareholders are advised that the Monadelphous Group Limited 2014 Annual General Meeting (AGM) will be held at The University Club, University of Western Australia, Crawley, Western Australia, on Thursday, 20 November 2014 at 10am (AWST).

Cover Monadelphous employees after a day of electrical work at a coal handling preparation plant in Central Queensland

Inside Cover Head end CV 2104 entering the surge bin, Western Turner Syncline, Tom Price, Western Australia

TOGETHER WE GROW.

ABOUT THIS REPORT

The purpose of this Annual Report is to provide Monadelphous' stakeholders, including shareholders, customers, employees, suppliers and the wider community with information about the Company's performance during the 2014 financial year.

References in this Report to 'the year', 'the reporting period' and 'the period' relate to the financial year 1 July 2013 to 30 June 2014, unless otherwise stated. All dollar figures are expressed in Australian currency.

Monadelphous Group Limited (ABN 28 008 988 547) is the parent company of the Monadelphous group of companies. In this Report, unless otherwise stated, references to 'Monadelphous', 'the Company', 'the division', 'we', 'its', 'us' and 'our' refer to Monadelphous Group Limited and its subsidiaries.

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, 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, energy and infrastructure and diversify into new markets and service markets.

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.

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1 OVERVIEW

ELECTRICAL SUPERVISOR, AARON WARE AT THE TALINGA PIPELINE COMPRESSION FACILITY, QUEENSLAND

ABOUT MONADELPHOUS

2.3 $B
SALES REVENUE ACHIEVED IN THE 2014 FINANCIAL YEAR

1.5 $B
MARKET CAPITALISATION AT 30 JUNE 2014

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

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 2014, Monadelphous had a market capitalisation of approximately $1.5 billion. For the 2014 financial year, Monadelphous reported sales revenue of $2,330 million and a net profit after tax of $146 million. The Company had more than 5,000 employees operating 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' 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.

In 2007, Monadelphous' 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, following more than a decade of sustained growth, Monadelphous shares were included in the S&P/ASX 100 index.

OUR OPERATIONS

Monadelphous has two 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.

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.

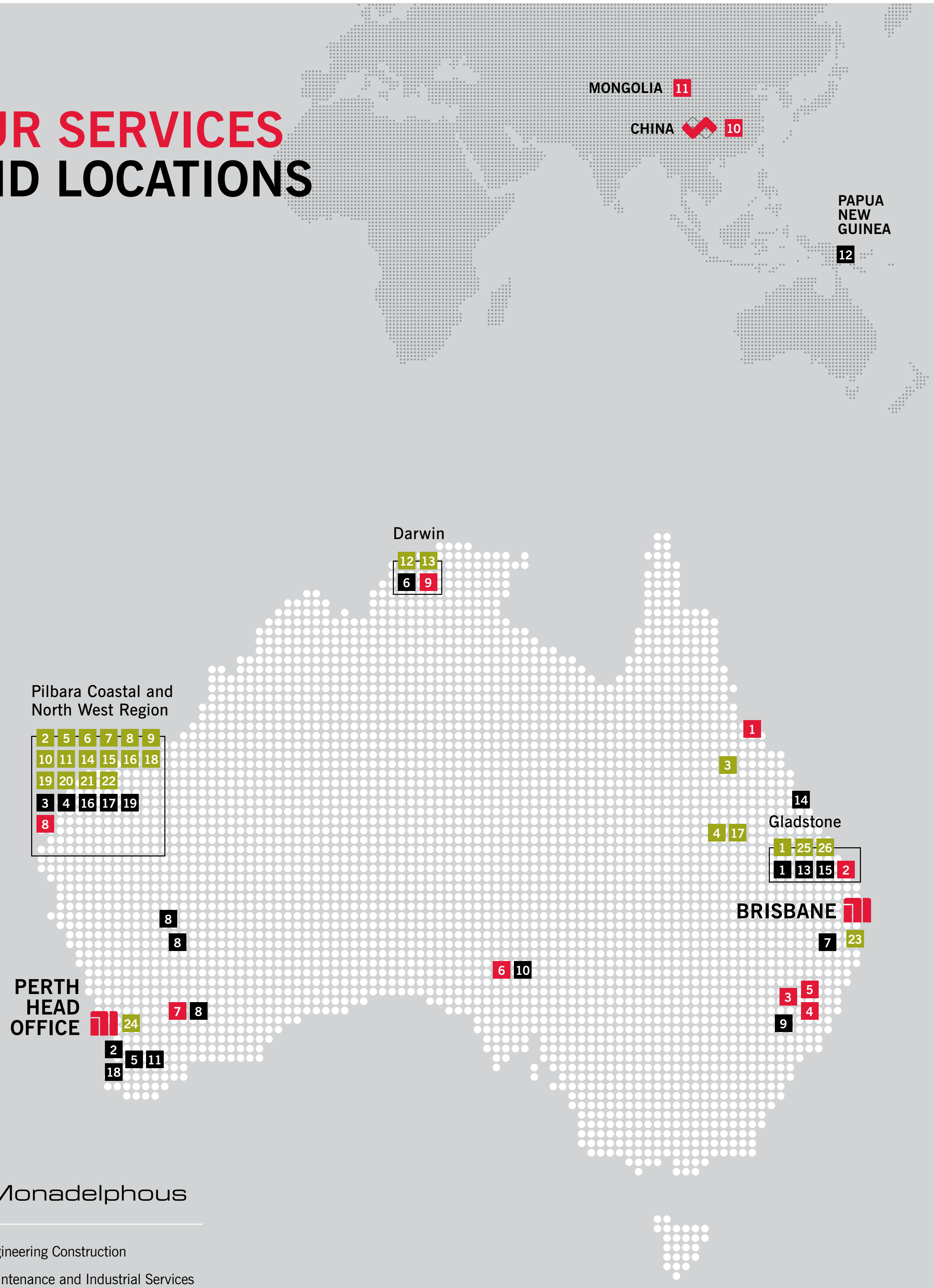
The division provides an important source of recurring revenue through its long-term contracts with major customers.

Images clockwise
Monadelphous employees working together at the Perth head office

Maintenance and Industrial Services employee works on mercury absorber, Karratha Gas plant, Karratha, Western Australia

Plant in semi-operation as seen from scrubbing and screening facility, Marandoo, Western Australia

OUR SERVICES AND LOCATIONS



Monadelphous

- Engineering Construction
- Maintenance and Industrial Services
- Regional offices

ENGINEERING CONSTRUCTION

	PROJECT	COMMODITY	LOCATION
1	Australia Pacific LNG Project	Oil & Gas	Queensland
2	Bechtel (WA) Wheatstone Project – Construction General Services 1	Oil & Gas	Ashburton North
3	Caval Ridge Mine Project	Coal	Moranbah
4	Central Highlands Regional Council East Nogoa Water Treatment Plant	Water	Emerald
5	DBP Development Group (DDG) Wheatstone Ashburton West Pipeline	Oil & Gas	Onslow
6	Fortescue River Gas Pipeline Joint Venture	Oil & Gas	Solomon Hub
7	Gorgon CO2 Injection Pipeline	Oil & Gas	Barrow Island
8	Gorgon Domestic Gas Pipeline	Oil & Gas	Pilbara
9	Gorgon Pipes, Cables and Tubes	Oil & Gas	Barrow Island
10	Fortescue River Gas Pipeline Joint Venture	Oil & Gas	Solomon Hub
11	Jimblebar Mine Project	Iron Ore	Newman
12	JKC LNG Australia, Ichthys LNG Project – Pipeline for onshore facilities	Oil & Gas	Darwin
13	JKC LNG Australia, Ichthys LNG Project – Utility and offsite area works	Oil & Gas	Darwin
14	Rio Tinto Cape Lambert Petroleum Gas Pipeline	Oil & Gas	Cape Lambert
15	Rio Tinto & Hancock Prospecting Hope Downs 4	Iron Ore	Newman
16	Rio Tinto Coastal Water Project	Iron Ore	Pannawonica, Pilbara
17	Rio Tinto Kestrel Mine Extension	Coal	Emerald
18	Rio Tinto Marandoo Mine	Iron Ore	Marandoo
19	Rio Tinto Cape Lambert Port B – Dumpers, screen house and associated conveyor and transfer stations	Iron Ore	Cape Lambert
20	Rio Tinto Cape Lambert Port B – Screen house and new car dumper	Iron Ore	Cape Lambert
21	Rio Tinto West Angelas Gas Pipeline and Facilities	Oil & Gas	Newman
22	Rio Tinto Western Turner Syncline	Iron Ore	Tom Price
23	Unitywater Sewage Treatment Plant	Water	Maleny
24	Western Metropolitan Regional Council Stage II	Water	Perth
25	Wiggins Island Coal Export Terminal – Approach jetty and wharf	Coal	Golding Point
26	Wiggins Island Coal Export Terminal – Supply of fabricated steelwork and commissioning of shiploader	Coal	Golding Point

MAINTENANCE AND INDUSTRIAL SERVICES

	CONTRACT	COMMODITY	LOCATION
1	Boyne Smelters Ltd 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	Gorgon Project Facilities Maintenance	Oil & Gas	Barrow Island
5	Collie Basin Coal Infrastructure (CBCI)	Power	Collie
6	ConocoPhillips Darwin LNG Plant	Oil & Gas	Darwin
7	Dragline Shutdowns	Coal	Bowen Basin
8	Framework Agreements – Maintenance and Shutdown	Nickel	Kalgoorlie, Leinster, Mt Keith
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 Limited Field Construction Services	Oil & Gas	Southern Highlands, PNG
13	Queensland Alumina Limited	Alumina	Gladstone
14	Queensland Curtis LNG Project	Oil and Gas	Curtis Island
15	Rio Tinto Alcan Yarwun	Alumina	Gladstone
16	Rio Tinto Maintenance	Iron Ore	Pilbara
17	Sustaining Capital Works	Iron Ore	North West
18	Tronox KMK Cogeneration Plant Works	Power	Kwinana
19	Woodside Maintenance and Shutdowns	Oil & Gas	Karratha

Monadelphous' activities are predominantly in Australia, with operations also in China and Papua New Guinea.

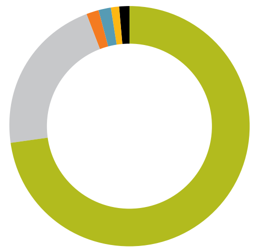
The Company operates major offices in Perth and Brisbane with a network of workshop facilities across Australia.

REGIONAL OFFICES

	LOCATION
1	Mackay
2	Gladstone
3	Gunnedah
4	Muswellbrook
5	Mt Thorley
6	Roxby Downs
7	Kalgoorlie
8	Karratha
9	Darwin
10	China (SinoStruct)
11	Mongolia

Work in Western Australia dominated the Company's revenue in 2014, followed by Queensland.

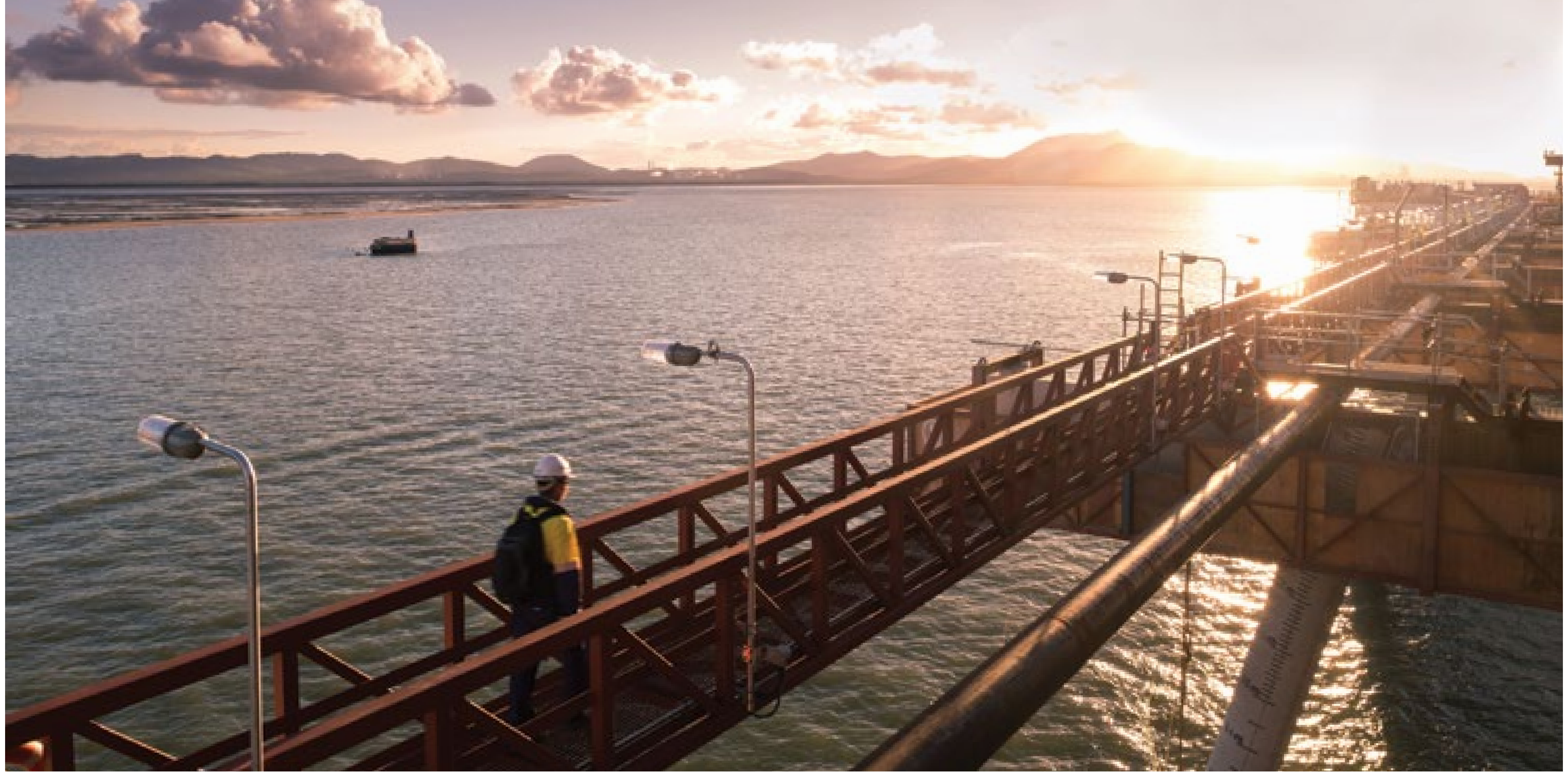
GEOGRAPHY [%]



WA	72.8%
QLD	21.6%
NT	1.6%
Overseas	1.5%
SA	1.3%
NSW	1.2%

2 OPERATING & FINANCIAL REVIEW

TWO SCRUBBER FEED CONVEYORS AS SEEN FROM THE SURGE BIN, MARANDOO, WESTERN AUSTRALIA



PERFORMANCE AT A GLANCE

Monadelphous delivered sales for the year ended 30 June 2014 of $2,330 million. This represents a decline of 11 per cent from the previous year and follows 12 consecutive years of earnings growth.

Image A MMM employee finishes a day of work on the wharf at the Wiggins Island Coal Export Terminal, Gladstone, Queensland

1.8$B

OF NEW CONTRACTS AND EXTENSIONS AWARDED DURING THE YEAR

SUMMARY OF 2014 PERFORMANCE

Monadelphous maintained its position in core markets and strengthened its position in the growing oil and gas market.

Financial

- Sales revenue down 11% to $2,330 million
- NPAT down 6% to $146.5 million
- Strong balance sheet and improved operating cash flow result
- EPS of 159.1 cents, DPS of 123 cents fully franked

Productivity

- Productivity focused cost-cutting program achieved savings of ~$53 million p.a including ~$22 million p.a. in overhead cost reductions

Operations

- LNG and CSG activity reduced the impact of a slowing resources market
- Awarded approximately $1.8 billion of new contracts and extensions
- Secured largest ever contract valued at $680 million

Safety and Wellbeing

- Another record safety performance
- TCIFR improved 21% to 3.25 incidents per million man-hours worked
- Implemented new incident management system

People and Culture

- More than 5,300 people at year-end
- Improved availability of labour contributed to greater productivity
- High levels of key talent retention and reduced staff turnover

Markets and Growth

- Strengthened position in new service markets (pipelines and marine)
- Broadened exposure to oil and gas market
- Continued focus on diversification of service offering into new markets

Skystar Aviation Services

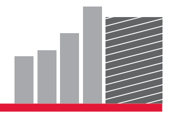
In October 2013, the Company completed the sale of the non-core aviation support services business, Skystar Airport Services, to Menzies Aviation, a division of John Menzies plc. The transaction involved the wholly owned operating subsidiaries Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd, and resulted in a one-off pre-tax gain of $10.4 million.

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.

