Monadelphous

ANNUAL REPORT / 2017

TOGETHER WE DELIVER

TOGETHER WE GROW

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 will achieve long-term sustainable growth by being recognised as a leader in its chosen markets and a truly great company to work for, to work with and invest in.

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

OUR COMPETITIVE ADVANTAGE

We deliver what we promise.

OUR VALUES

Safety and Wellbeing

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

Integrity

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

Achievement

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

Teamwork

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

Loyalty

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

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 2017 financial year.

References in this Report to 'the year', 'the reporting period' and 'the period' relate to the financial year 1 July 2016 to 30 June 2017, unless otherwise stated. All dollar figures are expressed in Australian currency, unless otherwise stated.

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

COVER IMAGES

Top The Woodside Energy Ltd. North Rankin complex, part of the North West Shelf Project, Western Australia. Image courtesy of Woodside Energy Ltd.

Left Middle A Monadelphous employee measures up in preparation for installation of electrical supports at BHP's Mining Area C train loadout, Newman, Western Australia.

Right Middle Installation of dewatering screens structure and access walkway for the beneficiation plant at BHP's Mount Whaleback mine, Newman, Western Australia.

Left Bottom High density polyethylene fusion welding operations at Amuri Irrigation Scheme, New Zealand.

Right Bottom Monadelphous has diversified into the renewable energy sector with the formation of Zenviron, which has secured its first wind farm contract.

CONTENTS

OVERVIEW

OPERATING AND FINANCIAL REVIEW

FINANCIAL REPORT

ANNUAL GENERAL MEETING Shareholders are advised that the Monadelphous Group Limited 2017 Annual General Meeting (AGM) will be held at The University Club, University of Western Australia, Crawley, Western Australia, on Tuesday, 21 November 2017 at 10am (AWST).

IMAGE The QGC LNG Plant, Curtis Island, Queensland.

ABOUT MONADELPHOUS

Monadelphous is an 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.

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 during the 1990 financial year and the Company established the foundation for sustained growth with a new management team.

The Company has continued to diversify and extend its reputation as a supplier of multidisciplinary construction, maintenance and industrial services to many of the largest companies in the resources, energy and infrastructure sectors.

Monadelphous' shares are included in the S&P/ASX 200 index.

OUR OPERATIONS

Monadelphous has two operating divisions working predominately in Australia, with overseas operations in New Zealand, China, Papua New Guinea, Mongolia and the United States.

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, tankage, mechanical and process equipment, piping, plant commissioning, demolition, water and wastewater asset construction and maintenance, irrigation services, heavy lift and specialist transport, remediation works, electrical and instrumentation services, and engineering, procurement and construction services.

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, access solutions, dewatering services, specialist coatings, and sustaining capital works.

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

IMAGES

Top Monadelphous employees inspecting the borefields piping at BHP's Mining Area C Water Treatment Plant, Newman, Western Australia.

Above The Woodside Energy Ltd. Goodwyn A gas platform, North West Shelf Project, Western Australia. Image courtesy of Woodside Energy Ltd.

Left Monadelphous employees working together at the Perth head office.

OUR SERVICES AND LOCATIONS

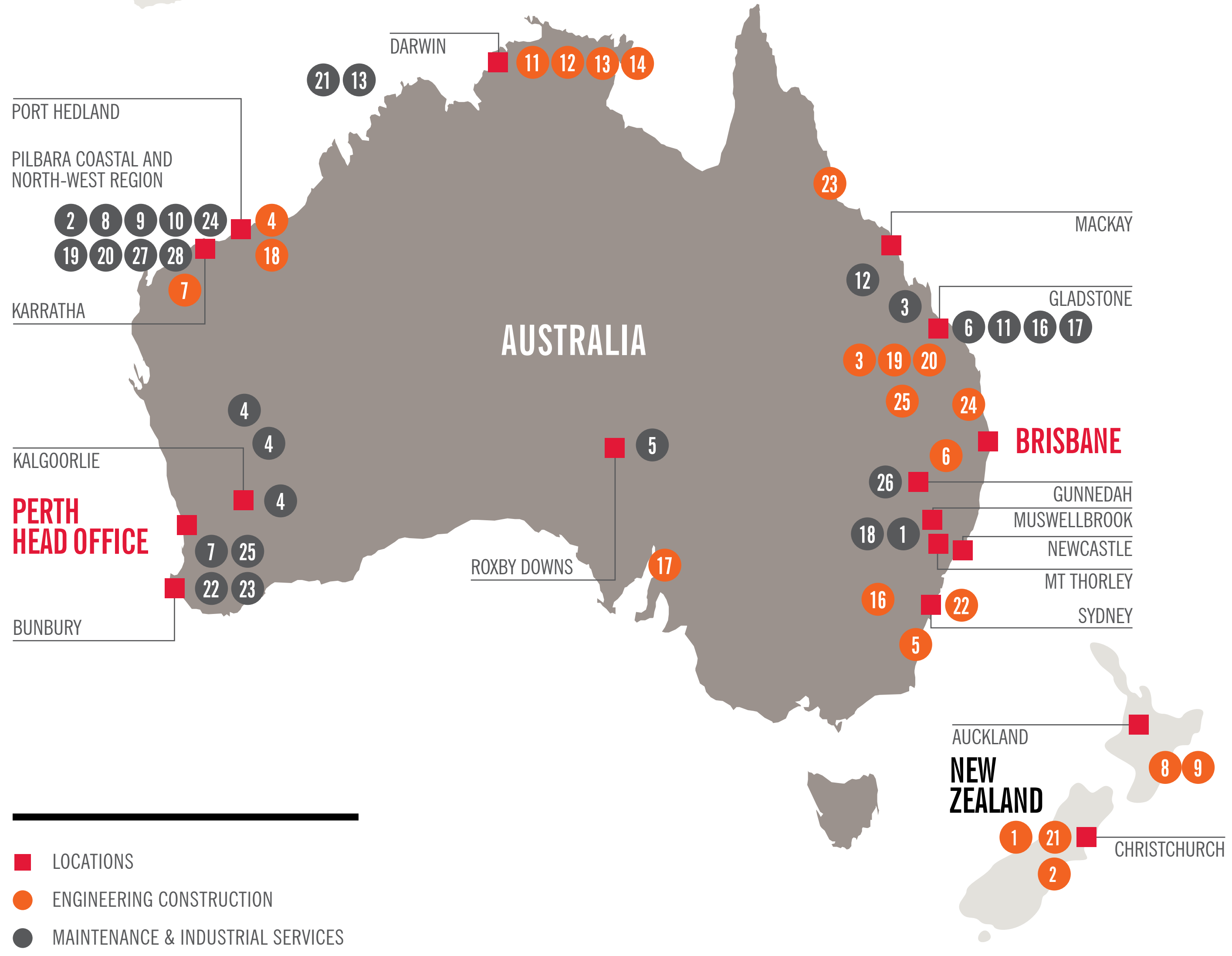
Monadelphous operates predominantly in Australia, with overseas operations in New Zealand, China, Papua New Guinea, Mongolia and the United States.

ENGINEERING CONSTRUCTION

		Market Sector
1	Amuri Irrigation Scheme – Supply, installation and commissioning of 130km water pipeline network	Water
2	Ashburton Lyndhurst Irrigation Ltd – Ashburton Lyndhurst Irrigation Scheme Stage 2	Water
3	Australia Pacific LNG – Wellhead Separator Skids – Supply, fabrication and assembly of wellhead separator skids and pressure vessels	Fabrication Services
4	BHP Iron Ore – Mining Area C Water Treatment Plant upgrade	Water
5	Brolton Group – Hanson Bass Point Quarry Expansion Project – Supply, fabrication, pre-assembly and delivery of structural steel, conveyors and plate work	Fabrication Services
6	CWP Asset Management – Sapphire Wind Farm – Civil and electrical balance of plant	Renewable Energy
7	FMG Solomon, a wholly owned subsidiary of Fortescue Metals Group – Fixed plant maintenance crane services and shutdown crane services	Iron Ore
8	Hastings District Council – Construction of new sewer pipeline, water main and ancillary items	Water
9	Hastings District Council – Construction of new water main	Water
10	Jacobs Engineering – Supply structural steel, fabricated spooling and preassembled modular pipe racks	Fabrication Services
11	JKC Australia LNG (JKC) – Ichthys Project Onshore LNG Facilities – Mechanical Works – Utility and offsite	Oil and Gas
12	JKC – Ichthys Project Onshore LNG Facilities – Onshore gas export pipeline	Oil and Gas
13	JKC – Ichthys Project Onshore LNG Facilities – SMPE&I for completion of gas turbine generators and associated steam piping of combined cycle power plant	Oil and Gas
14	Kawasaki Heavy Industries – Ichthys Project Onshore LNG Facilities – SMPE&I on the cryogenic tanks	Oil and Gas
15	Kiewit Corporation – Structural steel and miscellaneous steel	Fabrication Services
16	Newcrest – Cadia gold processing plant – Structural, mechanical and piping works	Gold
17	Nyrstar – Port Pirie Smelter – Structural, mechanical and piping works	Lead
18	Design, construction and commissioning of a liquid fuel supply system	Iron Ore
19	Santos Ltd – Roma West Phase 2B Project – Structural, mechanical and piping works	Oil and Gas
20	Santos Ltd – Supply, fabrication, assembly and delivery of wellhead separator skids	Fabrication Services
21	Selwyn District Council – Upgrade to wastewater treatment plant	Water
22	Sydney Water Corporation – Network delivery management, delivery contractor panel for facilities and networks	Water
23	Townsville City Council – Civil, structural, mechanical and electrical works to upgrade the Cleveland Bay Purification Plant	Water
24	Unitywater – Design and construction of major upgrade to Kawana Sewage Treatment Plant	Water
25	Western Downs Regional Council – Design and construction of potable water treatment plant	Water

MAINTENANCE AND INDUSTRIAL SERVICES

		Market Sector
1	BHP Coal – Maintenance works	Coal
2	BHP Iron Ore – Sustaining capital works	Iron Ore
3	BHP Mitsubishi Alliance (BMA) Blackwater Mine – Dragline shutdowns	Coal
4	BHP Nickel West – Maintenance and turnarounds	Nickel
5	BHP Olympic Dam – Maintenance and turnarounds	Copper, Uranium, Gold
6	Boyne Smelters – Maintenance services	Aluminium (Smelting)
7	BP – Turnarounds and capital projects	Oil and Gas
8	Chevron Australia – Gorgon LNG Project – Facilities maintenance	Oil and Gas
9	Chevron Australia – Wheatstone LNG Project – Facilities maintenance	Oil and Gas
10	CITIC Pacific Mining – Sino Iron Project – Projects and turnarounds	Iron Ore
11	Gladstone Ports Corporation – Maintenance works	Coal
12	Incitec Pivot – Maintenance and turnarounds	Ammonia
13	INPEX Operations Australia – Offshore maintenance services	Oil and Gas
14	Lihir Gold – Maintenance works	Gold
15	Oil Search Limited – Field construction services / engineering, procurement and construction services	Oil and Gas
16	QGC Pty Limited, Shell-operated QGC venture on Curtis Island	Oil and Gas
17	Queensland Alumina Limited – Maintenance and turnarounds	Alumina
18	Maintenance and turnarounds	Coal
19	Maintenance and turnarounds	Iron Ore
20	Sustaining capital works	Iron Ore
21	Shell Australia – Maintenance and turnaround services on Prelude FLNG facility	Oil and Gas
22	South32 – Worsley Alumina Refinery	Alumina
23	Synergy – Operation and maintenance of Collie Basin Coal Plant Infrastructure	Power
24	The Pilbara Infrastructure, a wholly owned subsidiary of Fortescue Metals Group – Abrasive, cleaning and relining carbon steel ore wagons	Iron Ore
25	Tronox KMK – Cogeneration Plant operation and maintenance	Power
26	Whitehaven Coal Mining – Maintenance	Coal
27	Woodside – Karratha Gas Plant Life Extension Program	Oil and Gas
28	Woodside – Maintenance, turnarounds and offshore brownfields implementation	Oil and Gas



2016/17 HIGHLIGHTS

Monadelphous continued to enhance business development activities across the Group, successfully capitalising on a number of opportunities in core markets and making good progress in its strategy to diversify into new services and overseas markets.

Ichthys LNG Project Contracts

Awarded a long-term offshore maintenance services contract for INPEX Operations Australia associated with the Ichthys LNG Project. Secured additional packages of work on the Ichthys Project Onshore LNG Facilities in Darwin for JKC and Kawasaki Heavy Industries. Awarded the Gold Standard Award for Health, Safety, Environment and Security Excellence by JKC for the Ichthys Project Onshore LNG Facilities MEC-2 Package.

Image courtesy of INPEX Australia.

Zenviron Joint Venture

Formed new joint venture, Zenviron, with renewable energy specialist, ZEM Energy. Zenviron secured its first contract on the 270MW Sapphire Wind Farm in northern NSW.