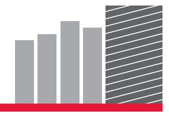
SALES REVENUE [$M]

2014	**2,329.6**	-10.9%
2013	2,614.1	
2012	1,897.5	
2011	1,443.9	
2010	1,275.4	



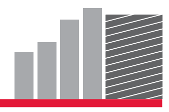
NET CASH POSITION [$M]

2014	**180.8**	+29.0%
2013	140.2	
2012	152.9	
2011	129.5	
2010	116.6	



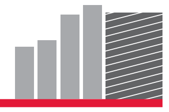
EBITDA# [$M]

2014	**231.6**	-7.9%
2013	251.6	
2012	219.9	
2011	157.6	
2010	130.8	



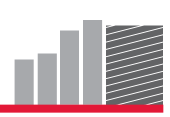
EARNINGS PER SHARE [C]

2014	**159.1**	-8.1%
2013	173.0	
2012	155.2	
2011	108.8	
2010	96.9	



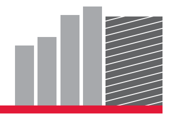
NET PROFIT AFTER TAX [$M]

2014	**146.5**	-6.3%
2013	156.3	
2012	137.3	
2011	95.1	
2010	83.2	



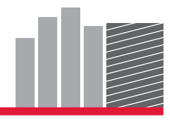
DIVIDENDS PER SHARE [C]

2014	**123.0**	-10.2%
2013	137.0	
2012	125.0	
2011	95.0	
2010	83.0	



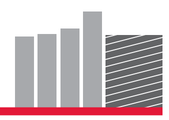
OPERATING CASH FLOW [$M]

2014	**117.6**	3.9%
2013	113.2	
2012	138.6	
2011	125.2	
2010	96.0	



EMPLOYEE NUMBERS* [GROUP]

2014	**5,321**	-24.7%
2013	7,067	
2012	5,812	
2011	5,382	
2010	5,245	

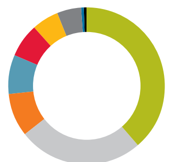


* Comparatives rebased to exclude Skystar employees.
# Comparatives restated to reflect a change in accounting policy.

END CUSTOMER [%]

Oil & Gas	40.6%
Iron Ore	35.2%
Coal	16.8%
Other Minerals	5.1%
Infrastructure	2.3%

SERVICE MARKET [%]



SMP*	38.7%
SMP* & E&I**	25.8%
E&I**	9.0%
Pipelines	8.1%
O&M***	7.0%
Marine	5.5%
Fabrication	5.0%
Water	0.6%
Airport Services	0.3%

SMP* Structural, mechanical and piping
E&I** Electrical and instrumentation
O&M*** Operations and maintenance

CHAIRMAN'S REPORT

Monadelphous achieved another solid earnings result for shareholders in 2013/14, following two years of extraordinary growth, as market conditions softened in the resources industry.

It is with great pleasure that I present the 2014 Monadelphous Group Limited Annual Report. Monadelphous achieved another solid earnings result for shareholders in 2013/14, following two years of extraordinary growth, as market conditions softened in the resources industry.

Sales revenue for the year was $2,330 million, down 10.9 per cent, reflecting weaker activity in the mining and minerals sector. Net profit after tax (NPAT) was $146.5 million, down 6.3 per cent. Earnings before interest, tax, depreciation and amortisation (EBITDA) was $231.6 million, down 7.9 per cent from the previous year.

It was pleasing that, despite the tighter market conditions, margins remained stable, supported by the Company's cost reduction program and productivity initiatives. Earnings per share was 159.1 cents, a decline of 8.1 per cent.

The Board of Directors declared a final dividend of 63 cents per share fully franked. This took the full-year dividend to 123 cents per share fully franked. The Monadelphous Dividend Reinvestment Plan applied to the final dividend.

The Company continued its outstanding safety performance with a 21 per cent improvement in the total case injury frequency rate in the latest year, leading to another record result.

Reconciliation Australia's approval of the second Monadelphous Reconciliation Action Plan (RAP) further strengthened the Company's public commitment to the implementation of its indigenous engagement strategy.

In October 2013, the Group finalised the sale of wholly owned Skystar operating subsidiaries, Skystar Airport Services and Skystar Airport Services NZ, to Menzies Aviation, a division of John Menzies plc. The sale generated a one-off pre-tax gain of approximately $10.4 million.

Monadelphous' Board and management acknowledge the contribution all Skystar employees made to the success of the business over the past 12 years.

During 2013/14, Monadelphous strengthened its position in new markets and broadened its exposure in oil and gas. More than 70 per cent of new contracts awarded during the year were from oil and gas customers, highlighting the success of the Company's long-term strategy to position itself as a leading construction and maintenance provider to the energy market.

Monadelphous remains committed to long-term growth through securing additional sources of revenue in new markets and service markets. In the new financial year and beyond, the Company will look to maximise its position in core markets by broadening its services in upstream and downstream LNG and positioning for floating LNG (FLNG). Further development of Monadelphous' integrated engineer, procure and construct (EPC) delivery model and multidisciplinary execution capabilities will also be progressed.

The Company will endeavour to expand its presence in power and water as well as marine construction and transmission pipelines.

Overseas, Monadelphous will seek to build out its position in Papua New Guinea and Mongolia and leverage opportunities for expansion in core service markets with key customers. Other opportunities include globalising the well-established China-based fabrication services and exploring prospects to enter the growing oil and gas market in North America.

The Company's strong financial position and healthy balance sheet will enable the pursuit of acquisition opportunities to advance these market growth and diversification objectives.

BOARD AND MANAGEMENT CHANGES

Dietmar Voss joined the Board as an Independent Non-Executive Director during the year. Mr Voss is a Chemical Engineer and brings more than 40 years experience in the energy and resources industries.

Mr Voss replaced Irwin Tollman, who resigned after more than 20 years of dedicated service to the Company. On behalf of the Board and employees, I extend my sincere gratitude to Irwin for his valuable contribution over that time and wish him well in his future endeavours.

In September 2014, Monadelphous announced that the company's Chief Financial Officer, Zoran Bebic, is to be appointed to the role of Executive General Manager of the Maintenance and Industrial Services division, following the retirement of the incumbent, Arif Erdash. Mr Bebic has been with the company in excess of 21 years and has held a number of corporate and general management roles during this time.

Philip Trueman, current General Manager, Human Resources will replace Mr Bebic as Chief Financial Officer. Mr Trueman is a Chartered Accountant and has been employed by the Company since 2003. Mr Bebic and Mr Trueman will officially transition to their new roles subsequent to the Company's Annual General Meeting.

Zoran and Philip's appointments highlight Monadelphous' commitment to the retention and development of its people and the emphasis placed on ensuring that robust succession plans are in place for key management roles.

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

John Rubino | Chairman

21%

IMPROVEMENT IN THE TOTAL CASE INJURY FREQUENCY RATE (TCIFR)

123c

DIVIDENDS PER SHARE, FULLY FRANKED

MANAGING DIRECTOR'S REPORT

Further broadening of the company's services in the growing oil and gas market and improved productivity helped offset expected weaker conditions in mining and minerals.

Sales revenue for Monadelphous moderated from the record levels of 2012/13 as market conditions in the mining and minerals industry weakened following a period of significant growth.

Further broadening of the company's services in the growing oil and gas market and improved productivity helped to offset expected weaker conditions in mining and minerals.

An increased exposure to growing LNG and coal seam gas (CSG) construction and maintenance activities drove revenue from oil and gas, which accounted for more than 40 per cent of sales in the latest year, five times that of 2008.

New contracts and contract extensions valued at approximately $1.8 billion were secured. Monadelphous was awarded its largest ever construction contract, valued at $680 million, at the Ichthys LNG Project in the Northern Territory and secured its first three upstream CSG construction contracts, valued at a total of $250 million, for the Australia Pacific LNG Project in Queensland.

Monadelphous' emphasis on its core value of Safety and Wellbeing delivered another record safety performance, with the total case injury frequency rate (TCIFR) for the year improving 21 per cent to 3.25 incidents per million man-hours worked. This is the Company's best ever annual result and an outstanding outcome.

The total workforce at 30 June 2014 was 5,321, approximately 25 per cent down on a like-for-like basis over the year. The reduction was in line with the completion of a number of major construction projects, slowing construction activity and the timing of ramp up for newly awarded oil and gas contracts.

The focus on improving productivity included a company-wide cost reduction program initiated in the second half of the previous year, which achieved an annualised cost saving of approximately $53 million, including $22 million in overheads. This will remain a priority to ensure the Company continues to be competitive, efficient and responsive to customer requirements.

ENGINEERING CONSTRUCTION

Following two years of extraordinary construction activity, the Engineering Construction division reported revenue of $1.67 billion, down 14 per cent on a like-for-like basis. A number of major projects were completed during the year.

Activity in iron ore and coal dominated the division's revenue. Projects in Western Australia included construction work with Bechtel at the Chevron-operated Wheatstone Project, structural, mechanical and piping (SMP) and electrical works at Rio Tinto's Marandoo Mine Phase 2 Expansion Project, construction works at the Rio Tinto Western Turner Brockman iron ore plant and SMP works for a greenfields mine processing plant at Rio Tinto and Hancock Prospecting's Hope Downs 4 Iron Ore Project.

In Queensland, the division demonstrated its multidisciplinary capability with civil, SMP and electrical and instrumentation works for a coal handling plant for BHP Billiton Mitsubishi Alliance's Caval Ridge Mine Project, south-east of Moranbah.

New contracts with a combined value of approximately $1.34 billion were secured during the year. They included the Company's largest ever contract, valued at $680 million, with JKC for SMP works at the Ichthys LNG Project in Darwin, in the Northern Territory.

MAINTENANCE AND INDUSTRIAL SERVICES

The Maintenance and Industrial Services division delivered sales revenue of $664 million, an increase of 0.3 per cent on a like-for-like basis.

Growth in oil and gas maintenance activity was offset by lower volumes in the mining and minerals sector as customers focused on reducing and deferring capital and operating expenditure. The division was awarded $415 million in new maintenance contracts and contract extensions.

The division expanded its service offering with existing customers, including working with Woodside through a newly integrated front-end support team established to carry out detailed planning for shutdowns.

OUTLOOK

Monadelphous has grown significantly over the past decade, having capitalised on strong conditions in the resources and energy sectors, as well as expanding its customer markets and service offering.

The Company has progressively diversified its earnings base from the traditional mining market. Revenues from oil and gas customers continue to increase and the contribution from new service markets including pipelines, water and marine work now make up approximately 14 per cent of revenue.

The Company has entered the new financial year with a solid workload. However, an overall decrease in construction market opportunities is likely to lead to some moderation of sales revenue in 2014/15.

Resource development investment in Australia has peaked and construction expenditure is slowing as conditions in the mining and minerals industry weaken. Construction spending in the infrastructure market is forecast to remain relatively flat, with a reasonable level of activity expected to continue in the iron ore sector.

While market conditions in mining and minerals are relatively subdued, there will be ongoing opportunities in brownfields expansion and sustaining capital works as customers focus on optimising production. Prospects in maintenance and sustaining capital works will also increase as new production assets move to the operational phase.

The Company's broad exposure to oil and gas will provide construction and maintenance opportunities in the new financial year and beyond. Future prospects include maintenance services for new LNG operations, further construction and maintenance in the CSG market in Queensland and, in the longer term, floating LNG facilities.

Cost reductions and productivity improvements will remain priorities to protect margins in a more competitive environment. Increased availability of quality labour, improved efficiency in project delivery and a focus on innovations in productivity and safety will assist in driving improvements in this area.

Rob Velletri | Managing Director

MORE THAN

40%

OF REVENUE FROM OIL AND GAS CUSTOMERS

53$M

IN COST REDUCTIONS ACHIEVED THROUGH THE COMPANY-WIDE PROGRAM

CHIEF FINANCIAL OFFICER'S REPORT

Productivity gains and cost reduction initiatives helped maintain margins despite the slowing resources market, customer cost pressures and an increasingly competitive environment.

Improved productivity supported by a comprehensive company-wide cost reduction program remained central to the Company's financial management in 2013/14 as it achieved another solid result in the face of changed market conditions and customer demands.

The program has delivered annualised cost savings of approximately $53 million, including $22 million in overhead reductions, since it began in the second half of the previous year. The savings have been generated through productivity gains and cost reduction initiatives that helped to maintain margins despite the slowing resources market, customer cost pressures and an increasingly competitive environment.

Underlying^ net profit after tax (NPAT), excluding the sale of Skystar, was $138.6 million, down 11.3 per cent. The underlying^ NPAT margin of 5.95 per cent contracted slightly from 5.98 per cent in the previous year.

Earnings per share was 150.4 cents on an underlying^ basis, a reduction of 13.1 per cent, and cash at bank increased 11.6 per cent to $217.9 million at year end.

The balance sheet was further strengthened and the year closed with a net cash position of $180.8 million, up 29 per cent on 12 months earlier.

The Board declared a final dividend of 63 cents per share fully franked to take the full-year dividend to 123 cents per share fully franked, down 10.2 per cent.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $221.2 million, a decline of 12.1 per cent on an underlying^ basis and broadly in line with the reduction in sales revenue.

Cash flow from operations was robust at $117.6 million, up 3.9 per cent on the previous 12 months, and the cash flow conversion rate was 83 per cent, on an underlying^ basis. This improved performance was driven by continued efforts in contract administration and collections, which will remain an important focus area for the business.

Capital expenditure was reduced by 84.7 per cent to $7.1 million, following a number of years of substantial investment in strategic assets and to support extraordinary levels of activity. Depreciation and amortisation charges were lower as a result of the reduction in capital expenditure.

Total bond facilities were $675.6 million at 30 June 2014, up 33.5 per cent on a year earlier, as the Company took the opportunity to secure additional capacity and greater flexibility.

The Company's cost reduction program is structured around the key areas of projects, people, procurement, plant and equipment, and property. Initiatives have included the consolidation of support and service structures, adjusting remuneration levels, review of project management and delivery methodologies focusing on leaner execution, renegotiation of large supply chain agreements and further rationalisation of plant and equipment to support more efficient fleet utilisation.

In the coming year, the Company will drive enhancements in productivity and seek to maintain a healthy balance sheet and continue to deliver sustainable financial performance.

Zoran Bebic | Chief Financial Officer

^ Refer to page 19 for the definition of underlying and reconciliation of related financial information.

COMPANY PERFORMANCE

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

	2014 $'000	2013 $'000 Restated*	2012 $'000 Restated*	2011 $'000 Restated*	2010 $'000 Restated*	2009 $'000 Restated*
Revenue	**2,332,960**	2,617,459	1,904,984	1,449,252	1,279,862	1,127,474
Profit before income tax expense	**205,203**	221,159	194,456	135,824	116,491	105,188
Income tax expense	**58,693**	64,845	57,121	40,757	33,274	30,947
Profit after income tax expense	**146,510**	156,314	137,335	95,067	83,217	74,241
Basic earnings per share	**159.05c**	173.03c	155.24c	108.84c	96.86c	87.48c
Interim dividends per share (fully franked)	**60c**	62c	50c	40c	35c	30c
Final dividends per share (fully franked)	**63c**	75c	75c	55c	48c	44c
Net tangible asset backing per share	**387.22c**	333.45c	270.34c	214.54c	164.74c	139.84c
Total equity and reserves	**362,665**	308,034	245,642	193,234	144,286	122,565
Depreciation	**25,656**	28,726	26,541	23,341	16,789	15,066
Debt to equity ratio	**10.2%**	17.9%	20.6%	22.2%	22.6%	20.3%
Return on equity	**40.4%**	50.7%	55.9%	49.2%	57.7%	60.6%
EBITDA margin	**9.9%**	9.6%	11.6%	10.9%	10.3%	10.4%

^ The term "underlying NPAT" used within this report, is a non-IFRS profit measure which refers to the statutory result for the year ended 30 June 2014 excluding the gain from the sale of subsidiaries, Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd ("Skystar"). This measure is important to management as an additional way to evaluate the Company's performance. The underlying profit measure is unaudited.

Underlying EPS is calculated by dividing underlying NPAT by the weighted average number of shares.

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)

	2014 $'000	2013 $'000 Restated*
Profit before income tax	**205,203**	221,159
Profit on sale of subsidiaries	**(10,353)**	-
Interest expense	**3,101**	3,971
Interest revenue	**(3,371)**	(3,386)
Depreciation expense	**25,656**	28,726
Amortisation expense	**1,006**	1,121
Underlying EBITDA	**221,242**	251,591

* Certain amounts shown here do not correspond to the amounts disclosed in prior years' Financial Statements and reflect restatements made. Refer to note 2b of the Financial Statements.

ENGINEERING CONSTRUCTION

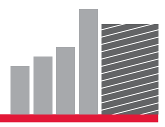
The Engineering Construction (EC) division, which provides large-scale, multidisciplinary project management and construction services, reported sales revenue of $1.67 billion, down 14 per cent.

1.34 $B

CONTRACTS WERE AWARDED TO THE DIVISION DURING THE YEAR. MORE THAN 80 PER CENT WERE IN THE OIL AND GAS SECTOR

SALES REVENUE [$M]

2014	**1,670.8**	-14.0%
2013	1,943.5	
2012	1,245.0	
2011	1,073.7	
2010	889.9	



The division was awarded $1.34 billion of contracts during the year. More than 80 per cent were in the oil and gas sector, highlighting the success of the Company's strategy to become a leading construction provider to the growing energy market.

In February 2014, Monadelphous secured its largest ever construction contract, valued at $680 million, with JKC Australia (JKC) for structural, mechanical and piping (SMP) work at the world class Ichthys LNG Project in Darwin, in the Northern Territory (NT). The division also secured its first three contracts, valued at $250 million in total, in upstream coal seam gas (CSG) construction with Australia Pacific LNG (APLNG) in Queensland.