Water Contracts

Secured new contracts in the Australian and New Zealand water industries, including the Amuri Irrigation Scheme construction contract in New Zealand and a major upgrade to Unitywater's Kawana Sewage Treatment Plant on the Sunshine Coast, Queensland.

$600M Woodside Contract

Secured a major contract with Woodside Energy Ltd. for the provision of gas asset general maintenance services and brownfields offshore implementation for Woodside-operated gas production facilities in the north-west of Western Australia, valued at approximately $600 million over five years.

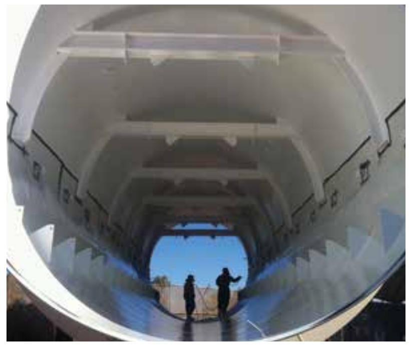
Image courtesy of Woodside Energy Ltd.

Manila Support Team

Enhanced capability of Manila-based support team to provide cost-competitive technical services for Monadelphous operating divisions and expanded support services.

Oil Search Contract

Extended presence in Papua New Guinea with the award of a five year EPC services contract for Oil Search Limited, in joint venture with Jacobs Engineering Group.



Arc West Acquisition

Broadened industrial services offering with the acquisition of Arc West, to include corrosion management, marine maintenance and protective coatings.

Mondium Established

Established Mondium in partnership with Lycopodium, offering engineering, procurement and construction services to the mineral processing market.

New SinoStruct Facility

Established new workshop and logistics facility in Houston, United States to support SinoStruct's supply of fabricated products to North America. SinoStruct awarded two new fabrication contracts in North America.

Technology Solutions

Developed solutions to increase productivity and improvement, including robotic welding technology and automated 3D workpack creation.

PERFORMANCE AT A GLANCE

Sales revenue for the year was $1.265* billion, reflecting increased competition and the ongoing transition in the resources and energy sectors from investment to production.

IMAGE A member of the Monadelphous rope access team entering a train loadout bin for inspection at BHP's Mining Area C, Newman, Western Australia.

SUMMARY OF 2017 PERFORMANCE

Reduced levels of construction activity, offset by the increase in maintenance services activity. The Company secured over $1.8 billion in new contracts, delivering on its markets and growth strategy.

Financial

- Sales revenue of $1.265* billion
- NPAT of $57.6 million, EBITDA^ of $98.2 million
- EPS of 61.4 cents, DPS of 54 cents fully franked
- Cashflow from operations of $111.2 million, conversion rate of 130.8 per cent

Operations

- Reduced construction activity and increased competition
- Growth in maintenance services activity
- $1.8 billion of new contracts and additional work

Safety and Wellbeing

- Group and divisional safety campaigns to combat the decline in safety performance
- Safety initiatives implemented to support and embed strong safety culture in new diversified areas of the business

Markets and Growth

- Secured major offshore maintenance contracts in the oil and gas sector
- Broadened specialist service offering to core markets
- Strengthened position in Papua New Guinea
- Growth in water infrastructure business, securing work in Australia and New Zealand
- Entered the renewable energy market and secured first wind farm project
- Secured first contract in Mongolia (subsequent to year end)
- Established new EPC business and actively pursuing opportunities
- Set up workshop and logistics facility in Houston, United States to support new SinoStruct work in North America

People and Culture

- 6,164 people at year-end, reflecting the increased maintenance services activity and ramp-up of construction activity towards year end
- Rationalised support services structure and expanded delivery of offshore business and project services
- Strong key talent retention rates

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 on page 59.

* Includes Monadelphous' share of joint venture revenue – refer to reconciliation on page 17.

^ Refer to page 17 for reconciliation of EBITDA.

SALES REVENUE* [$M]

2017	**1,264.7**
2016	1,364.7
2015	1,865.0
2014	2,329.6
2013	2,614.1

NET CASH AT 30 JUNE [$M]

2017	**228.1**
2016	186.0
2015	186.6
2014	180.8
2013	140.2

EBITDA^ [$M]

2017	**98.2**
2016	113.6
2015	168.0
2014	231.6
2013	251.6

EARNINGS PER SHARE# [C]

2017	**61.4**
2016	71.8
2015	113.9
2014	159.1
2013	173.0

NET PROFIT AFTER TAX# [$M]

2017	**57.6**
2016	67.0
2015	105.8
2014	146.5
2013	156.3

DIVIDENDS PER SHARE [C]

2017	**54.0**
2016	60.0
2015	92.0
2014	123.0
2013	137.0

OPERATING CASH FLOW [$M]

2017	**111.2**
2016	78.0
2015	117.8
2014	117.6
2013	113.2

EMPLOYEE NUMBERS

2017	**6,164**
2016	4,438
2015	4,536
2014	5,321
2013	7,067

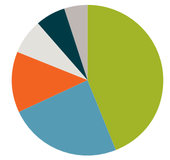
* Includes Monadelphous' share of joint venture revenue – refer to reconciliation on page 17.

^ Refer to page 17 for reconciliation of EBITDA.

\# Attributable to equity holders of Monadelphous Group.

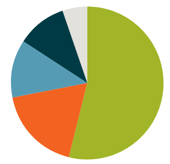
Work in Western Australia continued to dominate the Company's revenue in 2017, followed by the Northern Territory.

GEOGRAPHY



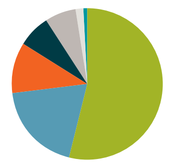
WA	44.0%
NT	24.3%
QLD	12.9%
Overseas	7.5%
NSW	6.4%
SA	4.9%

END CUSTOMER



Oil and Gas	54.1%
Other Minerals	17.9%
Iron Ore	12.4%
Infrastructure	10.5%
Coal	5.1%

SERVICE MARKET



Process Plant SMP*	53.9%
Process Plant SMP* & E&I**	19.3%
O&M***	10.7%
Water	7.2%
Fabrication	6.6%
Pipelines	1.6%
Marine	0.7%

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

MARKETS AND GROWTH STRATEGY

We will grow earnings by maximising returns from our core markets, building an infrastructure business and delivering core services to overseas markets.

MAXIMISE RETURNS FROM CORE MARKETS

PROGRESS

Secured major onshore and offshore oil and gas maintenance contracts with INPEX and Woodside Energy Ltd.