Safety performance improved with a record number of hours lost-time injury free and the division's Supervisor Safety Leadership Training Program continued, ensuring ongoing development of leadership competencies.

During the period, the division reduced costs and enhanced productivity through better project delivery, improved systems and refinement of risk management practices.

The long-term focus on improving labour force flexibility enabled a smooth transition of personnel from resources projects to recently awarded work in oil and gas.

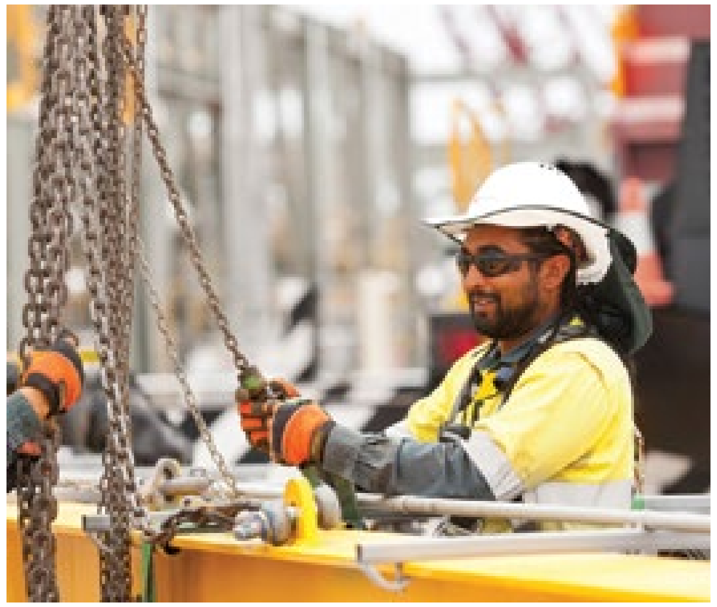
Retention of key personnel with the requisite depth, experience and knowledge was sustained at high levels during the year. Investment in future talent continued through the development of graduates in the Company's graduate program.

RESOURCES

The division remained busy with work dominated by projects in iron ore in Western Australia (WA) and coal in Queensland.

Major projects completed during 2013/14 included a coal handling plant for the BHP Billiton Mitsubishi Alliance Caval Ridge Mine Project, south-east of Moranbah in Queensland. The scope of work included structural, mechanical and electrical services, demonstrating the division's multidisciplinary capability.

Work was completed on the Rio Tinto Western Turner Syncline Project at Tom Price, WA. The large multidisciplinary construction project ran over 14 months with the scope of work including SMP,



HIGHLIGHTS

REVENUE BY END CUSTOMER [%]

Iron Ore	43.9%
Oil & Gas	34.3%
Coal	20.2%
Infrastructure	1.6%

SECURED THREE UPSTREAM COAL SEAM GAS CONTRACTS

SALES OF **1.67 $B**

680 $M AWARDED LARGEST EVER CONTRACT

Top Leading Hand Rigger, Clint Keating at the Talinga Pipeline Compression Facility, Queensland

Bottom A precast deck unit, fabricated by SinoStruct, is installed on the wharf at the Wiggins Island Coal Export Terminal, Gladstone, Queensland electrical and instrumentation (E&I) and commissioning support. More than 820 people were involved at peak manning with 72,777 conveyer idlers and 4,638 concrete sleepers installed.

In September 2013, Monadelphous began work with Rio Tinto Iron Ore at the Cape Lambert Port B Project in WA. This contract comprises SMP works for the supply and installation of a screen house, two car dumpers and associated conveyor and transfer stations. It followed other recently completed screen house and car dumper supply and installation works at Cape Lambert.

Construction continued at the Rio Tinto and Hancock Prospecting Hope Downs 4 Iron Ore Project in Newman, WA. The SMP works included supply, installation and commissioning of the mine processing plant and construction of facilities for primary and secondary crushing and dry screening, waste fines thickening and discharge return lines, stockpiling of lump and fines product, reclaiming and the train load out.

Also in WA, SMP and E&I works were completed for Rio Tinto's Marandoo Mine Phase 2 expansion project, east of Tom Price.

Image bottom Sidebooms positioning in preparation for lowering the pipe string into the trench, West Angelas, Western Australia

Image right Monadelphous employees installing the 10 tonne overhead gantry crane in the Train 2 Compressor building at the Talinga Pipeline Compression Facility, Queensland

Subsequent to the reporting period, Monadelphous secured an iron ore construction contract at the Sino Iron Project in Cape Preston, WA. The contract, valued at approximately $160 million, consists of SMP, installation and commissioning works within Concentrator lines 3 to 6. Most of the work, which started in July 2014, is on the main magnetic separator and ball mill and secondary magnetic separation facilities.

ENERGY

Revenue from oil and gas projects now makes up 34 per cent of the division's sales.

During the year the Company was awarded its largest-ever construction contract valued at $680 million at the Ichthys Project in Darwin, NT. The division also expanded its service offering into CSG through the award of three contracts, valued at approximately $250 million in total, with APLNG in Queensland.

The scope of work includes construction of an upstream gas processing facility to process gas from the project's gathering system network and installation of two CSG compressor stations and associated works to enable the transfer and metering of gas between networks. Work is expected to run to the end of the 2014 calendar year and involve a peak labour force of approximately 750.

During the year, a dedicated CSG team was established in the Brisbane office to provide additional support in the region and ensure the division is well positioned to secure future opportunities in this growing market.

Activity at the Chevron-operated Wheatstone Project located at Ashburton North, 12 km west of Onslow in WA continued during the year. Monadelphous is completing works under a Construction General Services subcontract associated with the early infrastructure scope of the project for Bechtel.

TRANSMISSION PIPELINES

The transmission pipeline business recorded a significant improvement in safety and secured two large contracts during the year. The business benefited from enhanced productivity and efficiency following its consolidation into the EC division in 2012. The consolidation has also bolstered flexibility and improved availability of management support.

Monadelphous KT secured a contract with DBP Development Group (DDG) to construct the Wheatstone Ashburton West Pipeline near Onslow WA, linking Compressor Station 2 on the Dampier to Bunbury Natural Gas Pipeline (DBNGP) to the Chevron-operated Wheatstone Project. Additionally, a contract to construct the Fortescue River Gas Pipeline from Compressor Station 1 on the DBNGP to the Fortescue-operated Solomon Hub in the Pilbara was awarded.

Work was completed on a design and construction contract, in joint venture with OSD Projects, for Rio Tinto's Cape Lambert Petroleum Gas Pipeline.

Engineer, procure and construct (EPC) works continued with JKC on the gas export pipeline for the onshore facilities of the Ichthys LNG Project near Darwin, NT.

Major activity associated with the Chevron-operated Gorgon Project on Barrow Island during the year included the installation of onshore pipes, cables and tubes; construction of a pipeline for the Project's CO2 injection operations; and construction of the onshore section of the domestic gas pipeline.

MARINE

Activity in marine was dominated by the division's contract at the Wiggins Island Coal Export Terminal (WICET) Project at Gladstone, Queensland, which is being carried out by the Monadelphous Muhibbah Marine (MMM) joint venture.

The scope of work involves the construction of an offshore plant and infrastructure to create a new coal export wharf. It includes a 1.8 km approach jetty and transfer tower platform, 0.5 km wharf structure, wharf conveyor, berthing and mooring dolphins, ship access platforms, a jetty conveyor and transfer tower.

A consistent focus on innovation and continuous improvement as well as investment in robot technology has supported better productivity outcomes through enhanced accuracy, speed and reduced cycle times.

WATER

The water infrastructure business provides multidisciplinary services in engineering, including design management, construction, commissioning and operations and maintenance. Revenue from construction activity in the water sector continued to grow and two new contracts in Queensland were secured during the year.

The contracts, awarded in October 2013, include design and construction of the East Nogoa Water Treatment Plant for the Central Highlands Regional Council in Emerald and an upgrade to the Maleny Sewage Treatment Plant for Unitywater.

Major contract activity for the year was at Rio Tinto's coastal waters supply project near Pannawonica, WA. The scope of works included construction of a potable water supply system, including bore field, collector main, transfer pump station and an 87 km transfer pipeline.

OUTLOOK

A sharp focus on improving productivity in project delivery and support services will be maintained in the coming year.

The division has continued to demonstrate its multidisciplinary capabilities across a number of large and increasingly complex projects over recent years and will look to further expand this offering through the development of its engineer, procure and construct (EPC) execution and delivery model going forward.

In the coming year, the expansion of services overseas will be progressed. Opportunities include leveraging prospects with key customers in Mongolia, where the division has an established presence, and building out the China-based fabrication services business. Expansion of the service offering into the rapidly growing oil and gas market in North America will also be pursued.

Despite a subdued outlook for capital expenditure in construction by key customers in the Australian resources market, forecast investment in oil and gas and growing the division's market share in the water and power markets will provide ongoing construction opportunities.

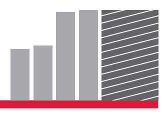
MAINTENANCE AND INDUSTRIAL SERVICES

The Maintenance and Industrial Services (M&IS) division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustaining capital works and shutdowns, reported sales revenue of $663.5 million.

70%
OF SITES WERE RECORDABLE INJURY FREE

SALES REVENUE
[$M]

2014	**663.5**	0.27%
2013	661.7	
2012	648.5	
2011	401.3	
2010	376.2	



The division's revenues were impacted as customers in the resources sector reduced or deferred non-essential maintenance expenditure. Heightened competition for new contracts and contract renewals placed further pressure on margins.

Approximately $415 million in new contracts and contract extensions were secured during the year. New contract wins included a three-year Maintenance Services Framework Agreement with BHP Billiton Nickel West for mechanical and electrical services across all its operations in Western Australia (WA) and an initial one-year contract, with an option to extend for a further four years, for dragline and shovel shutdowns at Rio Tinto Coal and Allied's Mount Thorley Warkworth and Hunter Valley operations in New South Wales.

The division also continued its strong and long-standing relationships with key customers in the energy sector, securing four contract extensions with oil and gas customers during the year.

Safety leadership remains fundamental to the division's performance and success. Its excellent performance continued during the year with 70 per cent of sites recordable-injury free and an overall lost-time injury frequency rate (LTIFR) of zero. This result maintained the trend of improved safety performance for the division.

The 10th M&IS Health, Safety and Environment Conferences, held in Perth and Brisbane, provided an opportunity for customers, key site personnel, leadership and HSE teams to meet and share their experiences. This year's conference theme was "A safe team is a productive team".

Advances in innovation and productivity were realised as a focus was maintained on driving continuous improvement through shared learning and collaboration. A second Innovation booklet was issued to support these efforts. Improvements in project controls, execution and delivery of lump sum project works also helped to protect margins.

The division continued to demonstrate its ability to manage fluctuating resource demands and provide the capacity and quality of personnel to meet customer requirements. This capability was highlighted in the successful delivery of concurrent shutdowns throughout the year. In May 2014, a workforce of more than 750 was managed in two oil and gas plant shutdowns over a six-week period, with more than 250,000 man-hours worked without injury.

HIGHLIGHTS

REVENUE BY END CUSTOMER [%]

Oil & Gas	56.8%
Other Minerals	18.1%
Iron Ore	13.6%
Coal	8.5%
Infrastructure	3.0%

CONSOLIDATED LEADING POSITION IN OIL AND GAS

REVENUE OF $663.5 MILLION, UP 0.3%

415$M SECURED IN NEW CONTRACTS AND EXTENSIONS

Top Maintenance and Industrial Services employee undertakes welding completes in the crusher house floor, Paraburdoo, Western Australia

Bottom Maintenance and Industrial Services team, Karratha Gas plant, Karratha, Western Australia

ENERGY

Ongoing contracts in the energy sector continued to dominate activity, with Monadelphous working at all three of Australia's major operating LNG plants and pre-operational services commencing for Queensland Curtis LNG.

A number of contract extensions were secured during the year.

The extensions included a one-year term for the facilities management services contract at the Chevron-operated Gorgon Project on Barrow Island, WA. The contract, initially secured in November 2009, involves operating and maintaining water and wastewater treatment plants and power generation and distribution systems, along with maintenance of accommodation and facilities.

A further one-year extension was secured for onsite services at the BP Refinery Kwinana (WA) and a two-year extension for multidisciplinary services at the Darwin LNG plant in the Northern Territory continued a relationship with ConocoPhillips established in 2006.

Outside Australia, the division continued to provide field construction services at Oil Search Limited's oil and gas production and support facilities in the Southern Highlands Province of Papua New Guinea. This contract was renewed for a further three years in December 2013.

The service offering to key customers in the oil and gas market was expanded through the establishment of a Front End Team with Woodside. The new team assists with the planning, scheduling and development of work packs to support shutdown activities at Woodside's Karratha Gas Plant and Pluto sites.

RESOURCES

Customers in the resources sector continued to focus on cost reduction and reigning in non-essential expenditure, with a flow-on impact on activity volumes.

Major activity in the sector included dragline shutdown services for BHP Billiton Mitsubishi Alliance in the Bowen Basin (Queensland), and shutdown and maintenance services for Rio Tinto's Pilbara coastal and inland west operations and BHP Billiton Nickel West (Nickel West) operations in the Goldfields in WA.

New contract wins included a three-year Maintenance Services Framework Agreement with Nickel West for mechanical and electrical services across its WA Operations and a one-year contract for dragline and shovel shutdowns at Rio Tinto Coal and Allied's Mount Thorley Warkworth and Hunter Valley operations in New South Wales.

A two-year contract extension was secured for maintenance, minor capital works and shutdown support contract at BHP Billiton's Olympic Dam operation at Roxby Downs in South Australia. Monadelphous has been operating at the Olympic Dam site for more than 20 years.

Advances in innovation and productivity were realised as a focus was maintained on driving continuous improvement through shared learning and collaboration.

POWER

The management of two long-term operations and maintenance contracts in the power sector, continued in 2013/14. They are the Collie Basin coal infrastructure contract with Synergy and a plant operations and maintenance agreement with Tronox at its Cogeneration Plant in Kwinana.

During the year, a large and complex shutdown was completed at the Kwinana plant, the fifth since the Company acquired the contract in 2011. Activity included managing the scoping, budgeting, planning, management and execution of the shutdown, which included critical work on hot gas path components of the turbine, control system and the generator. The shutdown was completed on schedule and injury free.

OUTLOOK

Opportunities for maintenance and sustaining capital works contracts will continue as a number of new resource and oil and gas production assets move into the operational phase. These include new LNG operations and CSG projects in Queensland. Other potential opportunities are in floating LNG, design and construct projects in the mining sector and marine infrastructure maintenance.

In the coming year, the division will focus on continuing to reduce costs, increase efficiencies in delivery and strive for excellence in safety performance. Improved productivity will be driven by innovation, continuous improvement and an ongoing focus on fostering and developing key talent.

Image top and right
Maintenance and Industrial Services team, Karratha Gas plant, Karratha, Western Australia

SAFETY, WELLBEING AND ENVIRONMENT

At Monadelphous, the health and safety of employees is at the forefront of everything, it is entrenched in the Company's values and supported through the safety policy message, *The Safe Way is the Only Way*.

57%

REDUCTION IN THE LOST TIME INJURY FREQUENCY RATE (LTIFR), TO 0.06 INCIDENTS PER MILLION MAN–HOURS WORKED

CDP AWARD

BEST YEAR ON YEAR CHANGE, CLIMATE DISCLOSURE SCORE

As an industry leader, Monadelphous seeks to drive innovation and enhanced productivity for its people and customers through outstanding health and safety performance.

The Company is committed to minimising the impact of its activities on the environment by identifying and mitigating risks to the natural environment and community heritage by ensuring strategies to address those risks are implemented.

PERFORMANCE

Monadelphous achieved another record safety performance for the year. The total case injury frequency rate (TCIFR) improved 21 per cent to 3.25 incidents per million man–hours worked and there was a further 57 per cent reduction in the lost time injury frequency rate (LTIFR), to 0.06 incidents per million man–hours worked. In December 2013, a significant milestone in safety performance was reached, with the Company's first month with no case injuries (recordable injuries). This achievement is a clear and demonstrable indicator of the Company's progress towards its goal of zero injuries.

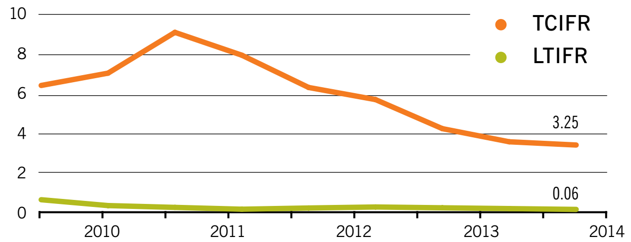
A strong environmental performance was maintained, with no serious environmental incidents reported during the year. Monadelphous continued to voluntarily monitor and report its carbon emissions data through the Carbon Disclosure Project (CDP). The Company's total carbon emissions remain under the threshold for legislative reporting. In 2013/14, total emissions were approximately 36,250 tonnes and there was a 43 per cent reduction in Scope 1 and 2 emissions compared to the previous year.

In November 2013, at the fifth annual CDP Awards, Monadelphous won the Best Year on Year Change Company category, awarded to the S&P/ASX 200 Company that has the most significant improvement in its CDP climate disclosure score.