Awarded new construction works on the Ichthys Project Onshore LNG Facilities

Broadened specialist services offering within core markets, including rope access, dewatering, specialist coatings and marine, and expanded heavy lift capabilities

Awarded five-year EPC contract for Oil Search (in joint venture with Jacobs Engineering)

PRIORITIES

Continue to improve cost competitiveness and drive innovation

Secure EPC projects through Mondium joint venture

Deliver broader range of services to new and existing customers

BUILD AN INFRASTRUCTURE BUSINESS

PROGRESS

Awarded new contracts in water and irrigation in Australia and New Zealand

Entered the renewable energy market through Zenviron joint venture and secured first wind farm contract

PRIORITIES

Continue to grow water and irrigation in Australia and New Zealand

Secure further renewable energy projects in wind and solar

Enter Australian civil transport infrastructure market

DELIVER CORE SERVICES TO NEW OVERSEAS MARKETS

PROGRESS

SinoStruct awarded fabrication contracts in North America and established a workshop and logistics facility in Houston, United States

Secured first package of work at Oyu Tolgoi in Mongolia (subsequent to year end)

Expansion of business and support services capability in Manila, Philippines

PRIORITIES

Capitalise on SinoStruct's North American presence

Secure further Oyu Tolgoi packages

Assess preferred overseas markets for future entry

IMAGES

Top A Monadelphous employee working on FMG's Solomon Hub mine as part of the tailings pipeline team, Mount Sheila, Western Australia.

Middle The Ichthys LNG Project's central processing facility, Ichthys Explorer. Image courtesy of INPEX Australia.

Bottom A pre-assembled denox skid from SinoStruct's Houston fabrication facility, United States.

CHAIRMAN'S REPORT

Monadelphous maintained a strong position in both core and new markets, winning contracts in a range of market sectors and ending the year with a record net cash balance.

It is with pleasure that I present the 2017 Monadelphous Group Limited Annual Report. The Company maintained a strong focus on maximising productivity and continued to develop and implement innovative and cost competitive solutions for customers, retaining its leadership position in core markets and diversifying into new services and customer markets, both domestically and internationally.

Sales revenue for the year was $1.26 billion*, down 7.3 per cent on the previous corresponding period due to lower demand for engineering construction work, partially offset by an improvement in maintenance activity in the resources and energy sectors.

Net profit after tax attributable to equity holders of the parent (NPAT) was $57.6 million. Margins remained under pressure as a result of high levels of competition in the market and a continued focus by customers on cost reduction. Earnings before interest, tax, depreciation and amortisation (EBITDA)^ was $98.2 million.

Earnings per share (EPS) was 61.4 cents. The Board of Directors is pleased to announce a final dividend of 30 cents per share fully franked. This takes the full-year dividend to 54 cents per share fully franked, giving a dividend payout ratio of 88 per cent of net profit after tax. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the final dividend.

Monadelphous ended the year with a record net cash balance of $228.1 million and cash flow from operations of $111.2 million, assisted by the resolution of a number of claims during the year. Cash flow conversion was a healthy 130.8 per cent.

Higher levels of maintenance services and a ramp-up of construction activity levels towards the end of the year saw workforce numbers increase 39 per cent to 6,164 by the end of the year. The Company continued to invest in the training and development of supervisors and emerging leaders, and remains committed to Indigenous engagement with the implementation of the Reconciliation Action Plan.

Safety continued to be a focus right across the business, with a wide range of activities taking place to strengthen and reinforce Monadelphous' strong safety culture.

New contracts and additional work valued at approximately $1.8 billion were secured during the year, including several major long term oil and gas maintenance contracts, reinforcing the Company's leading position as the major provider of onshore and offshore services to the Australian oil and gas industry.

Monadelphous made good progress in its markets and growth strategy, extending its maintenance services offering and heavy lift capabilities.

The delivery of core services to overseas markets also gained traction, with Monadelphous' China-based fabrication business SinoStruct winning a number of new contracts in North America. During the year, SinoStruct established a workshop and logistics facility in Houston, United States to support the overseas contracts and position the business to secure additional supply opportunities. The Company's position in Papua New Guinea was further strengthened with the award of a five year contract with Oil Search for engineering, procurement and construction (EPC) services, delivered in a joint operation with Jacobs Engineering Group. Subsequent to year end, Monadelphous secured an initial package of work at Oyu Tolgoi Underground Project located in the South Gobi region of Mongolia.

The Company's objective to build a substantial infrastructure business has focused on the growth of services in water and irrigation. In the past year, contracts were secured in Australia and New Zealand.

Early in the year, Monadelphous entered the renewable energy market through the creation of an incorporated joint venture, Zenviron, with renewable energy specialist, ZEM Energy. The formation of Zenviron is a key milestone in the Company's strategy to extend services into emerging infrastructure markets. Zenviron has since secured the balance of plant works for the construction of the Sapphire Wind Farm in New South Wales, and subsequent to the year end, a contract to provide EPC and commissioning of the Salt Creek Wind Farm in Victoria.

Monadelphous and Lycopodium, an engineering and project management consultancy, established the strategic joint venture Mondium during the year, to provide turnkey EPC solutions to customers in the mining and mineral processing market, both in Australia and overseas. Mondium is actively bidding for a number of EPC opportunities in the Australian minerals processing market.

The Company's strong cash balance will enable it to pursue acquisition opportunities and make the necessary investments in plant and equipment required for continued growth and diversification.

On behalf of the Board, I thank all stakeholders for their loyalty and support, and particularly our dedicated team of people for their commitment and contributions during the year.

John Rubino
Chairman

* Includes Monadelphous' share of joint venture revenue – refer to page 17 for reconciliation.
^ Refer to page 17 for reconciliation of EBITDA.

MANAGING DIRECTOR'S REPORT

The Company gained traction in its markets and growth strategy, and strengthened its position as a leading maintenance services provider.

During the year, Monadelphous secured new contracts and additional work totalling approximately $1.8 billion across a broad range of core and new markets.

In the oil and gas sector, Monadelphous strengthened its position as a provider of maintenance services, securing contracts with INPEX and Woodside, and increasing returns from the engineering construction sector with the award of new works on the Ichthys Project Onshore LNG Facilities. The Company's presence in the infrastructure sector has grown with a number of contract awards in water, irrigation and renewable energy.

Group revenues were impacted by lower construction activity and greater competition, partially offset by an upturn in maintenance activity levels across the resources and energy sectors.

The Company remained focused on the identification of business improvement opportunities to deliver greater productivity for both the Company and its customers. Divisional and corporate structural reviews were undertaken during the period, with support services further rationalised to ensure the most effective structure to remain competitive and support the business to deliver its growth and diversification strategy. In addition, the Company expanded its offshore service centres to effectively support an increasingly global operational presence and provide greater value to customers.