The Monadelphous Facilities Management and Monadelphous KT – CO2 Injection Pipeline teams were jointly awarded a Golden Barrow Award in April 2014, for their outstanding environmental performance on the Chevron-operated Gorgon Project on Barrow Island, Western Australia (WA).

HIGHLIGHTS

INJURY FREQUENCY RATES*



* 12-month rolling average (per million man-hours worked)

NEW INCIDENT MANAGEMENT SYSTEM IMPLEMENTED

ANOTHER RECORD SAFETY PERFORMANCE

3.25 **INCIDENTS PER MILLION MAN-HOURS WORKED, TCIFR IMPROVED BY 21%**

KEY ACTIVITIES

Implementation of the Company's new incident management system was completed during the year. Investment in the contemporary system enhances Monadelphous' ability to analyse health, safety and environmental data for use in the ongoing development of safety management and improved sustainability performance. Additionally, improvements in efficiency will come through the ability to further streamline processes in this area.

Efforts to drive productivity while lowering overall environmental impact were progressed. Initiatives included fleet fuel efficiency improvements and reduction of electricity usage in the Company's office buildings.

Following on from Safety Leadership Programs carried out in recent years, the focus returned to supervisor safety capability in 2013/14. It has been a long held view of Monadelphous that investment in supervisor capability will return the greatest direct impact on the safe execution of work by employees on the front line. Consequently, a comprehensively revised supervisor safety training program has been introduced that includes both safety leadership and behaviour-based safety elements.

The Company continued to ensure its people showed concern and actively cared through the introduction of mental health awareness training for managers. The *beyondblue* National Workplace Program training is focused on awareness, early intervention and prevention and increasing the knowledge and skills of employees to address mental health problems in the workplace.

Monadelphous sponsored the attendance of a group of university students at the Chamber of Minerals and Energy of WA's Safety and Health Conference in WA. This is the fifth year of sponsorship of the national conference on workplace health and safety in the resources industry and demonstrates the continued support of the education of future employees about the role of safety in the industry.

OUTLOOK

Monadelphous' long-term investment in fostering a culture focused on health and safety excellence and developing its environmental practices has ensured continued improvement in performance over time.

As the Company expands and diversifies its service offering into new services and markets, it will look to evolve and adapt its safety initiatives and monitor and refine environmental targets to suit the challenges of changing project risk profiles.

Monadelphous is very proud of its reputation as an industry leader in health and safety. It will maintain the goal of an injury-free workplace and seek to ensure its people are always safe.

Image MMM employees at the Wiggins Island Coal Export Terminal in Gladstone, Queensland

PEOPLE, CULTURE AND COMMUNITY

Monadelphous is committed to attracting, developing and retaining the right people who are highly competent, live the Company's values and actively contribute to its long-term success.

This continued commitment has enabled Monadelphous to grow and achieve its vision. Its unique culture, underpinned by its core values of safety and wellbeing, integrity, achievement, teamwork and loyalty, is embodied in its people and is a significant component of its competitive advantage.

The Company's total workforce decreased by 25 per cent to 5,321 employees, on a like-for-like basis, when compared to the previous year. The reduction was due to the completion of a number of major mining and minerals projects, slowing construction activity and the timing of ramp up for newly awarded oil and gas contracts.

Adjustments to staff remuneration levels were made during the year, in line with a change in labour market conditions, following several years of restricted supply. Improved availability of labour throughout the period contributed to greater productivity, higher levels of key talent retention and an improving trend in permanent staff turnover levels.

The Monadelphous Code of Conduct, which is underpinned by the Company's core values, was reviewed and updated during the year to ensure that it continues to reflect the Company's behavioural expectations in an everchanging business environment.

In order to create and preserve an environment where the highest standards of integrity exist, Monadelphous provides a reporting framework in which employees and contractors are able to report instances of actual or suspected unethical or unlawful conduct. During the year, this framework was supplemented with a company-wide Integrity Policy, which included the implementation of an external independent reporting service called the Monadelphous Integrity Hotline through which genuine concerns regarding misconduct may be reported.

The Company's long established and successful Graduate Development Program, which supports future growth and capability within the business, continued to provide new talent. During the year, 12 first-year graduates were recruited, taking the total number on the Company's program to 90 at the end of the reporting period.

Monadelphous remains focused on identifying and retaining top talent. In the year ahead, the Company will place additional focus on succession planning for business critical roles to ensure it is well invested in its people and prepared for future market conditions.

DIVERSITY

Diversity is, and will continue to be, a priority for Monadelphous. In support of the Company's Indigenous Engagement Strategy, a second edition of the Company's Reconciliation Action Plan (RAP), covering the period 2014-2016, was launched during NAIDOC Week 2014.

The new RAP continues the commitment made by Monadelphous to make Indigenous people feel welcome, respected and valued as employees, business partners and members of the community. It 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.

There was an increase in the proportion of Indigenous employees working across the Company in 2013/14. Many new relationships were established and consolidated with Indigenous groups, creating mutually beneficial opportunities in the areas within which the Company operates.

Cultural Awareness Training sessions were conducted throughout the year, ensuring Monadelphous employees were provided with the opportunity to continue to build their cultural competency. The popular sessions, facilitated by internal managers, seek to improve employee understanding of Indigenous customs and their influence at work and in the wider community.

COMMUNITY

Monadelphous has a long history of investing in the communities in which it operates and working in partnerships that support the development of these regions. The Company supports its employees in their efforts to live the Monadelphous values through their involvement in events that assist charitable organisations.

The Company is focused on helping to address local needs and priorities. It encourages staff to contribute through participation in community events and provides support to worthy educational institutions and charitable foundations by way of sponsorships and ongoing donations.

Employees frequently raise funds and volunteer their time in events and activities to assist the communities in which they live and operate. Staff raised money for medical research through fundraising activities including Australia's Biggest Morning Tea, Cupcake Day and Movember, and through participation in a number of events such as the Bridge to Brisbane and Perth City to Surf. Monadelphous continued its support of disadvantaged families through the Smith Family and Foodbank Christmas appeals, and contributed to protecting the environment by participating in Clean Up Australia Day.

Engagement with industry organisations that help Monadelphous in building its future workforce also continued through the year, through support of Engineers Australia in Queensland and Western Australia (WA).

Barrow Island

On Barrow Island, WA, Monadelphous employees worked to identify opportunities to give new life to goods no longer required on site. With support from the Kellogg Joint Venture, employees collaborated with those of other companies to deliver more than 600 beds to families in need. The beds, originally marked for metal recycling and landfill, were donated to the St Vincent de Paul Society in WA in time for Christmas. The reuse of the goods helps people in need and reduces the amount of waste that goes to landfill, contributing to the environmental objectives on Barrow Island.

Focus Female Leadership Program

During March 2014, the Monadelphous Brisbane office hosted the Focus Female Leadership Program. The four-session program seeks to help local school students develop a greater awareness of their strengths and encourage them as leaders. Participants are selected based on their leadership potential and are mentored by executives and women in senior positions from various industries who support them in improving their leadership skills and preparing them for the corporate environment.

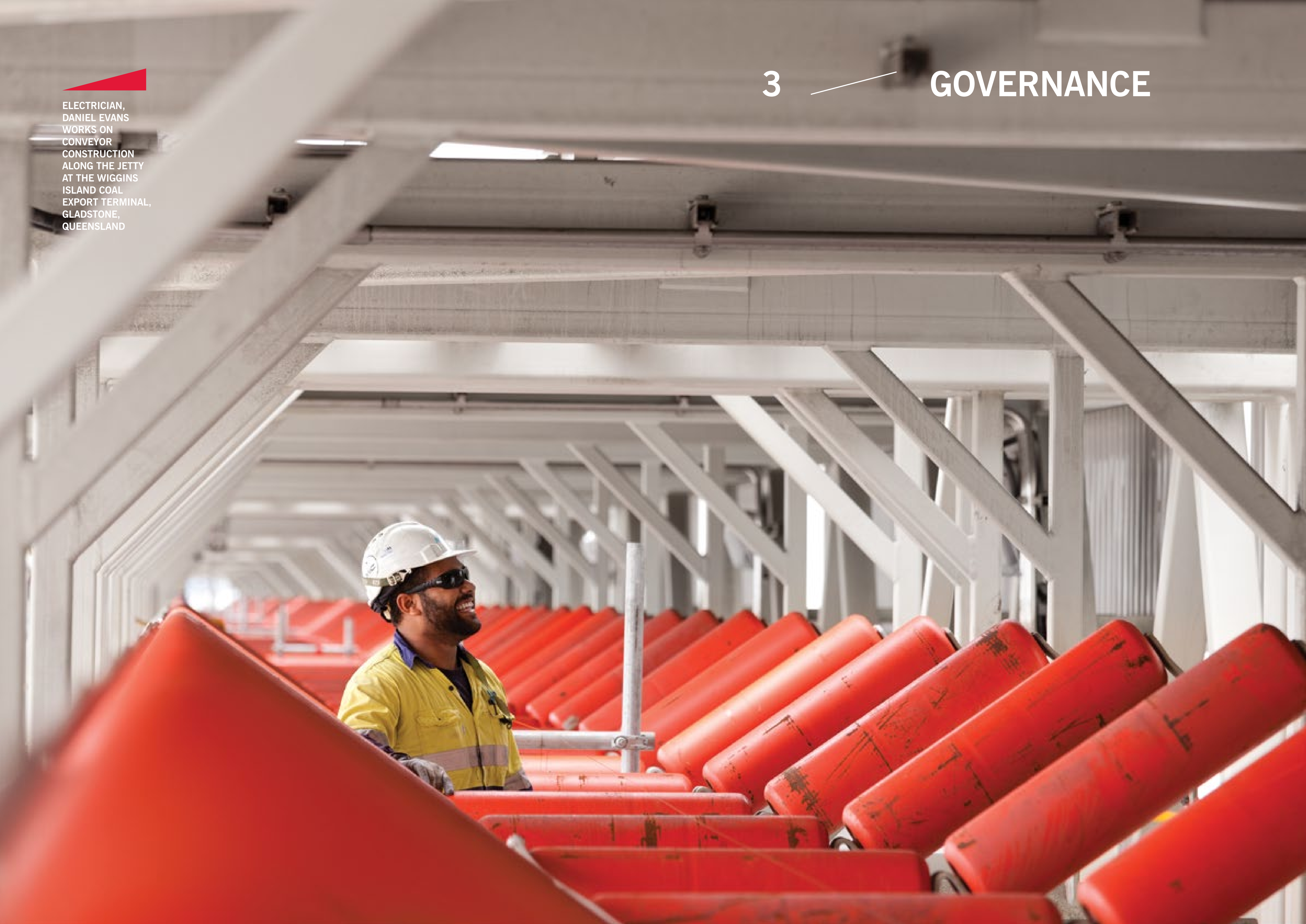
NAIDOC Week

Monadelphous is proud to show support and respect for NAIDOC Week, which provides an opportunity for Indigenous and non-Indigenous Australians to join together every July to recognise the history, culture and achievements of Indigenous people. The Company celebrated in numerous locations across Australia through activities such as family barbecues and flag raising ceremonies on site and cultural exhibitions in corporate offices.

Image left Site Administrator, Caitlin Hollis at the Talinga Pipeline Compression Facility, Queensland

Image right Monadelphous KT pipelines team, West Angelas, Western Australia

3 GOVERNANCE



ELECTRICIAN, DANIEL EVANS WORKS ON CONVEYOR CONSTRUCTION ALONG THE JETTY AT THE WIGGINS ISLAND COAL EXPORT TERMINAL, GLADSTONE, QUEENSLAND

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 48 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 35 years experience in the construction and engineering services industry. Rob is a Corporate Member of the Institution of Engineers, Australia.

PETER DEMPSEY
Non-Executive Director (Lead)

Peter was appointed to the Board on 30 May 2003. He is a Civil Engineer with 42 years experience in the construction and engineering services industry. Peter is a Fellow of the Institution of Engineers, Australia.

CHRIS MICHELMORE
Non-Executive Director

Chris was appointed to the Board on 1 October 2007. He has 42 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.

DIETMAR VOSS
Non-Executive Director

Dietmar was appointed to the Board on 10 March 2014. He has 40 years experience in the oil and gas, and mining and minerals industries throughout Australia, the US, Europe, the Middle East and Africa. Dietmar is a Chemical Engineer and has completed a Masters of Business Administration in addition to a law degree.

ZORAN BEBIC
Chief Financial Officer and Company Secretary

Zoran is a Certified Practising Accountant. He has 21 years experience with the Company and in the construction and engineering services industry. Zoran has held a number of financial and general management positions.

CORPORATE GOVERNANCE STATEMENT

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

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

Recommendation		Comply Yes / No	Reference / Explanation
Principle 1 – Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	Page 38
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 41
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	Yes*	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 41
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	
Principle 3 – Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: – the practices necessary to maintain confidence in the Company's integrity; – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website
3.2	Companies should establish a policy concerning 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 42
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 42
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	
Principle 4 – Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	Yes	Page 39
4.2	The audit committee should be structured so that it: – consists only of non-executive directors; – consists of a majority of independent directors; – is chaired by an independent chair, who is not chair of the Board; – has at least three members.	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	

CORPORATE GOVERNANCE STATEMENT

Recommendation		Comply Yes / No	Reference / Explanation
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	
Principle 6 – Respect the rights of shareholders			
6.1	Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	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 *Corporations Act 2001* 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	
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	Yes	Page 41
8.2	The remuneration committee should be structured so that it: – consists of a majority of independent directors; – is chaired by an independent chair; – has at least three members.	Yes^	Page 41
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 41
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	

*Note: The Company complied with the recommendation for part of the year commencing upon the appointment of Mr D. R. Voss to the Board.

^Note: The Company did not comply with the recommendation for a period of the year between the resignation of Mr I. Tollman and the appointment of Mr D. R. Voss.

Monadelphous Group Limited's corporate governance practices were in place throughout the year ended 30 June 2014, 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

CORPORATE GOVERNANCE STATEMENT

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 47. 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, Mr C. P. Michelmore and Mr D. R. Voss (appointed 10 March 2014) are all considered to be independent directors, representing the majority of the Board. Mr I. Tollman (resigned 31 January 2014) was not considered to be an independent director due to his previous employment in an executive capacity prior to becoming a Non-Executive Director.

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

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.

CORPORATE GOVERNANCE STATEMENT

Structure of the Board (continued)

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

C. G. B. Rubino	23 years	Executive Director
R. Velletri	22 years	Executive Director
P. J. Dempsey	11 years	Lead Independent Non-Executive Director
C. P. Michelmore	7 years	Independent Non-Executive Director
D. R. Voss	5 months	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, except with the explicit approval of the Chairman. 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 is comprised of two independent non-executive directors and the Chairman of the Board. Members of the Nomination Committee throughout the year were:

C. G. B. Rubino (Chairman)

C. P. Michelmore

P. J. Dempsey

During the year, the Nomination Committee undertook a comprehensive process to identify a new director to replace Mr I. Tollman upon his resignation from the Board. The process included a review of the current mix of qualifications, competencies and experience of the Board to identify the requirements of a new director, the shortlisting of potential candidates, interviews and background/reference checks.

For details of directors' attendance at meetings of the Nomination Committee, refer to page 60 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)

C. P. Michelmore

D. R. Voss (appointed 10 March 2014)

I. Tollman (resigned 31 January 2014)

CORPORATE GOVERNANCE STATEMENT

Audit Committee (continued)

The Company is included in the S&P All Ordinaries Index and is in the top 300 of that Index. Therefore, in accordance with ASX Listing Rule 12.7, the Company is required to comply with the principles and recommendations set by the ASX Corporate Governance Council regarding the composition, operation and responsibility of the Audit Committee. Recommendation 4.2 requires, amongst other things, an Audit Committee to have at least three members. Given that Mr I. Tollman was a member of the Audit Committee when he resigned (on 31 January 2014) the Audit Committee consisted of only two members pending the appointment of his replacement Mr D. R. Voss. Therefore the Company did not fully comply with this Recommendation (or, by extension, Listing Rule 12.7) during this interim period. The Company notified the ASX at the time and was given a period of three months (from 31 January 2014) to remedy this. During this period the Company completed a comprehensive selection process for a suitable replacement. Mr D. R. Voss was appointed as a director, and a member of the Audit Committee, on 10 March 2014.

Qualifications of Audit Committee members

Mr P. J. Dempsey, Chair of the Audit Committee, is a Civil Engineer with 42 years experience in the construction and engineering services industry. He has a Graduate Diploma in Business Administration and is also a member of the Audit Committee at ASX listed entity, Service Stream Limited. His extensive experience in construction has exposed him to the risks and accounting matters relevant to the sector and allows him to effectively assess financial reporting issues requiring critical judgement. Mr P. J. Dempsey has served on the Monadelphous Audit Committee since 2003.

Mr C. P. Michelmore is a Civil and Structural Engineer, having worked in the construction and engineering services industry throughout Australia, South East Asia and the Middle East for 42 years. He has extensive industry and project management experience, including identifying and managing financial and operational risks. Mr C. P. Michelmore has experience in financial management and the review of financial statements gained through his Executive Director roles at Connell Wagner, where he also served on the Finance Committee. Mr C. P. Michelmore is also non-executive director at an unlisted entity, where he provides financial oversight as part of his responsibilities. Mr C. P. Michelmore has served on the Monadelphous Audit Committee since 2008.

Mr D. R. Voss was appointed as a non-executive director on 10 March 2014. He is a Chemical Engineer and has 40 years experience in the oil and gas, and mining and minerals industries, throughout Australia, the US, Europe, the Middle East and Africa. He has worked at a number of global mining and engineering businesses, including BHP Billiton, Hatch and Bechtel. Mr D. R. Voss has an MBA, majoring in Finance and Quantitative Methods, a law degree, and has a range of operational, accounting and finance experience gained during his time in project management and from serving on, and chairing, a number of boards and committees throughout his career. His responsibilities included the oversight, governance and financial management of projects and operations.

Mr I. Tollman is a Chartered Accountant and a Member of the Institute of Chartered Accountants in Australia. He 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 and a half years. Mr I. Tollman resigned as a non-executive director on 31 January 2014.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to page 60 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.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

C. P. Michelmore (Chairman)

P. J. Dempsey

D. R. Voss (appointed 10 March 2014)

I. Tollman (resigned 31 January 2014)

Recommendation 8.2 of the principles and recommendations set by the Corporate Governance Council recommends that, amongst other things, a Remuneration Committee have at least three members. Given that Mr I. Tollman was a member of the Remuneration Committee when he resigned (on 31 January 2014) the Remuneration Committee consisted of only two members pending the appointment of his replacement Mr D. R. Voss. Therefore the Company did not fully comply with this Recommendation during the interim period. The Company notified the ASX at the time and was given a period of three months (from 31 January 2014) to remedy this. During this period the Company completed a comprehensive selection process for a suitable replacement and Mr D. R. Voss was appointed as a director, and a member of the Remuneration Committee, on 10 March 2014.

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to page 60 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.

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

CORPORATE GOVERNANCE STATEMENT

Diversity (continued)

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.
The provision of a paid parental leave scheme associated with the birth of an employee's child or the placement of a child with an employee for adoption.	In place.
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 provision of on-campus presentations by Monadelphous female engineers, 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 2014, 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 45%.

At the senior level, currently 24% of our senior executives, being those who report to the Managing Director, and their direct reports, are female, an increase on the previous corresponding period.

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. This Plan was reviewed, and updated for the next three years, in early July 2014.

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. 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.

During the period, Monadelphous undertook a detailed review of the Code of Conduct to ensure that it continues to reflect the Company's behavioural expectations in an ever changing business environment.

For further details of the updated version of the Code of Conduct, and the Diversity Policy please refer to our website.

CORPORATE DIRECTORY

DIRECTORS

Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Peter John Dempsey
Lead Independent Non-Executive Director

Christopher Percival Michelmore
Independent Non-Executive Director

Dietmar Robert Voss
Independent Non-Executive Director

COMPANY SECRETARIES

Zoran Bebic

Philip Trueman

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

59 Albany Highway
Victoria Park
Western Australia 6100

Telephone: +61 8 9316 1255
Facsimile: +61 8 9316 1950
Website: www.monadelphous.com.au

POSTAL ADDRESS

PO Box 600
Victoria Park
Western Australia 6979

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges 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 Georges Terrace
Perth
Western Australia 6000

Westpac Banking Corporation
109 St Georges Terrace
Perth
Western Australia 6000

HSBC
188-190 St Georges 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 Georges Terrace
Perth
Western Australia 6000

King and Wood Mallesons
152 St Georges Terrace
Perth
Western Australia 6000

CONTROLLED ENTITIES

Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Monadelphous Properties Pty Ltd
Monadelphous Workforce Pty Ltd
Genco Pty Ltd
Monadelphous Electrical & Instrumentation Pty Ltd
Monadelphous PNG Ltd
Monadelphous Holdings Pty Ltd (formerly Skystar Airport Services Holdings Pty Ltd)
Moway International Limited
SinoStruct Pty Ltd
Moway AustAsia Steel Structures Trading (Beijing) Company Limited
Monadelphous Group Limited Employee Share Trust
Monadelphous KT Pty Ltd
Monadelphous Energy Services Pty Ltd
Monadelphous Singapore Pte Ltd
Monadelphous Mongolia LLC
M Workforce Pty Ltd (incorporated 4 September 2013)
M&ISS Pty Ltd (incorporated 1 July 2014)

4 FINANCIAL REPORT

MMM EMPLOYEES AT THE WIGGINS ISLAND COAL EXPORT TERMINAL IN GLADSTONE, QUEENSLAND

CONTENTS

Image Trades Assistant, Allana Price working on the Run of Mill bin at a coal handling preparation plant in Central Queensland

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2014.

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 48 years experience in the construction and engineering services industry Also a director of one other publicly listed entity, Fortunis Resources Limited (ASX: FOT) – appointed 20 March 2013
Robert Velletri Managing Director	Appointed 26 August 1992 Mechanical Engineer, Corporate Member of Engineers Australia Appointed as Managing Director on 30 May 2003 35 years experience in the construction and engineering services industry
Peter John Dempsey Lead Independent Non-Executive Director	Appointed 30 May 2003 Civil Engineer, Fellow of Engineers Australia 42 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entities, Service Stream Limited (ASX: SSM) – appointed 1 November 2010 and Becton Property Group Limited (ASX: BEC) – appointed 25 July 2008, resigned 26 February 2013
Christopher Percival Michelmore Independent Non-Executive Director	Appointed 1 October 2007 Civil Engineer, Fellow of Engineers Australia Member Institution of Structural Engineers, UK 42 years experience in the construction and engineering services industry
Dietmar Robert Voss Independent Non-Executive Director	Appointed 10 March 2014 Chemical Engineer 40 years experience in the oil and gas, and mining and minerals industries
Irwin Tollman Non-Executive Director	Appointed 26 August 1992, Resigned 31 January 2014 Chartered Accountant, Member Institute of Chartered Accountants in Australia 22 years experience in the construction and engineering services industry Retired as Executive Director on 25 July 2003 and continued as a Non-Executive Director until his resignation

COMPANY SECRETARIES

Zoran Bebic Company Secretary and Chief Financial Officer	Appointed 24 August 2009 Certified Practising Accountant, Member of CPA Australia 21 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 14 years experience in the construction and engineering services industry

DIRECTORS' REPORT

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	2,022,653	Nil
R. Velletri	2,100,000	300,000
P. J. Dempsey	78,000	Nil
C. P. Michelmore	20,374	Nil
D. R. Voss	Nil	Nil

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	159.05
Diluted Earnings Per Share	158.95

DIVIDENDS

	Cents	$'000
Final dividends declared		
– on ordinary shares	63.00	58,388
Dividends paid during the year:		
Current year interim		
– on ordinary shares	60.00	55,385
Final for 2013		
– on ordinary shares	75.00	69,031

CORPORATE INFORMATION

Corporate structure

Monadelphous Group Limited is a company limited by shares that is incorporated and domiciled in Australia. Monadelphous Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year (refer note 25 in the financial report).

The registered office of Monadelphous Group Limited is located at:

59 Albany Highway
Victoria Park
Western Australia 6100

DIRECTORS' REPORT

CORPORATE INFORMATION (continued)

Nature of operations and principal activities

Engineering Services

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

Services provided include:

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

General

The Monadelphous Group operates from major offices in Perth and Brisbane, with a regional office in Beijing (China), 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 5,321 employees as of 30 June 2014 (2013: 7,418 employees).

OPERATING AND FINANCIAL REVIEW

Review

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

Operating results for the year

	2014 $'000	2013 $'000
Revenue from services	**2,329,589**	2,614,073
Profit after income tax expense	**146,510**	156,314

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 29 July 2014, the Company announced it had secured a major iron ore construction contract with Sino Iron Pty Ltd at the Sino Iron Project, located at Cape Preston, near Karratha in Western Australia. The contract, valued at approximately $160 million, comprises of structural, mechanical and piping installation and commissioning works within Concentrator Lines 3 to 6. The work relates to the primary magnetic separation and ball mill facilities and the secondary magnetic separation facilities.

On 18 August 2014, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is $58,388,129 which represents a fully franked final dividend of 63 cents per share. This dividend has not been provided for in the 30 June 2014 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

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

DIRECTORS' REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

The Company strives to continually improve its environmental performance.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 3,628,000 unissued ordinary shares under options as follows:

– 210,500 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $14.84. The options expire on 30 September 2014.

– 2,887,500 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $17.25. The options expire between 9 September 2014 and 14 September 2015.

– 30,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $19.31. The options expire between 9 September 2014 and 14 September 2015.

– 410,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $19.70. The options expire between 9 September 2014 and 14 September 2016.

– 90,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $17.05. The options expire between 14 September 2015 and 14 September 2017.

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

Shares issued as a result of the exercise of options

During or since the end of the financial year, employees and directors have exercised 1,375,250 options at a weighted average exercise price of $16.42. As a result of the exercise of 1,375,250 options, 1,101,371 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 $77,923 (2013: $89,599).

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*.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2014 outlines the Key Management Personnel remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

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

Details of Key Management Personnel

(i) Directors

C. G. B. Rubino	Chairman
R. Velletri	Managing Director
P. J. Dempsey	Lead Independent Non-Executive Director
C. P. Michelmore	Independent Non-Executive Director
D. R. Voss	Independent Non-Executive Director (appointed 10 March 2014)
I. Tollman	Non-Executive Director (resigned 31 January 2014)

(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

Remuneration Philosophy

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

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

Remuneration Committee

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

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

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

Remuneration Structure

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

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Non-executive director remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors based on their experience, contributions to the Company and the prevailing market conditions. The most recent determination was at the Annual General Meeting held on 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 2014 is detailed in Table 1 on page 55 of this report.

Executive remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

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

Structure

In determining the level and make-up of executive remuneration, the remuneration committee receives external survey data from a recognised remuneration research organisation and considers market levels for comparable executive roles when making its recommendations to the Board.

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

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

Fixed remuneration

Objective

The level of fixed remuneration is set 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 it's 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 55 and 56 of this report.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Executive remuneration (continued)

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 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 2013 financial year vested and was paid in the 2014 financial year. The overall performance rating for the Company was not at a level to result in the award of the STI for the 2014 financial year. No amounts were paid or are payable in relation to Key Management Personnel.

Variable remuneration – Long term incentive (LTI)

Objective

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

Structure

LTI grants to executives are delivered at the discretion of the remuneration committee in the form of options. The individual performance rating of each executive and the annual cost to the Company, on an individual basis, of any issue is taken into account when determining the amount, if any, of options granted. During the year ended 30 June 2014, there were 90,000 options granted under the Monadelphous Group Limited Employee Plan – October 2013. No Directors or Key Management Personnel received options during the year ended 30 June 2014. No options were forfeited by Key Management Personnel during the year. All executives are eligible to participate in the Monadelphous Group Limited Employee Option Plan.

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

25% 2 years after the options were issued

25% 3 years after the options were issued

50% 4 years after the options were issued

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

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Executive remuneration (continued)

Variable remuneration – Long term incentive (LTI) (continued)

Hedging of equity awards

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

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

Employment contracts

All executives have non-fixed term employment contracts. The Company or executive may terminate the employment contract by providing 3 months written notice. The Company may terminate the contract at any time without notice if serious misconduct has occurred.

Company performance

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

	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Profit after income tax expense	**146,510**	156,314	137,335	95,067	83,217	74,241
Basic earnings per share	**159.05c**	173.03c	155.24c	108.84c	96.86c	87.48c
Share price	**$15.71**	$16.14	$21.86	$18.40	$12.74	$11.90

A review of the Company's performance and returns to shareholders over the last six years has been provided on page 19 of this report.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2014

	SHORT TERM BENEFITS			POST EMPLOYMENT		LONG TERM BENEFITS	SHARE-BASED PAYMENTS			
	Salary & Fees $	Non Monetary $	Cash STI $	Super-annuation $	Retirement Benefits $	Long Service Leave $	Options LTI $	Total $	Total Performance Related %	Total Options Related %
Non-Executive Directors										
P. J. Dempsey	121,101	1,425	–	11,202	–	–	–	133,728	–	–
C. P. Michelmore	110,000	1,294	–	–	–	–	–	111,294	–	–
D. R. Voss*	22,469	264	–	2,134	–	–	–	24,867	–	–
I. Tollman^	46,667	549	–	–	–	–	–	47,216	–	–
Subtotal Non-Executive Directors	**300,237**	**3,532**	**–**	**13,336**	**–**	**–**	**–**	**317,105**	**–**	**–**
Executive Directors										
C. G. B. Rubino	436,419	4,707	–	17,775	–	7,966	–	466,867	–	–
R. Velletri	898,589	16,633	–	17,775	–	17,809	391,064	1,341,870	29.14	29.14
Subtotal Executive Directors	**1,335,008**	**21,340**	**–**	**35,550**	**–**	**25,775**	**391,064**	**1,808,737**	**21.62**	**21.62**
Other Key Management Personnel										
D. Foti	701,209	11,774	–	17,775	–	13,872	209,729	954,359	21.98	21.98
A. Erdash	480,154	11,015	–	17,775	–	15,522	125,837	650,303	19.35	19.35
Z. Bebic	466,566	8,511	–	17,775	–	8,730	125,837	627,419	20.06	20.06
Subtotal Other Key Management Personnel	**1,647,929**	**31,300**	**–**	**53,325**	**–**	**38,124**	**461,403**	**2,232,081**	**20.67**	**20.67**
Total	**3,283,174**	**56,172**	**–**	**102,211**	**–**	**63,899**	**852,467**	**4,357,923**	**19.56**	**19.56**

* D. R. Voss met the definition of Key Management Personnel from 10 March 2014 following his appointment as a Director. Remuneration in Table 1 is remuneration from the date of his appointment.

^ I. Tollman ceased to meet the definition of Key Management Personnel on 31 January 2014 following his resignation from the Company. Remuneration receivable for the period up to the date of resignation is disclosed in Table 1.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Management Personnel (continued)

Table 2: Remuneration for the year ended 30 June 2013

	SHORT TERM BENEFITS			POST EMPLOYMENT		LONG TERM BENEFITS	SHARE-BASED PAYMENTS			
	Salary & Fees $	Non Monetary $	Cash STI $	Super-annuation $	Retirement Benefits $	Long Service Leave $	Options LTI $	Total $	Total Performance Related %	Total Options Related %
Non-Executive Directors										
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	–	–
Subtotal Non-Executive Directors	**316,101**	**3,854**	**–**	**10,899**	**–**	**–**	**–**	**330,854**	**–**	**–**
Executive Directors										
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
Subtotal Executive Directors	**1,306,426**	**22,856**	**110,000**	**32,940**	**–**	**70,976**	**587,655**	**2,130,853**	**32.74**	**27.58**
Other Key Management Personnel										
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	–	–
Subtotal Other Key Management Personnel	**2,090,413**	**40,182**	**250,000**	**65,247**	**–**	**102,248**	**665,658**	**3,213,748**	**28.49**	**20.71**
Total	**3,712,940**	**66,892**	**360,000**	**109,086**	**–**	**173,224**	**1,253,313**	**5,675,455**	**28.43**	**22.08**

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 2.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Management Personnel (continued)

Table 3: Compensation options: Granted during the year ended 30 June 2014

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

Table 4: 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 were exercisable between 1 September 2013 and 10 September 2013.

Table 5: Shares issued on exercise of compensation options during the year ended 30 June 2014

	Options Vested Number	Options Exercised Number	Shares Issued Number	Paid $ per Share
Directors				
R. Velletri^	100,000	100,000	100,000	17.25
Executives				
D. Foti^	62,500	62,500	62,500	17.25
A. Erdash^	37,500	37,500	7,053	17.25
Z. Bebic^	37,500	37,500	37,500	17.25
Total	237,500	237,500	207,053	

^ On 10 September 2013, the date of exercise of the above options, the closing share price was $19.64.

Table 6: 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
Directors				
R. Velletri*	250,000	250,000	250,000	10.00
Executives				
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
Total	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.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Additional disclosures relating to options and shares

Table 7: Option holdings of Key Management Personnel

Options held in Monadelphous Group Limited	Balance at Beginning of Period 1 July 2013	Granted as Remuneration	Options Vested and Exercised	Net Change Other	Balance at End of Period 30 June 2014
Directors					
C. G. B. Rubino	–	–	–	–	–
R. Velletri	400,000	–	(100,000)	–	300,000
P. J. Dempsey	–	–	–	–	–
C. P. Michelmore	–	–	–	–	–
D. R. Voss	–	–	–	–	–
I. Tollman	–	–	–	–	–
Executives					
D. Foti	250,000	–	(62,500)	–	187,500
A. Erdash	150,000	–	(37,500)	–	112,500
Z. Bebic	150,000	–	(37,500)	–	112,500
Total	950,000	–	(237,500)	–	712,500

No options held by Key Management Personnel at 30 June 2014 had vested or were exercisable at that date.