While the oil and gas sector operations continued to deliver services at world class safety standards, the overall Company safety performance was impacted in part by changed market conditions and new environments with different hazards and risks. The 12-month total case injury frequency rate (TCIFR) was 4.27 incidents per million man-hours worked and the lost time injury frequency rate (LTIFR) was 0.08.

A comprehensive response was implemented in order to refocus Monadelphous' safety efforts, including the roll-out of safety campaigns throughout the business to reinforce key safety messages and the introduction of improvement initiatives. Employees were provided with the opportunity to have their say about ways Monadelphous could return to its high standard of safety performance via a Group-wide safety survey, while the Company's upgraded intranet provided an enhanced platform for safety communication to the workforce.

Monadelphous continued its engagement with educational institutions and industry bodies to facilitate a future pipeline of talent. The Graduate Development Program received more than 1,750 applications for the 2017 intake across Australia and New Zealand and more than forty people enrolled in the Company's well-established Apprenticeship Program, including three Papua New Guinea nationals.

With an increasing focus on diversity in the workforce, good progress was made against the Company's objective to enhance female participation, with the appointment of its first female Board member and first female General Manager.

ENGINEERING CONSTRUCTION

The Engineering Construction division reported sales revenue of $615.4 million*, reflecting lower construction activity and greater competition in the resources and energy sector.

During the year, the division continued its focus on growth and diversification, strengthening its position in water infrastructure and securing its first major renewable energy project.

New construction contracts to the value of approximately $800 million were secured during the year, including awards in energy, fabrication, water infrastructure and irrigation.

At the end of the period, the majority of construction and testing activity was completed on Monadelphous' largest ever construction contract, the MEC-2 project, at the Ichthys Project Onshore LNG Facilities in Darwin, Northern Territory. The division was awarded additional packages of work on the project during the period including the electrical and instrumentation works for the product loading jetty for JKC, a subcontract for structural, mechanical, piping, electrical and instrumentation work for Kawasaki Heavy Industries on the cryogenic tanks and a contract for the completion of the gas turbine generators and the associated steam piping of the combined cycle power plant for JKC.

The water and irrigation business made solid inroads in Australia and New Zealand with the award of several new contracts, including a major construction contract associated with the Amuri Irrigation Scheme, north of Christchurch, New Zealand. Other new work included an upgrade to the Cleveland Bay Purification Plant for Townsville City Council and two contracts for the Hastings District Council, New Zealand, for the construction of new sewer pipelines and water mains.

The division also won a contract to undertake the design and construction of a major upgrade to Unitywater's Kawana Sewage Treatment Plant, on the Sunshine Coast, Queensland, with work on the project beginning during the year. The design solution that Monadelphous will use incorporates innovative process technology that improves the effectiveness of the plant and reduces the size of the site's physical footprint. Work is scheduled for completion by the end of calendar year 2018.

Further extending the Company's core heavy lift offering, Monadelphous was awarded a three year contract with a two year extension

* Includes Monadelphous' share of joint venture revenue.

option, to provide fixed plant maintenance and shutdown crane services to Fortescue Metals Group at the Solomon Hub site in the Pilbara Region, Western Australia.

The division performed strongly from a safety perspective, and put a particular focus on improving the safety culture in the water and irrigation business. In addition to the emphasis on safety leadership, a consultation and review process was undertaken across the business to redefine and communicate key safety expectations. The Engineering and Construction oil and gas business was recognised for its safety performance on the Ichthys Project Onshore LNG Facilities, receiving the JKC 2016 Gold Standard Award for best performing subcontractor.

A number of ongoing initiatives continued to deliver better, safer and more efficient outcomes for customers. The Project Information Management System (PIMS) was rolled out across a number of sites, low cost engineering centres were engaged to provide support to projects, and a suite of databases was introduced to store and manage data for tender submissions and to support existing and future projects.

SinoStruct consolidated its position in North America, winning a number of major contracts and establishing a workshop and logistics facility in Houston to support this growth. With the momentum of SinoStruct, and continuing unfavourable market conditions forecast for the Marcellus region of the USA, a decision was made in June 2017 to discontinue the Monaro joint venture.

MAINTENANCE AND INDUSTRIAL SERVICES

The Maintenance and Industrial Services division reported sales revenue of $652.9 million for the year, up 7.3 per cent on the previous year. Higher demand for sustaining capital and maintenance support services was driven by increased production from the resources sector, and a transition in the oil and gas sector as new operations began to come on stream.

During the year, the division was awarded more than $1 billion in new contracts, including two significant oil and gas contracts with INPEX Australia and Woodside Energy Ltd. (Woodside). The Offshore Maintenance Services contract will see Monadelphous deliver operational, campaign and shutdown maintenance services and brownfield projects implementation associated with the Ichthys Central Processing Facility 'Ichthys Explorer' (CPF) and Floating Production Storage and Offloading facility 'Ichthys Venturer' (FPSO).

A major contract was also secured with Woodside for the provision of gas asset general maintenance services and brownfields offshore implementation for Woodside-operated gas production facilities in the north-west of Western Australia. Both the INPEX and Woodside contracts position Monadelphous as a major provider of onshore and offshore maintenance services.

Other contracts awarded during the year include a five year contract for BHP's Olympic Dam copper-uranium operation at Roxby Downs, South Australia, a five year contract in joint operation with Jacobs Engineering Group for engineering, procurement and construction services on Oil Search's oil and gas production facilities in the Highlands region of Papua New Guinea, and an order to provide facilities management services at the Wheatstone LNG Project near Onslow, Western Australia, for a 12-month period under an existing agreement with Chevron Australia.

The division acquired Port Hedland-based business Arc West during the year, which expanded its range of services to include corrosion management, marine maintenance and protective coatings. The rope access business acquired in 2016 continued to grow, and the first dewatering and industrial pipeline projects were secured.

The increased levels of maintenance and support activity undertaken for customers in the resources and energy sectors resulted in the achievement of a record number of man-hours worked and contract mobilisations. The division implemented a number of new safety initiatives in conjunction with the Group-wide safety improvement campaign, and continued to work with customers to reduce costs and implement innovative solutions.

OUTLOOK

Market conditions in the Australian resources and energy sector have stabilised over recent periods. While the Company continued to experience high levels of competition, the solid levels of sustaining and brownfields capital expenditure required to maintain the higher levels of production will continue to provide an increasing number of construction opportunities in the resources sector.

Prospects for maintenance services continue to be strong. Oil and gas services revenues are expected to be positively impacted as new LNG projects are commissioned and production commences. Aging assets in the resources sector are likely to drive increasing maintenance and support activity levels. Overall, Monadelphous is well-positioned to capitalise on these opportunities and to grow its recurring revenue base.