Options held in Monadelphous Group Limited	Balance at Beginning of Period 1 July 2012	Granted as Remuneration	Options Vested and Exercised	Net Change Other	Balance at End of Period 30 June 2013
Directors					
C. G. B. Rubino	–	–	–	–	–
R. Velletri	650,000	–	(250,000)	–	400,000
I. Tollman	–	–	–	–	–
P. J. Dempsey	–	–	–	–	–
C. P. Michelmore	–	–	–	–	–
Executives					
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)	–
Total	1,615,000	–	(565,000)	(100,000)	950,000

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 were exercisable in September 2013.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Additional disclosures relating to options and shares (continued)

Table 8: Shareholdings of Key Management Personnel

Shares held in Monadelphous Group Limited	Balance at Beginning of Period 1 July 2013	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance at End of Period 30 June 2014
Directors					
C. G. B. Rubino	2,014,816	–	–	7,837	2,022,653
R. Velletri	2,500,000	–	100,000	(500,000)	2,100,000
P. J. Dempsey	78,000	–	–	–	78,000
C. P. Michelmore	18,597	–	–	1,777	20,374
D. R. Voss	–	–	–	–	–
I. Tollman	579,614	–	–	(579,614)^	–
Executives					
D. Foti	296,816	–	62,500	–	359,316
A. Erdash	465,000	–	7,053	–	472,053
Z. Bebic	170,000	–	37,500	(87,500)	120,000
Total	6,122,843	–	207,053	(1,157,500)	5,172,396

^ I. Tollman ceased to meet the definition of Key Management Personnel on 31 January 2014 following his resignation as a Director. Net Change Other represents shares held on the date of ceasing to meet the definition of Key Management Personnel and the removal of these shares from the total shareholding of Key Management Personnel.

Shares held in Monadelphous Group Limited	Balance at Beginning of Period 1 July 2012	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance at End of Period 30 June 2013
Directors					
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. Michelmore	18,597	–	–	–	18,597
Executives					
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)#	–
Total	6,093,849	–	565,000	(536,006)	6,122,843

S. Murray ceased to meet the definition of Key Management Personnel on 24 June 2013 following his resignation from the Company. Net Change Other represents shares held on the date of ceasing to meet the definition of Key Management Personnel.

Loans to Key Management Personnel and their related parties

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

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

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

END OF REMUNERATION REPORT

DIRECTORS' 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:

		MEETINGS OF COMMITTEES		
	Directors' Meetings	Audit	Remuneration	Nomination
Number of meetings held:	17	5	3	3
Number of meetings attended:				
C. G. B. Rubino	17	–	–	3
R. Velletri	17	–	–	–
P. J. Dempsey	17	5	3	3
C. P. Michelmore	16	5	3	3
D. R. Voss	5	1	1	–
I. Tollman	5	–	–	–

COMMITTEE MEMBERSHIP

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

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

Audit	Remuneration	Nomination
P. J. Dempsey (c)	C. P. Michelmore (c)	C. G. B. Rubino (c)
C. P. Michelmore	P. J. Dempsey	C. P. Michelmore
D. R. Voss (appointed 10 March 2014)	D. R. Voss (appointed 10 March 2014)	P. J. Dempsey
I. Tollman (resigned 31 January 2014)	I. Tollman (resigned 31 January 2014)	

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

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars ($'000) (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

CORPORATE GOVERNANCE

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

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

DIRECTORS' REPORT

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

EY
Building a better working world

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

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

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

In relation to our audit of the financial report of Monadelphous Group Limited for the financial year ended 30 June 2014, 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
18 August 2014

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	**43,500**
Assurance related	**5,665**
	49,165

Signed in accordance with a resolution of the directors.

C. G. B. Rubino
Chairman
Perth, 18 August 2014

INDEPENDENT AUDIT REPORT

Building a better working world

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

Tel: +61 8 9429 2222
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Independent auditor's report to the members of Monadelphous Group Limited

Report on the financial report

We have audited the accompanying financial report of Monadelphous Group Limited, which comprises the consolidated statement of financial position as at 30 June 2014, 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.

INDEPENDENT AUDIT REPORT

Building a better working world

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 2014 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 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
18 August 2014

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

DIRECTORS' DECLARATION

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 2014 and of its performance for the year ended on that date; and

      (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and

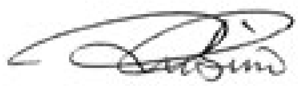
   (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

   (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 2014.

3) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



C. G. B. Rubino
Chairman
Perth, 18 August 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $'000	2013 $'000 Restated*
Continuing Operations			
REVENUE	3(a)	**2,332,960**	2,617,459
Cost of services rendered		**(2,095,472)**	(2,337,314)
GROSS PROFIT		**237,488**	280,145
Other income	3(b)	**5,696**	3,114
Profit on disposal of subsidiaries	27	**10,353**	–
Business development and tender expenses		**(16,375)**	(18,770)
Occupancy expenses		**(2,783)**	(2,935)
Administrative expenses		**(27,028)**	(37,647)
Finance costs	3(c)	**(3,101)**	(3,971)
Unrealised foreign currency gain		**953**	1,223
PROFIT BEFORE INCOME TAX		**205,203**	221,159
Income tax expense	4	**(58,693)**	(64,845)
PROFIT AFTER INCOME TAX		**146,510**	156,314
PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	17(a)	**146,510**	156,314
Basic earnings per share (cents per share)	22	**159.05**	173.03
Diluted earnings per share (cents per share)	22	**158.95**	170.55

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect restatements made, refer to note 2b.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	2014 $'000	2013 $'000
NET PROFIT FOR THE PERIOD	**146,510**	156,314
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	**58**	272
Income tax effect	**–**	–
	58	272
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**58**	272
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	**146,568**	156,586

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT AS 30 JUNE 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	18(b)	**217,859**	195,341
Trade and other receivables	6	**230,833**	223,221
Inventories	7	**157,580**	173,732
Derivative financial instruments	8	**–**	263
Total current assets		**606,272**	592,557
Non-current assets			
Available-for-sale financial assets	9	**2,731**	3,511
Property, plant and equipment	10	**109,277**	135,656
Deferred tax assets	4	**28,086**	33,730
Intangible assets and goodwill	11	**3,791**	4,797
Total non-current assets		**143,885**	177,694
TOTAL ASSETS		**750,157**	770,251
LIABILITIES			
Current liabilities			
Trade and other payables	13	**225,862**	231,636
Interest bearing loans and borrowings	14	**20,001**	22,547
Income tax payable	4	**3,352**	27,269
Provisions	15	**113,346**	140,311
Total current liabilities		**362,561**	421,763
Non-current liabilities			
Interest bearing loans and borrowings	14	**17,030**	32,596
Provisions	15	**7,782**	7,858
Deferred tax liabilities	4	**119**	–
Total non-current liabilities		**24,931**	40,454
TOTAL LIABILITIES		**387,492**	462,217
NET ASSETS		**362,665**	308,034
EQUITY			
Contributed equity	16	**112,115**	83,448
Reserves	17	**34,787**	30,917
Retained earnings	17	**215,763**	193,669
TOTAL EQUITY		**362,665**	308,034

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

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

	ATTRIBUTABLE TO EQUITY HOLDERS				
	Issued Capital $'000	Share-Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'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
Total comprehensive income for the period	–	–	272	156,314	156,586
Transactions with owners in their capacity as owners					
Share-based payments	–	6,069	–	–	6,069
Exercise of employee options	19,229	–	–	–	19,229
Dividend reinvestment plan	6,343	–	–	–	6,343
Adjustment to deferred tax asset recognised on Employee Share Trust	–	(1,655)	–	–	(1,655)
Dividends paid	–	–	–	(124,180)	(124,180)
At 30 June 2013	83,448	30,855	62	193,669	308,034

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	**2014 $'000**	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**2,677,254**	2,826,393
Payments to suppliers and employees (inclusive of GST)		**(2,495,554)**	(2,659,132)
Interest received		**3,267**	3,386
Borrowing costs		**(3,101)**	(3,971)
Other income		**2,091**	1,678
Income tax paid		**(66,338)**	(55,114)
NET CASH FLOWS FROM OPERATING ACTIVITIES	18(a)	**117,619**	113,240
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**9,321**	23,775
Purchase of property, plant and equipment		**(4,240)**	(33,887)
Proceeds from disposal of subsidiaries	27	**15,547**	–
Purchase of available-for-sale financial assets		**–**	(6,266)
NET CASH FLOWS FROM/(USED) IN INVESTING ACTIVITIES		**20,628**	(16,378)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(113,358)**	(117,837)
Proceeds from issue of shares		**17,609**	19,229
Proceeds from borrowings		**3,000**	12,850
Repayment of borrowings		**(4,882)**	(1,524)
Payment of finance leases		**(19,109)**	(19,290)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(116,740)**	(106,572)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**21,507**	(9,710)
Net foreign exchange differences		**1,011**	1,495
Cash and cash equivalents at beginning of period		**195,341**	203,556
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18(b)	**217,859**	195,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. CORPORATE INFORMATION

The consolidated financial report of Monadelphous Group Limited (the Company) and its subsidiaries for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of directors on 18 August 2014.

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

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Accounting for research and development tax offset

From 1 July 2013, the Group has elected to recognise the excess of the research and development tax offset over the statutory rate ('the R&D offset') being an additional 10% deduction as a government grant under AASB 120. The new accounting policy for government grants is set out in note 2y. As the grant relates to R&D expenditure already incurred it is recognised in the income statement in the period it became receivable. In prior years, the whole R&D offset was recognised as a reduction to the income tax expense. The change results in the R&D offset being separately disclosed and simplifies the presentation of the financial statements by matching the benefit of the grant against the expenditure which generated the R&D offset. The change has been applied retrospectively in accordance with Australian Accounting standards.

The impact on the income statement is as follows:

	2014 $'000	2013 $'000
Decrease in cost of services rendered	10,463	4,581
Increase in profit before tax	10,463	4,581
Increase in income tax expense	(10,463)	(4,581)
Profit after tax	–	–

There has been no impact on retained earnings, net profit after tax, earnings per share, statement of financial position or statement of cash flows.

Australian Accounting Standards and Interpretations that have recently been issued or amended and are effective 1 July 2013 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 2014.

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 2013, including:

– AASB 10 Consolidated Financial Statements

  AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.

  The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give you control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The adoption of AASB 10 had no effect on the financial position or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Changes in accounting policies (continued)

– AASB 11 Joint Arrangements

  AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly Controlled Entities – Non-monetary Contributions by Venturers. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removed the option to account for jointly controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

  The adoption of AASB 11 had no effect on the financial position or performance of the Group.

  Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.

– AASB 12 Disclosure of Interests in Other Entities

  AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced regarding the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

– AASB 13 Fair Value Measurement

  AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

  AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

  The adoption of AASB 13 had no effect on the financial position or performance of the Group.

  Consequential amendments were also made to other standards via AASB 2011-8 which has resulted in additional disclosures around the fair values of financial instruments. Refer to note 28 for the additional disclosures.

– AASB 119 Employee Benefits (Revised 2011)

  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 the benefits are expected to be settled wholly within 12 months after the reporting date.

  The adoption of AASB 119 had no effect on the financial position or performance of the Group.

  Consequential amendments were also made to other standards via AASB 2011-10.

– AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

  AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.

  The adoption of AASB 2012-2 had no effect on the financial position or performance of the Group.

– AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle

  AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:

  – Repeat application of AASB 1 is permitted
  – Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).

  The adoption of AASB 2012-5 had no effect on the financial position or performance of the Group.

– AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)

  This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

  The adoption of AASB 2011-4 had no effect on the financial position or performance of the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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 2014. Relevant standards and interpretations are outlined below:

Reference	Title	Summary	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	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014	No material impact on the Group expected based on analysis to date.
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014	No material impact on the financial performance or position of the Group expected based on analysis to date. Changes to disclosures expected.
AASB 2014-1 Part A – Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards – Part A Annual Improvements to IFRSs 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle. Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: – AASB 2 – Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. – AASB 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. – AASB 8 – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. – AASB 116 & AASB 138 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. – AASB 124 – Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	1 July 2014	The Group has not yet determined the extent of the impact of the amendments, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Application date for Group	Impact on the Group financial report
AASB 2014-1 Part A – Annual Improvements 2011–2013 Cycle	Amendments to Australian Accounting Standards – Part A Annual Improvements to IFRSs 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: – AASB 13 – Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. – AASB 40 – Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	1 July 2014	The Group has not yet determined the extent of the impact of the amendments, if any.
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	1 July 2014	No material impact on the Group expected based on analysis to date.
Amendments to IAS 16 and IAS 38	Clarification of Acceptable methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016	The Group has not yet determined the extent of the impact of the amendments, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Application date for Group	Impact on the Group financial report
IFRS 15	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services). The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	1 January 2017	1 July 2017	The Group has not yet determined the extent of the impact of the amendments, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Application date for Group	Impact on the Group financial report
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: 1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures 2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time 3. In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018	1 January 2018	1 July 2018	The Group has not yet determined the extent of the impact of the amendments, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), and
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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

Transactions and balances

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

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

Translation of Group companies' functional currency to presentation currency

As at the reporting date the assets and liabilities of the Hong Kong, Chinese, Singaporean 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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:

	2014	2013
– 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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) Joint arrangements

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration over the fair value of the Group's identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination, is, from the acquisition date, allocated to each of the Group's cash-generating units or groups of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

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

The useful lives of intangible assets are assessed to be finite. 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.

q) Trade and other payables

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

Monadelphous Group Limited and the controlled entities subject to Class Order 98/1418 (refer to note 25 for further details), entered into a deed of indemnity on 9 June 2011, 1 June 2012 and 9 June 2014. The effect of the deed is that Monadelphous Group Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities. The controlled entities have also given a similar guarantee in the event that Monadelphous Group Limited is wound up.

r) Interest bearing loans and borrowings

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure to settle the present obligation at the 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.

t) Employee benefits

(i) Short term benefits

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

(ii) Long service leave

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

(iii) Defined contribution superannuation plans

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

(iv) Workers' compensation

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

u) Share-based payment transactions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Share-based payment transactions (continued)

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.

v) Contributed equity

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

Reserved shares

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

w) Revenue recognition

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

Rendering of Services

Where the contract outcome can be reliably measured:

– revenue is recognised as services are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Construction contracts

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

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

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

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

y) Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z) Taxation (continued)

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ab) Significant accounting judgements, estimates and assumptions (continued)

Taxation

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

3. REVENUES AND EXPENSES	2014 $'000	2013 $'000
(a) Revenue		
Rendering of services	2,329,589	2,614,073
Finance revenue	3,371	3,386
	2,332,960	2,617,459
(b) Other income		
Net gains on disposal of property, plant and equipment	3,605	1,436
Other income	2,091	1,678
	5,696	3,114
(c) Finance costs		
Bank loans and overdrafts	619	659
Finance charges payable under finance leases and hire purchase contracts	2,482	3,312
	3,101	3,971
(d) Depreciation and amortisation		
Depreciation expense	25,656	28,726
Amortisation of intangible assets	1,006	1,121
	26,662	29,847
(e) Employee benefits expense		
Employee benefits expense	1,017,459	1,171,287
Defined contribution superannuation expense	42,822	57,209
Share based payment expense	3,591	6,069
	1,063,872	1,234,565
(f) Lease payments and other expenses included in the income statement		
Minimum lease payments – operating lease	28,119	24,796
Impairment allowance for doubtful debts	(106)	64
Net loss on held for trading foreign currency derivatives	263	170
Realised foreign currency loss	2,162	146
(g) Government grants included in the income statement	10,463	4,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

4. INCOME TAX	2014 $'000	2013 $'000 Restated*
(a) Income tax expense		
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax charge	52,591	80,854
Adjustments in respect of current income tax of previous years	599	(4,340)
Deferred income tax		
Relating to origination and reversal of temporary differences	6,913	(11,931)
Adjustments in respect of deferred income tax of previous years	(1,410)	262
Income tax expense reported in the income statement	58,693	64,845
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged (credited) directly to equity – see note 17		
Share-based payment reserve	(221)	1,655
Income tax (benefit) / expense reported in equity	(221)	1,655
(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	205,203	221,159
At the Parent Entity's statutory income tax rate of 30% (2013: 30%)	61,561	66,348
– Adjustments in respect of current and deferred income tax of previous years	(812)	(4,078)
– Share based payment expense	254	2,988
– R&D	(3,139)	(1,375)
– Other	829	962
Aggregate income tax expense	58,693	64,845

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect restatements made, refer to note 2b.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

4. INCOME TAX (continued)	2014 Current Income Tax $'000	2014 Deferred Income Tax $'000	2013 Current Income Tax Restated* $'000	2013 Deferred Income Tax $'000
(d) Recognised deferred tax assets and liabilities				
Opening balance	(27,269)	33,730	(15,678)	28,938
Disposal (note 27)	**94**	**(268)**	–	–
Charged to income	**(53,190)**	**(5,503)**	(76,514)	11,669
Charged to equity	**241**	**(20)**	5,228	(6,883)
Other / payments	**76,772**	**28**	59,695	6
Closing balance	**(3,352)**	**27,967**	(27,269)	33,730
Amounts recognised on the consolidated statement of financial position:				
Deferred tax asset		**28,086**		33,730
Deferred tax liability		**(119)**		–
		27,967		33,730

	2014 $'000	2013 $'000
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Accelerated depreciation	**5,215**	5,397
Other	**254**	634
Gross deferred tax liabilities	**5,469**	6,031
Set-off against deferred tax assets	**5,350**	6,031
Net deferred tax liabilities	**119**	–
(ii) Deferred tax assets		
Provisions	**32,095**	39,065
Share-based payments	**53**	311
Other	**1,288**	385
Gross deferred tax assets	**33,436**	39,761
Set-off of deferred tax liabilities	**5,350**	6,031
Net deferred tax assets	**28,086**	33,730

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect restatements made, refer to note 2b.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

4. INCOME TAX (continued)

(e) Unrecognised temporary differences

At 30 June 2014, 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 (2013: $nil).