Revenues from infrastructure projects in the water, irrigation and renewable energy sector are expected to grow as new contracts secured this year commence. Prospects for new work remain encouraging, particularly in renewable energy, and the Company will continue to pursue opportunities in other infrastructure sectors to further diversify revenues.

Productivity improvements and the delivery of cost competitive solutions for customers will remain a priority for the business. Heightened levels of competition and a focus on cost reduction by customers will keep margins under pressure.

Overall, Monadelphous is in good shape. The Company remains in a leadership position in its core markets and is making good progress to diversify its business into new services and customer markets, both in Australia and overseas.

Rob Velletri
Managing Director

COMPANY PERFORMANCE

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

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Total revenue including joint ventures	**1,268,649**	1,368,849	1,869,505	2,332,960	2,617,459
Revenue	**1,249,085**	1,368,849	1,869,505	2,332,960	2,617,459
EBITDA	**98,184**	113,630	167,975	221,242	251,591
Profit before income tax expense	**82,664**	95,610	147,041	205,203	221,159
Income tax expense	**24,144**	28,702	41,216	58,693	64,845
Profit after income tax expense attributable to equity holders of the parent	**57,563**	67,014	105,825	146,510	156,314
Basic earnings per share	**61.41c**	71.77c	113.91c	159.05c	173.03c
Interim dividends per share (fully franked)	**24.00c**	28.00c	46.00c	60.00c	62.00c
Final dividends per share (fully franked)	**30.00c**	32.00c	46.00c	63.00c	75.00c
Net tangible asset backing per share	**398.23c**	390.64c	391.75c	387.22c	333.45c
Total equity and reserves attributable to equity holders of the parent	**377,393**	368,995	368,098	362,665	308,034
Depreciation	**17,892**	21,094	22,932	25,656	28,726
Debt to equity ratio	**3.6%**	4.8%	6.3%	10.2%	17.9%
Return on equity	**15.3%**	18.2%	28.7%	40.4%	50.7%
EBITDA margin	**7.8%**	8.3%	9.0%	9.9%	9.6%

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

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

	2017 $'000	2016 $'000
Profit before income tax	**82,664**	95,610
Interest expense	**734**	1,025
Interest revenue	**(3,848)**	(4,164)
Depreciation expense	**17,892**	21,094
Amortisation expense	**562**	65
Share of interest, depreciation, amortisation and tax of joint ventures #	**180**	–
EBITDA	**98,184**	113,630

Reconciliation of Statutory Sales Revenue:

	2017 $'000	2016 $'000
Total sales revenue including joint ventures	**1,264,747**	1,364,685
Share of revenue from joint ventures ~	**(19,564)**	–
Statutory sales revenue	**1,245,183**	1,364,685

Reconciliation of Statutory Revenue:

	2017 $'000	2016 $'000
Total revenue including joint ventures	**1,268,649**	1,368,849
Share of revenue from joint ventures ~	**(19,564)**	–
Statutory revenue	**1,249,085**	1,368,849

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

BOARD OF DIRECTORS

Left top Chris Michelmore, Peter Dempsey and Dietmar Voss.

Left bottom John Rubino, Helen Gillies and Rob Velletri.

JOHN RUBINO

Chairman

John was appointed to the Board on 18 January 1991. John was the founder of United Construction which later became diversified services company UGL. Initially serving as Managing Director and Chairman of Monadelphous Group Limited, John resigned as Managing Director on 30 May 2003 and continued as Chairman. John has more than 50 years of 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 joined Monadelphous in 1989 as General Manager after serving a 10 year career in engineering and management roles at Alcoa. Rob is a mechanical engineer with 38 years of experience in the construction and engineering services industry and is a Corporate Member of the Institution of Engineers Australia.

PETER DEMPSEY

Lead Independent Non-Executive Director

Peter was appointed to the Board on 30 May 2003. During his 30 year career at Baulderstone, now part of the multinational group Lendlease, Peter held several management positions prior to serving as Managing Director for five years. He is a civil engineer with 45 years of experience in the construction and engineering services industry throughout Australia, Papua New Guinea, Indonesia and Vietnam. Peter is a Fellow of the Institution of Engineers Australia and a member of the Australian Institute of Company Directors.

CHRIS MICHELMORE

Independent Non-Executive Director

Chris was appointed to the Board on 1 October 2007. He was formerly a Director of Connell Wagner, having served 36 years with the company, which now trades globally as Aurecon. Chris is a civil and structural engineer with 45 years of experience in the construction and engineering services industry throughout Australia, South East Asia and the Middle East. Chris is a Fellow of the Institution of Engineers Australia.

DIETMAR VOSS

Independent Non-Executive Director

Dietmar was appointed to the Board on 10 March 2014. During his career, Dietmar has worked for a number of global mining and engineering businesses, including BHP, Bechtel and Hatch throughout Australia, the United States, Europe, the Middle East and Africa. He is a chemical engineer with more than 40 years of experience in the oil and gas, and mining and minerals industries. Dietmar holds a Master of Business Administration in addition to science and law degrees and is a member of the Australian Institute of Company Directors.

HELEN GILLIES

Independent Non-Executive Director

Helen was appointed to the Board on 5 September 2016 and has previously served as a Director of global engineering company Sinclair Knight Merz and the Australian Civil Aviation Safety Authority. She has a strong background in risk, law, governance and finance, as well as extensive experience in mergers and acquisitions, and has over 20 years of experience in the construction and engineering services industry. Helen holds a Master of Business Administration and a Master of Construction Law, as well as degrees in commerce and law. She is a Fellow of the Australian Institute of Company Directors.

ENGINEERING CONSTRUCTION

The Engineering Construction division, which provides large-scale multi-disciplinary project management and construction services, continued its focus on growth and diversification, strengthening its position in water infrastructure and securing its first major renewable energy project.

The division reported sales revenue of $615.4 million*, reflecting lower construction activity and greater competition in the resources and energy sector.

New contracts to the value of approximately $800 million were secured during the year, including awards in energy, fabrication, water infrastructure and irrigation.

The division performed strongly from a safety perspective, with a continued focus on improving the safety culture in the water and irrigation business. In addition to the continued focus on safety leadership, a consultation and review process was undertaken across the business to redefine and communicate key safety expectations. This included streamlining HSE systems and processes to ensure they remain fit for purpose, add value and support competitiveness and business growth. Over the year, 10 best practice initiatives were implemented, focusing on areas such as hazard removal and construction methodology. The division continued to develop its focus on critical and fatal risk management, seeing good improvement in this area. The oil and gas business was recognised for its safety performance on the Ichthys Project Onshore LNG Facilities, receiving the Gold Standard Award for best performing subcontractor from JKC Australia in 2016, as well as the JKC Australia Emerald Award for environmental excellence in April 2017.