(f) Tax consolidation

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

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

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

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.

5. DIVIDENDS PAID AND PROPOSED	2014 $'000	2013 $'000
(a) Recognised amounts		
Declared and paid during the year		
(i) Current year interim		
Interim franked dividend for 2014 (60 cents per share) (2013: 62 cents per share)	**55,385**	56,211
(ii) Previous year final		
Final franked dividend for 2013 (75 cents per share) (2012: 75 cents per share final)	**69,031**	67,969
(b) Unrecognised amounts		
Current year final		
Final franked dividend for 2014 (63 cents per share) (2013: 75 cents per share)	**58,388**	68,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

5. DIVIDENDS PAID AND PROPOSED (continued)	2014 $'000	2013 $'000
(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	70,351	57,760
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	2,328	25,235
	72,679	82,995
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	(25,023)	(29,231)
	47,656	53,764

(d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2013: 30%). Dividends payable will be franked at the rate of 30% (2013: 30%).

6. TRADE AND OTHER RECEIVABLES	Notes	2014 $'000	2013 $'000
CURRENT			
Trade receivables		192,071	211,206
Less allowance for impairment loss	6(a)	(4,204)	(4,310)
		187,867	206,896
Other debtors	6(b)	42,966	16,325
		230,833	223,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

6. TRADE AND OTHER RECEIVABLES (continued)

(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. A reduction of $106,000 to the allowance for impairment loss (2013: increase of $64,000) 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.

	2014 $'000	2013 $'000
Movements in the allowance for impairment loss were as follows:		
Balance at the beginning of the year	4,310	4,246
Charge/(credit) for the year	(106)	64
Balance at the end of the year	4,204	4,310

Impaired trade receivables:

At 30 June 2014, the current trade receivables of the Group were $192,071,000 (2013: $211,206,000). The amount of the allowance for impairment loss was $4,204,000 (2013: $4,310,000). 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 2014, the ageing of receivables, including past due but not considered impaired is as follows:

	2014 $'000	2013 $'000
0 – 30 Days	137,693	139,713
31 – 60 Days	37,025	56,356
61 – 90 Days	3,914	2,743
91+ Days	9,235	8,084
TOTAL	187,867	206,896

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

Receivables not impaired or past due:

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

The Group trades 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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

7. INVENTORIES	Notes	2014 $'000	2013 $'000
Construction work in progress			
Cost incurred to date plus profit recognised		4,671,662	4,160,096
Consideration received and receivable as progress billings		(4,696,135)	(4,048,692)
		(24,473)	111,404
Represented by:			
Amounts due to customers	7(a),13	182,053	62,328
Amounts due from customers	7(b)	157,580	173,732

(a) Amounts due to customers

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

(b) Credit risk of amounts due from customers

Details regarding credit risk of amounts due from customers are disclosed in note 28.

8. DERIVATIVE FINANCIAL INSTRUMENTS	2014 $'000	2013 $'000
CURRENT		
Forward currency contracts – held for trading	–	263

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 $AUD		AVERAGE EXCHANGE RATE	
	2014 $'000	2013 $'000	2014 $	2013 $
Buy US$ Maturity 0-12 months	–	3,305	–	0.9985

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 $263,000 for the Group (2013: $170,000 loss).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS (NON-CURRENT)	Notes	2014 $'000	2013 $'000
At fair value			
Shares – Australian listed	9(a)	2,731	3,511

At 30 June 2014, 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.

10. PROPERTY, PLANT AND EQUIPMENT

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

	Freehold land $'000	Buildings on freehold land $'000	Leasehold improvements $'000	Plant and equipment $'000	Plant and equipment under hire purchase $'000	Total $'000
Year ended 30 June 2014						
At 1 July 2013 net of accumulated depreciation	13,411	18,320	1,807	51,028	51,090	135,656
Additions	–	13	–	4,227	2,879	7,119
Assets transferred	–	21	(21)	4,478	(4,478)	–
Disposals (note 10(c))	–	(8)	–	(5,708)	–	(5,716)
Disposal through sale of subsidiaries (note 27)	–	–	–	(2,126)	–	(2,126)
Depreciation charge	–	(738)	(227)	(14,472)	(10,219)	(25,656)
At 30 June 2014 net of accumulated depreciation	13,411	17,608	1,559	37,427	39,272	109,277
At 30 June 2014						
Cost	13,411	23,347	2,261	139,166	61,308	239,493
Accumulated depreciation	–	(5,739)	(702)	(101,739)	(22,036)	(130,216)
Net carrying amount	13,411	17,608	1,559	37,427	39,272	109,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

10. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Freehold land $'000	Buildings on freehold land $'000	Leasehold improvements $'000	Plant and equipment $'000	Plant and equipment under hire purchase $'000	Total $'000
Year ended 30 June 2013						
At 1 July 2012 net of 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 accumulated depreciation	13,411	18,320	1,807	51,028	51,090	135,656
At 30 June 2013						
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

(b) Property, plant and equipment pledged as security

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

	2014 $'000	2013 $'000
Assets pledged as security	40,831	52,897

(c) Disposals

Disposal of property, plant and equipment for the year ended 30 June 2014 totalled $5,716,000 (2013: $23,093,000). Included within plant and equipment disposals for the year ended 30 June 2014 is an amount of $nil (2013: $21,367,000) relating to cranes sold and immediately leased back under operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

11. INTANGIBLE ASSETS AND GOODWILL	Intangible Assets $'000	Goodwill $'000	Total $'000
Year ended 30 June 2014			
At 1 July 2013	1,850	2,947	4,797
Amortisation	(1,006)	–	(1,006)
At 30 June 2014	844	2,947	3,791
Year ended 30 June 2013			
At 1 July 2012	2,971	2,947	5,918
Amortisation	(1,121)	–	(1,121)
At 30 June 2013	1,850	2,947	4,797

(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 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).

(ii) *Goodwill*

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

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

(i) *Intangible assets*

At 30 June 2014, no impairment loss relating to intangible assets acquired through business combinations has been recognised in the income statement (2013: $nil).

(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 in the range of 12% to 15% for the entity Monadelphous Electrical & Instrumentation Pty Ltd (2013: 15%), the Hunter Valley business unit (2013: 15%), the entity Monadelphous KT Pty Ltd (2013: 15%) and the entity Monadelphous Energy Services Pty Ltd (2013: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

12. INTEREST IN JOINT OPERATIONS

(a) Joint operations interests

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

Joint Arrangement	Principal Activity	Principal Place of Business	GROUP INTEREST 2014 %	2013 %
AnaeCo Monadelphous Joint Venture	To deliver design and construct waste management systems to the WMRC DiCOM facility.	Shenton Park, WA	**50**	50
Monadelphous Muhibbah Marine Joint Venture	To construct the approach jetty and ship berth associated with the Wiggins Island Coal Export Terminal.	Gladstone, QLD	**50**	50
Sky-Menz Joint Venture (sold with the Skystar subsidiaries (note 27))	To provide aviation support services at Perth International Airport.	Perth, WA	**–**	50
MTS Joint Venture	To undertake construction of the Toowoomba Wastewater Infrastructure Projects program for the Toowoomba Regional Council.	Toowoomba, QLD	**50**	50
KT-OSD Joint Venture	Design and construction of a transmission pipeline and associated facilities for Hamersley Iron.	West Angelas, WA	**60**	60

(b) Commitments relating to joint operations

There were no capital commitments relating to the joint operations at 30 June 2014 (2013: $nil).

(c) Contingent liabilities relating to joint operations

There were no contingent liabilities relating to the joint operations at 30 June 2014 (2013: $nil).

(d) Impairment

No assets employed in the joint operations were impaired during the year ended 30 June 2014 (2013: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

13. TRADE AND OTHER PAYABLES

	Notes	2014 $'000	2013 $'000
CURRENT			
Trade payables	13(a)	**28,965**	140,519
Advances on construction work in progress – Amounts due to customers	7	**182,053**	62,328
Sundry creditors and accruals	13(a)	**14,844**	28,789
		225,862	231,636

(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.

14. INTEREST BEARING LOANS AND BORROWINGS

	Notes	2014 $'000	2013 $'000
CURRENT			
Hire purchase liability – secured	14(a),20	**15,903**	18,512
Bank loan – secured	14(a)	**4,098**	4,035
		20,001	22,547
NON-CURRENT			
Hire purchase liability – secured	14(a),20	**15,363**	25,984
Bank loan – secured	14(a)	**1,667**	6,612
		17,030	32,596

(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 5.48% (2013: 5.11%).

(ii) Hire purchase agreements have an average term of three years. The average discount rate implicit in the hire purchase liability is 6.18% (2013: 6.76%). 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

FOR THE YEAR ENDED 30 JUNE 2014

15. PROVISIONS	Notes	2014 $'000	2013 $'000
CURRENT			
Employee benefits	15(a)	**78,200**	106,168
Workers' compensation	15(b)	**35,146**	34,143
		113,346	140,311
NON-CURRENT			
Employee benefits – long service leave		**7,782**	7,858

(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.

	2014 $'000
(c) Movements in provisions	
Workers' compensation	
Carrying amount at the beginning of the year	34,143
Additional provision	**12,809**
Amounts utilised during the year	**(11,806)**
Carrying amount at the end of the financial year	**35,146**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

16. CONTRIBUTED EQUITY	Notes	2014 $'000	2013 $'000
Ordinary shares – Issued and fully paid	16(a)	**112,115**	83,448

(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.

	2014		2013	
	Number of Shares	$'000	Number of Shares	$'000
Beginning of the financial year	90,940,258	83,448	88,674,327	57,876
Exercise of employee options	**1,101,371**	**17,609**	1,989,216	19,229
Dividend reinvestment plan	**637,941**	**11,058**	276,715	6,343
End of the financial year	**92,679,570**	**112,115**	90,940,258	83,448

During the year ended 30 June 2014, under the Monadelphous Group Limited Employee Option Plan, employees and directors have exercised the option to acquire fully paid ordinary shares at a weighted average exercise price of $16.42. All shares were issued as new fully paid ordinary shares.

(b) Share options

Options over ordinary shares

During the financial year, there were 90,000 options issued over ordinary shares.

At the end of the year there were 3,628,000 (2013: 5,305,750) 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 2014, the Group is in a net cash position of $180,828,000 (2013: $140,198,000) and has a debt to equity ratio of 10.2% (2013: 17.9%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2014, management paid dividends of $124,416,050. 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

FOR THE YEAR ENDED 30 JUNE 2014

17. RESERVES AND RETAINED EARNINGS	Notes	2014 $'000	2013 $'000
Foreign currency translation reserve	17(b)	120	62
Share-based payment reserve	17(b)	34,667	30,855
		34,787	30,917
Retained earnings	17(a)	215,763	193,669

(a) Movements in retained earnings

	2014 $'000	2013 $'000
Balance at the beginning of the year	193,669	161,535
Net profit attributable to members of Monadelphous Group Limited	146,510	156,314
Total available for appropriation	340,179	317,849
Dividends paid	(124,416)	(124,180)
Balance at the end of the year	215,763	193,669

(b) Movements in reserves

	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Total $'000
At 1 July 2012	(210)	26,441	26,231
Foreign currency translation	272	–	272
Share-based payment	–	6,069	6,069
Adjustment to deferred tax asset recognised on Employee Share Trust	–	(1,655)	(1,655)
At 30 June 2013	62	30,855	30,917
Foreign currency translation	58	–	58
Share-based payment	–	3,591	3,591
Adjustment to deferred tax asset recognised on Employee Share Trust	–	221	221
At 30 June 2014	120	34,667	34,787

(c) Nature and purpose of reserves

Foreign currency translation reserve

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

Share-based payment reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

18. CASH AND CASH EQUIVALENTS	2014 $'000	2013 $'000
(a) Reconciliation of net profit after tax to the net cash flows from operating activities		
Net profit	146,510	156,314
Adjustments for		
Depreciation of non-current assets	25,656	28,726
Amortisation and impairment of intangible assets	1,006	1,121
Net profit on sale of property, plant and equipment	(3,605)	(1,436)
Profit on sale of subsidiaries (note 27)	(10,353)	–
Impairment of available-for-sale financial assets	780	2,755
Share-based payment expense	3,591	6,069
Unrealised foreign exchange gain	(953)	(1,223)
Other	–	754
Changes in assets and liabilities		
(Increase)/decrease in receivables	(11,694)	16,374
(Increase)/decrease in inventories	16,152	(101,642)
(Increase)/decrease in deferred tax assets	5,501	(11,398)
Decrease in derivative instruments	263	170
Decrease in payables	(5,522)	(49,050)
Increase/(decrease) in provisions	(26,105)	49,164
Increase/(decrease) in income tax payable	(23,823)	16,819
Increase/(decrease) in deferred tax liabilities	215	(277)
Net cash flows from operating activities	117,619	113,240

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

	2014 $'000	2013 $'000
Cash balances comprise:		
– Cash at bank	172,859	195,341
– Short term deposits	45,000	–
	217,859	195,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

18. CASH AND CASH EQUIVALENTS (continued)	Notes	2014 $'000	2013 $'000
(c) Financing facilities available			
At balance date the following financing facilities had been negotiated and were available.			
Total facilities:			
– Bank guarantee and performance bonds	(i)	675,590	506,179
– Revolving credit	(ii)	120,684	122,609
		796,274	628,788
Facilities used at balance date:			
– Bank guarantee and performance bonds		507,282	400,534
– Revolving credit		37,031	55,143
		544,313	455,677
Facilities unused at balance date:			
– Bank guarantee and performance bonds		168,308	105,645
– Revolving credit		83,653	67,466
		251,961	173,111

(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 $2,879,421 (2013: $12,486,059).

19. CHANGE IN COMPOSITION OF ENTITY

On 4 September 2013, M Workforce Pty Ltd was incorporated. Monadelphous Group Limited owns 100% of the voting shares of M Workforce Pty Ltd, a private company based in Australia.

On 18 October 2013, Monadelphous Group Limited sold 100% of the voting shares of Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd (refer to note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

20. COMMITMENTS AND CONTINGENCIES	Notes	2014 $'000	2013 $'000
(a) Hire purchase commitments			
Payable:			
– Within one year		17,333	21,198
– Later than one year but not later than five years		16,173	27,261
Minimum lease payments		33,506	48,459
Less future finance charges		(2,240)	(3,963)
Present value of minimum lease payments		31,266	44,496
Current liability	14	15,903	18,512
Non-current liability	14	15,363	25,984
		31,266	44,496

Hire purchase agreements have an average term of three years.

(b) Operating lease commitments	2014 Properties $'000	2014 Other $'000	2014 Total $'000	2013 Total $'000
Minimum lease payments				
– Within one year	14,762	14,485	29,247	29,999
– Later than one year but not later than five years	41,136	13,880	55,016	72,229
– Later than five years	22,420	–	22,420	45,366
– Aggregate lease expenditure contracted for at balance date but not provided for	78,318	28,365	106,683	147,594

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 $1,285,629 at 30 June 2014 (2013: $1,554,670).

(d) Guarantees	2014 $'000	2013 $'000
Guarantees given to various clients for satisfactory contract performance	507,282	400,534

Monadelphous Group Limited and all controlled entities marked # in note 25 have entered into a deed of cross guarantee pursuant to the ASIC Class Order made on 9 June 2011, 1 June 2012 and 9 June 2014 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
FOR THE YEAR ENDED 30 JUNE 2014

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 2014, the Engineering Construction division contributed revenue of $1,670.8 million (2013: $1,943.5 million*), the Maintenance and Industrial Services division contributed revenue of $663.5 million (2013: $661.7 million*), and Airport Services contributed revenue of $7.9 million (2013: $22.5 million). Included in these amounts is $12.6 million (2013: $13.6 million) of inter-entity revenue, which is eliminated on consolidation. The operating divisions are exposed to similar risks and rewards from operations, and are only segmented to facilitate appropriate management structures.

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

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

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

The Group has a number of customers to which it provides services. The largest customer represented 28% of the Group's revenue. Three other customers contributed over 10% of revenue, each representing 12% of the Group's revenue. There are multiple contracts with these customers, across a number of their subsidiaries, divisions within those subsidiaries and locations.

* The 2013 figures have been restated to reflect the consolidation of the Infrastructure division into the Engineering Construction and Maintenance and Industrial Services divisions.

22. EARNINGS PER SHARE

	2014 $'000	2013 $'000
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	146,510	156,314
Earnings used in calculation of basic and diluted earnings per share	146,510	156,314

	Number	Number
Number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	92,116,475	90,339,712
Effect of dilutive securities		
Share options	57,510	1,315,020
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	92,173,985	91,654,732

Conversions, calls, subscriptions or issues after 30 June 2014:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 219 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.