There was a strong focus on productivity and innovation during the period. The Project Information Management System (PIMS), an innovative, in-house project management software, was further optimised for customer delivery requirements and was implemented across a number of projects. Low cost engineering centres were used to provide support to projects, increasing cost effectiveness.

The division continued to develop an in-house suite of databases to store and manage data for tender submissions and to support existing and future projects. This included a new, purpose-built Capability Library and a Customer Relationship Management tool, both of which will support business development activities in a competitive market.

Following exploratory work undertaken over the past year, a number of market entry strategies are currently being developed, including the potential formation of new partnerships and acquisitions. Key areas of interest include the oil and gas sector in North America, the minerals sector in South America, as well as opportunities in Africa and South-East Asia. The division will continue to pursue local expansion in new infrastructure markets.

The Company's China-based fabrication business, SinoStruct, consolidated its position in North America, winning a number of major contracts and establishing an office and workshop in Houston, Texas, to support this growth. SinoStruct maintained an excellent safety record, with zero Lost Time Injuries recorded.

NEW SERVICES

Monadelphous strengthened its EPC offering with the formation of a new company, Mondium, in partnership with engineering and project management consultancy Lycopodium. Mondium offers EPC services to the mineral processing market and is well-positioned to perform early contractor involvement works and assist customers to optimise project delivery methodologies prior

* Includes Monadelphous' share of joint venture revenue.

IMAGES

Above A SinoStruct denox skid for LP Amina.

Left top A Monadelphous employee installing high density polyethylene pipe at Amuri Irrigation Scheme, New Zealand.

Left middle Monadelphous has diversified into the renewable energy sector with the formation of Zenviron, which has secured its first wind farm contract.

Left bottom A Monadelphous employee terminating the cables on a multi-media filtration skid at BHP's Mining Area C Water Treatment Plant, Newman, Western Australia.

OUR PROGRESS

- Renewable energy business Zenviron secured first contract
- Water and irrigation contracts secured in Australia and New Zealand
- SinoStruct expanded presence in North America

ENGINEERING CONSTRUCTION

to execution. Mondium continues to develop relationships with key customers and is pursuing a number of tender opportunities in Australia and overseas.

The Company's newly established renewable energy business Zenviron, in consortium with wind turbine manufacturer Vestas, was awarded a contract for the delivery of the Sapphire Wind Farm project in New South Wales. Zenviron will deliver the civil and electrical balance of plant works, while Vestas will deliver the wind turbines. Early design works on the project commenced in July 2016 with practical completion expected in 2018. The creation of Zenviron is a key milestone in the Company's strategy to extend services into new infrastructure markets, and the Sapphire Wind Farm contract award puts Zenviron in a strong position to take advantage of the rapidly growing renewable energy sector in Australia and New Zealand. Subsequent to the reporting period Zenviron, in consortium with Vestas, was awarded a contract to provide engineering, procurement, construction and commissioning of the Salt Creek Wind Farm for Tilt Renewables.

RESOURCES

In an important milestone, the division was awarded a three-year contract with Fortescue Metals Group for fixed plant maintenance crane services at the Solomon Hub site in the Pilbara region, Western Australia. The award of this contract is significant for the Company's growth and diversification strategy, extending the heavy lift service offering to core markets. The heavy lift crane fleet was also expanded during the year to meet the changing requirements of the resources market.

A structural, mechanical and piping package associated with Newcrest's gold processing plant was secured at its Cadia Valley operations in New South Wales. The Company continued its history of strong execution and project delivery on Nyrstar's Port Pirie smelter.

Subsequent to the reporting period, the Company received a Notice of Award to provide a package of work on the Oyu Tolgoi Underground Project in Mongolia, highlighting the continued expansion of the division's core services overseas.

ENERGY

By the end of the period, the majority of construction and testing activity was completed on Monadelphous' largest ever construction contract, the MEC-2 project, at the Ichthys Project Onshore LNG Facilities in Darwin, Northern Territory. The project encompassed the offsite and utilities work, with more than 90,000 diameter inches of welding successfully completed and more than 1,800 pressure tests carried out. The Company's safety performance on the project was acknowledged with a number of safety awards.

The division was awarded additional packages of work on the Ichthys Project Onshore LNG Facilities during the period, including the electrical and instrumentation works for the product loading jetty for JKC Australia LNG, a subcontract for structural, mechanical, piping, electrical and instrumentation work for Kawasaki Heavy Industries on the cryogenic tanks and a contract for the completion of the gas turbine generators and the associated steam piping of the combined cycle power plant for JKC Australia.

WATER AND IRRIGATION

The water and irrigation business recorded solid growth and was awarded several contracts in Australia and New Zealand, including a major construction contract associated with the Amuri Irrigation Scheme, north of Christchurch, New Zealand. The contract, for Amuri Irrigation Company Limited, involves the supply, installation and commissioning of a 130 kilometre water pipeline network, to deliver pressurised irrigation water from existing canal system intakes to a large number of demand offtakes for farming in the region. The project is targeted for completion in the third quarter of the 2017 calendar year.

Other new contracts awarded included an upgrade to the Cleveland Bay Purification Plant for Townsville City Council, two contracts for the Hastings District Council, New Zealand, for the construction of a new sewer pipeline, water main and ancillary items in the Havelock North township and a new water main in Hastings City, and a construction contract for an upgrade to a wastewater treatment plant for Selwyn District Council in Rolleston, New Zealand.

Work began on the design and construction of a major upgrade to Unitywater's Kawana Sewage Treatment Plant, on the Sunshine Coast, Queensland. Monadelphous' design solution incorporates innovative process technology that improves the effectiveness of the plant and reduces the size of the site's physical footprint. The upgrade includes the installation of new concrete structures, pipework and mechanical and electrical equipment and the refurbishment of existing equipment. Work is scheduled for completion by the end of calendar year 2018.

IMAGE Overlooking the jetty at the Ichthys Project Onshore LNG Facilities, Darwin, Northern Territory.

The water and irrigation business continued to work with Sydney Water Corporation, with the existing Network and Facility Renewals Program contract expanded to include the provision of mechanical, electrical and civil services for water and waste water treatment facilities, pumping stations, pipelines, reservoirs, chemical dosing facilities and odour control facilities.

The majority of work was completed on the Mining Area C water treatment and distribution project, which comprised bore fields, water treatment facility, high voltage power supply lines, remote location tanks and pump stations. Work was also completed on the Chinchilla water treatment plant during the period.