	2014		2013	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Balance at the beginning of the year	5,305,750	17.18	7,331,000	15.00
Granted during the year				
– Employee Option Plan – October 2013	90,000	17.05	–	–
– Employee Option Plan – October 2012	–	–	560,000	19.70
Forfeited during the year	(392,500)	17.78	(465,000)	16.74
Exercised during the year	(1,375,250)	16.42	(2,120,250)	10.41
Balance at the end of the year	3,628,000	17.40	5,305,750	17.18
Exercisable during the next year	1,285,500	17.07	1,402,750	16.41

The weighted average share price at the date of exercise during the year was $19.65 (2013: $19.51).

Options granted during the reporting period

In November 2013, a total of 90,000 options were granted by Monadelphous Group Limited under the Employee Option Plan – October 2013 at an exercise price of $17.05. The exercise price of the options granted under the Employee Option Plan – October 2013 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 15 October 2013. 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	7.4%
Expected volatility	30.0% – 40.0%
Historical volatility	30.0% – 40.0%
Risk-free interest rate	2.79% – 3.32%
Expected life of option	25% – 2 years 25% – 3 years 50% – 4 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (continued)

(a) Share-based payment plan (continued)

The resulting weighted average fair values for options outstanding at 30 June 2014 are:

Number of options	Grant Date	Final Vesting Date	Fair Value Per Option at Grant Date
210,500	25/10/2010	30/09/2014	$3.74
2,587,500	3/11/2011	14/09/2015	$3.49
30,000	17/11/2011	14/09/2015	$3.39
300,000	23/11/2011	14/09/2015	$4.05
410,000	1/11/2012	14/09/2016	$3.52
90,000	5/11/2013	14/09/2017	$2.91

The share-based payment expense for the year ended 30 June 2014 was $3,590,880 (2013: $6,069,132) 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 2014:

Number of Options	Grant Date	Vesting Date	Expiry Date	Exercise Price
210,500	25/10/2010	01/09/2014	30/09/2014	$14.84
862,500	3/11/2011	01/09/2014	14/09/2015	$17.25
1,725,000	3/11/2011	01/09/2015	14/09/2015	$17.25
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	01/09/2014	14/09/2015	$17.25
200,000	23/11/2011	01/09/2015	14/09/2015	$17.25
102,500	1/11/2012	01/09/2014	14/09/2016	$19.70
102,500	1/11/2012	01/09/2015	14/09/2016	$19.70
205,000	1/11/2012	01/09/2016	14/09/2016	$19.70
22,500	5/11/2013	01/09/2015	14/09/2017	$17.05
22,500	5/11/2013	01/09/2016	14/09/2017	$17.05
45,000	5/11/2013	01/09/2017	14/09/2017	$17.05

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

24. AUDITORS' REMUNERATION

	2014 $	2013 $
The auditor of Monadelphous Group Limited is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young Australia for:		
– An audit or review of the financial report of the entity and any other entity in the consolidated entity	**178,975**	180,850
– Other services in relation to the entity and any other entity in the consolidated entity		
– tax compliance	**43,500**	25,711
– assurance related	**5,665**	5,665
	228,140	212,226
Amounts received or due and receivable by other accounting firms for:		
– tax compliance*	**1,010,733**	1,019,191
– other services	**5,508**	34,000
	1,016,241	1,053,191

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 2014 relate predominantly to the application for Research and Development Tax Concessions and overseas tax compliance services.

25. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	2014 $	2013 $
Short term benefits	**3,339,346**	4,139,832
Post employment	**102,211**	109,086
Long term benefits	**63,899**	173,224
Share-based payments	**852,467**	1,253,313
Total compensation	**4,357,923**	5,675,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

25. RELATED PARTY DISCLOSURES (continued)

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

NAME	COUNTRY OF INCORPORATION	PERCENTAGE HELD BY CONSOLIDATED ENTITY		PARENT ENTITY INVESTMENT	
		2014 %	2013 %	**2014 $'000**	2013 $'000
Parent:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
#Monadelphous Engineering Associates Pty Ltd	Australia	**100**	100	**30,459**	27,688
Skystar Airport Services Pty Ltd	Australia	**–**	100	**–**	489
#Monadelphous Properties Pty Ltd	Australia	**100**	100	**1,941**	1,941
#Monadelphous Engineering Pty Ltd	Australia	**100**	100	**4,780**	4,407
#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	**5,541**	5,403
#Monadelphous KT Pty Ltd	Australia	**100**	100	**16,257**	16,078
#Monadelphous Energy Services Pty Ltd	Australia	**100**	100	**4,434**	4,434
SinoStruct Pty Ltd	Australia	**100**	100	**306**	217
Monadelphous Group Limited Employee Share Trust	Australia	**100**	100	**–**	–
Monadelphous Holdings Pty Ltd	Australia	**100**	100	**–**	–
Monadelphous PNG Ltd	Papua New Guinea	**100**	100	**–**	–
Skystar Airport Services NZ Pty Ltd	New Zealand	**–**	100	**–**	–
Moway International Limited	Hong Kong	**100**	100	**443**	443
Moway AustAsia Steel Structures Trading (Beijing) Company Limited	China	**100**	100	**–**	–
Monadelphous Singapore Pte Ltd	Singapore	**100**	100	**144**	144
Monadelphous Mongolia LLC	Mongolia	**100**	100	**–**	–
#M Workforce Pty Ltd	Australia	**100**	–	**–**	–
				65,017	61,956

\# 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, 1 June 2012 and 9 June 2014. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

25. RELATED PARTY DISCLOSURES (continued)

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

	CLOSED GROUP	
Consolidated Income Statement	**2014 $'000**	2013 $'000 Restated*
Profit before income tax	**217,129**	205,540
Income tax expense	**(59,408)**	(63,185)
Net profit after tax for the period	**157,721**	142,355
Retained earnings at the beginning of the period	148,565	130,390
Dividends paid	**(124,416)**	(124,180)
Retained earnings at the end of the period	**181,870**	148,565

*Certain amounts shown here do not correspond to the 2013 financial statements and reflect restatements made, refer to note 2b.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

25. RELATED PARTY DISCLOSURES (continued)

Consolidated Statement of Financial Position	CLOSED GROUP 2014 $'000	2013 $'000
ASSETS		
Current assets		
Cash and cash equivalents	205,990	180,943
Trade and other receivables	244,282	206,798
Inventories	131,892	131,899
Derivative financial instruments	–	263
Total current assets	582,164	519,903
Non-current assets		
Investments in subsidiaries	893	1,294
Available-for-sale financial assets	2,731	3,511
Property, plant and equipment	101,899	118,979
Deferred tax assets	27,398	31,482
Intangible assets and goodwill	3,791	4,797
Total non-current assets	136,712	160,063
TOTAL ASSETS	718,876	679,966
LIABILITIES		
Current liabilities		
Trade and other payables	232,605	196,088
Interest bearing loans and borrowings	20,001	22,547
Income tax payable	2,328	25,235
Provisions	110,920	133,490
Total current liabilities	365,854	377,360
Non-current liabilities		
Interest bearing loans and borrowings	17,030	32,596
Provisions	7,340	7,142
Total non-current liabilities	24,370	39,738
TOTAL LIABILITIES	390,224	417,098
NET ASSETS	328,652	262,868
EQUITY		
Contributed equity	112,115	83,448
Reserves	34,667	30,855
Retained earnings	181,870	148,565
TOTAL EQUITY	328,652	262,868

Ultimate parent

Monadelphous Group Limited is the ultimate holding company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

26. EVENTS AFTER THE REPORTING PERIOD

On 29 July 2014, the Company announced it had secured a major iron ore construction contract with Sino Iron Pty Ltd at the Sino Iron Project, located at Cape Preston, near Karratha in Western Australia. The contract, valued at approximately $160 million, comprises of structural, mechanical and piping installation and commissioning works within Concentrator Lines 3 to 6. The work relates to the primary magnetic separation and ball mill facilities and the secondary magnetic separation facilities.

On 18 August 2014, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is $58,388,129 which represents a fully franked final dividend of 63 cents per share. This dividend has not been provided for in the 30 June 2014 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

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

27. DISPOSAL OF SUBSIDIARIES

On 18 October 2013, the Group completed the sale of its subsidiaries Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd ("Skystar") for $15,637,268 in cash, resulting in a pre-tax gain of $10,353,194. The cash flows generated from the sale of the subsidiaries have been considered in the cash flow statement as part of the investing activities.

The carrying values of the identifiable assets and liabilities of Skystar as of the date of disposal were:

	$'000
Cash	90
Trade and other receivables	4,082
Plant and equipment	2,126
Deferred tax assets	364
Total assets	6,662
Trade and other payables	252
Income tax payable	94
Provisions	936
Deferred tax liability	96
Total liabilities	1,378
Carrying value of identifiable net assets	5,284
Profit on sale of subsidiaries	10,353
Consideration from sale	15,637
Consideration from sale	
Cash	15,637
Total	15,637
Cash flow on sale:	
Consideration received	15,637
Net cash disposed of with sale of business	(90)
Net cash inflow	15,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 variable interest rates is as follows:

	Notes	2014 $'000	2013 $'000
Financial assets			
Cash and cash equivalents	18(b)	217,859	195,341
Net exposure		217,859	195,341

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

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

At 30 June 2014, 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:

	POST TAX PROFIT HIGHER/(LOWER)		OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)	
Judgements of reasonably possible movements relating to financial assets and liabilities at floating rates:	2014 $'000	2013 $'000	2014 $'000	2013 $'000
+0.25% (2013: +0.5%)	381	684	–	–
-0.25% (2013: -0.5%)	(381)	(684)	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

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 Papua New Guinea, China, and Mongolia the Group's statement of financial position can be affected by movements in the US$/A$, PGK/A$, and RMB/A$ exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. 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 2014, the Group had no forward contracts.

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

At 30 June 2014, the Group had the following exposure to US$ foreign currency:

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	16,400	12,206
Trade and other receivables	–	152
Derivative financial instruments	–	263
Financial liabilities		
Trade and other payables	(661)	–
Net Exposure	15,739	12,621

At 30 June 2014, 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:

	POST TAX PROFIT HIGHER/(LOWER)		OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)	
Judgements of reasonably possible movements relating to financial assets and liabilities denominated in US$:	2014 $'000	2013 $'000	2014 $'000	2013 $'000
+5% (2013: +5%)	(551)	(442)	–	–
-5% (2013: -5%)	551	442	–	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

At 30 June 2014, the Group had the following exposure to Euro foreign currency:

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	1,116	1,848
Net exposure	1,116	1,848

At 30 June 2014, 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:

	POST TAX PROFIT HIGHER/(LOWER)		OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)	
Judgements of reasonably possible movements relating to financial assets and liabilities denominated in Euro:	2014 $'000	2013 $'000	2014 $'000	2013 $'000
+5% (2013: +5%)	(39)	(65)	–	–
-5% (2013: -5%)	39	65	–	–

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

At 30 June 2014, the Group had the following exposure to PGK foreign currency:

	2014 $'000	2013 $'000
Financial assets		
Cash and cash equivalents	11,142	13,327
Trade and other receivables	2,819	9,499
Net exposure	13,961	22,826

At 30 June 2014, 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:

	POST TAX PROFIT HIGHER/(LOWER)		OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)	
Judgements of reasonably possible movements relating to financial assets and liabilities denominated in PGK:	2014 $'000	2013 $'000	2014 $'000	2013 $'000
+15% (2013: +5%)	(1,466)	(799)	–	–
-15% (2013: -5%)	1,466	799	–	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

Price risk

Equity securities price risk arises from investments in equity securities. At 30 June 2014 the Group had a single equity investment which was publicly traded on the ASX.

At 30 June 2014, 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:

	POST TAX PROFIT HIGHER/(LOWER)		OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)	
Judgements of reasonably possible movements relating to share price of equity investment:	2014 $'000	2013 $'000	2014 $'000	2013 $'000
+20% (2013: +15%)	–	–	382	369
-20% (2013: -15%)	(382)	(369)	–	–

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

Credit risk

The Group trades with recognised, creditworthy third parties.

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

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

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 2014 of $187,867,000 (2013: $206,896,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 2014.

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

	2014 $'000	2013 $'000
Derivative financial instruments		
6 months or less	–	263
6 – 12 months	–	–
	–	263
Financial liabilities		
6 months or less	236,367	245,633
6 – 12 months	11,167	12,553
1 – 5 years	17,873	33,300
	265,407	291,486

Maturity analysis of derivative financial instruments and financial liabilities:

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

Year ended 30 June 2013	6 months or less $'000	6 months to 1 year $'000	1 year to 5 years $'000	Total Contractual Cash Flows $'000	Total Carrying Amount $'000
Derivative financial instruments					
US$ inflows	3,305	–	–	3,305	263
A$ outflows	(3,042)	–	–	(3,042)	–
Net maturity	263	–	–	263	263
Financial liabilities					
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	245,633	12,553	33,300	291,486	286,779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial assets				
Cash	217,859	195,341	217,859	195,341
Other debtors	42,966	16,325	42,966	16,325
Receivables – trade	187,867	206,896	187,867	206,896
Available-for-sale assets	2,731	3,511	2,731	3,511
Derivative financial instruments	–	263	–	263
Total financial assets	451,423	422,336	451,423	422,336
Financial liabilities				
Payables	225,862	231,636	225,862	231,636
Bank loan	5,765	10,647	5,661	10,477
Hire purchase liability	31,266	44,496	31,099	44,172
Total financial liabilities	262,893	286,779	262,622	286,285

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

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

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

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

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

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

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

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities at 30 June 2014:

	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Fair value measurement				
Available-for-sale assets – Equity shares	2,731	2,731	–	–
Fair value disclosures				
Hire purchase liability	(31,099)	–	(31,099)	–
Bank loan	(5,661)	–	(5,661)	–

All valuations were completed at 30 June 2014.

During the year ended 30 June 2014 there were no transfers between any level of the fair value hierarchy. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period. There were no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

29. PARENT ENTITY INFORMATION	Notes	**2014 $'000**	2013 $'000
Information relating to Monadelphous Group Limited parent entity			
Current assets		**196,225**	182,879
Total assets		**1,248,099**	983,259
Current liabilities		**(992,286)**	(747,869)
Total liabilities		**(1,007,650)**	(773,932)
Net assets		**240,449**	209,327
Contributed equity		**112,115**	83,448
Share-based payment reserve		**34,667**	30,855
Retained earnings		**93,667**	95,024
Total equity		**240,449**	209,327
Profit after tax		**123,059**	144,582
Total comprehensive income of the parent entity		**123,059**	144,582
Contingent liabilities			
Guarantees	20(d)	**506,692**	399,355

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 2014 (2013: $nil).

INVESTOR INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current at 19 September 2014.

a) Distribution of equity securities

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

Category (Size of Holdings)	Number of Ordinary Shareholders	Number of Ordinary Shares	% of Issued Capital
1 – 1000	10,481	5,259,824	5.67
1,001 – 5,000	6,680	15,396,286	16.59
5,001 – 10,000	1,043	7,746,845	8.35
10,001 – 100,000	765	19,581,227	21.10
100,001 – 99,999,999	53	44,812,637	48.29
Total	**19,022**	**92,796,819**	**100.00**

The number of shareholders holding less than marketable parcels is 339.

b) Twenty largest shareholders

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

Rank	Name	Number of Ordinary Shares	% of Issued Capital
1.	HSBC Custody Nominees (Australia) Limited	13,356,995	14.39
2.	J P Morgan Nominees Australia Limited	9,016,257	9.72
3.	National Nominees Limited	3,448,842	3.72
4.	Citicorp Nominees Pty Limited	3,170,943	3.42
5.	Velham Nominees Pty Ltd (The Velletri Family A/C)	2,100,000	2.26
6.	Rubi Holdings Pty Ltd (John Rubino Super Fund A/C)	2,022,653	2.18
7.	Wilmar Enterprises Pty Ltd	1,320,000	1.42
8.	National Nominees Limited (DB A/C)	1,073,595	1.16
9.	CS Fourth Nominees Pty Ltd	992,398	1.07
10.	BNP Paribas Noms Pty Ltd (DRP)	758,772	0.82
11.	CPU Share Plans Pty Limited (MND VSP Control A/C)	390,102	0.42
12.	EST Mrs Mabs Melville	384,000	0.41
13.	Warbont Nominees Pty Ltd (Accumulation Entrepot A/C)	353,424	0.38
14.	Australian United Investment Company Limited	350,000	0.38
15.	Mrs Mary Teresa Erdash	335,000	0.36
16.	Irtol Investments Pty Ltd (Tollman Super Fund A/C)	317,474	0.34
17.	Langfield Investments Pty Ltd	280,000	0.30
18.	Mr Dino Foti (D&I Foti Family A/C)	232,500	0.25
19.	Borromini Pty Ltd	224,000	0.24
20.	AMP Life Limited	220,171	0.24
Total		**40,347,126**	**43.48**

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
BlackRock Group	10,190,835	10.98%

INVESTOR INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014

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 Thursday 20 November 2014 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 enquires should be directed to the Company's Share Registry at:

Computershare Investor Services Pty Ltd	Telephone:	1300 364 961 (Australia)
Level 2, 45 St Georges Terrace		+61 3 9946 4415 (Overseas)
Perth	Facsimile:	+61 8 9323 2033
Western Australia 6000	Email:	web.queries@computershare.com.au
	Website:	www.investorcentre.com

All written enquires 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 NUMBER (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).

INVESTOR INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014

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

Further information about Monadelphous Group Limited is available on the company website:
www.monadelphous.com.au

Monadelphous

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