While the infrastructure market is competitive, the water and irrigation business is in a strong position to secure further opportunities in Australia and New Zealand.

FABRICATION SERVICES

SinoStruct continued to respond to changing market conditions and focused heavily on global business development opportunities, particularly in the North American oil and gas and resources sectors. An order was secured to supply structural steel, fabricated spooling and preassembled modular pipe racks for Jacobs Engineering, as part of a plant expansion project in the US. This work will be supported through SinoStruct's new workshop facility in Houston, Texas and is expected to be completed in the first half of the 2018 calendar year.

Other new work included a contract for the supply of approximately 6,300 tonnes of structural and miscellaneous steel to Kiewit Corporation, an order received under an existing agreement to supply wellhead separator skids for Australia Pacific LNG, an agreement secured with Santos for the supply of wellhead equipment and a contract for the supply, fabrication, pre-assembly and delivery of structural steel, conveyors and plate work with Brolton Group at the Hanson Bass Point Quarry Expansion Project in Shellharbour, NSW.

Strategically, SinoStruct has continued to strengthen its reputation and capability for high volume process skid manufacturing.

With the momentum of SinoStruct, and continuing unfavourable market conditions forecast for the Marcellus region of the US, a decision was made to discontinue the Monaro joint venture.

OUTLOOK

The resource and energy markets in Australia are stabilising, although capital expenditure levels remain at historically low levels as the rate of major investment in new production slows. The market continues to invest in sustaining capital works expenditure required to support the significant increases in production levels. This will continue to provide opportunities, particularly in iron ore and coal seam gas.

In a continued tight market, the division will focus on better understanding customer requirements and improving productivity through the effective use of technology.

Business development opportunities overseas will be pursued and a strong diversification strategy will provide new platforms for revenue growth. SinoStruct will continue to pursue an increasing number of opportunities in North America, particularly in the shale oil market.

Monadelphous' position in infrastructure markets is expected to strengthen further, particularly in water and renewable energy. There are a number of opportunities for further work in this market, particularly in New Zealand and on the east coast of Australia.

Mongolia is considered strategically important for the division's future growth and opportunities will further be pursued on the Oyu Tolgoi Underground Project through Monadelphous' Mongolia office, which continues to provide engineering and support services to the Company's global operations.

The division will maintain a focus on working closely with the Maintenance and Industrial Services team to optimise project delivery.

CASE STUDY

ICHTHYS PROJECT ONSHORE LNG FACILITIES

Location – Darwin, Northern Territory

The INPEX-operated Ichthys LNG Project, one of the world's largest LNG developments, involves gas from the Ichthys Field in the Browse Basin off north-west Australia being exported to the onshore processing facilities in Darwin via an 890km pipeline. Monadelphous was awarded the MEC-2 package in 2014, which included unloading module support at the Project's Module Offloading Facility, module setting and hook-up of the jetty, connection and hook-up of the storage tanks and installation of the plant's utility systems. Monadelphous was subsequently awarded the MEC-2A electrical package in 2016, and in 2017 was awarded contracts for the completion of gas turbine generators and associated steam piping of the combined cycle power plant for JKC Australia LNG, and structural, mechanical, piping, electrical and instrumentation works on the cryogenic tanks for Kawasaki Heavy Industries.

MAINTENANCE AND INDUSTRIAL SERVICES

MAINTENANCE AND INDUSTRIAL SERVICES

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustaining capital works and turnarounds, expanded its services in core markets and secured $1 billion in new work including major contracts in the oil and gas sector.

The division reported revenue of $652.9 million, up 7.3 per cent on the previous period, due to an increase in maintenance activity levels across the resources and energy sectors.

A highlight was the award of two major oil and gas maintenance services contracts. The Offshore Maintenance Services Contract associated with the INPEX-operated Ichthys LNG Project is for an initial period of six years with a further two two-year extension options. Monadelphous has been engaged to deliver operational, campaign and shutdown maintenance services and brownfield projects implementation associated with the Ichthys Central Processing Facility 'Ichthys Explorer' (CPF) and Floating Production Storage and Offloading facility 'Ichthys Venturer' (FPSO).

A major contract was also secured with Woodside Energy Ltd. (Woodside) for the provision of gas asset general maintenance services and brownfields offshore implementation for Woodside-operated gas production facilities in the north-west of Western Australia. The contract, which is for an initial period of five years with a further two one-year extension options, includes maintenance, shutdown services and offshore brownfields implementation for Woodside's Karratha Gas Plant, Pluto LNG, North Rankin Complex, Goodwyn A platform and Angel platform. Monadelphous has worked with Woodside since 2002 undertaking project activities, and since 2012 has been performing shutdown and maintenance services for Karratha Gas Plant and Pluto LNG Plant.

The division expanded the range of services provided to its core markets with the acquisition of Arc West, an integrated services provider specialising in corrosion management, marine maintenance and protective coatings, based in Port Hedland, Western Australia. The acquisition has also enabled the division to establish a local presence to support core mechanical, electrical and maintenance services. The rope access business acquired in 2016 continued to grow, and the first dewatering and industrial pipeline projects were secured during the period.

The division's total case injury frequency rate (TCIFR) increased to 3.66 incidents per million man-hours. While this is a disappointing result, a number of safety campaigns have been implemented by the division in conjunction with the Group-wide safety improvement campaign. The division continued its significant investment in safety leadership to manage risk, as well as safety culture benchmarking activities across operations, to achieve targeted improvements in the future.

A record number of man-hours and mobilisations were achieved, reflecting the increased levels of maintenance and support activity for customers in the wider resources and energy sectors. Key personnel were retained and there was continued investment in training and development for supervisors and emerging leaders.

There was continued focus on productivity improvement during the year, working with customers to reduce costs and implement innovative solutions. The innovation management platform, MProve, gained traction and was used to capture ideas, measure the progress of actions and report the value attributed to each action implemented. There was a heavy focus on gaining efficiencies in workforce planning and the automation of work packaging solutions. In addition, the Manila office was used to assist in the development of work packs, resource planning and administrative functions.

IMAGES

Above A Monadelphous employee completing electrical terminations inside a control panel for the sliding working platform installed at BHP's Mining Area C, Newman, Western Australia.

Left top A Monadelphous employee descending to remove liner plates in a cos bin using rope access work positioning at Boddington Gold Mine, Western Australia.

Left middle The Ichthys LNG Project's Floating Production Storage and Offloading facility, Ichthys Venturer. Image courtesy of INPEX Australia.

Left bottom The Oil Search Central Production Facility in the Southern Highlands of Papua New Guinea.

OUR PROGRESS

- Secured major onshore and offshore contracts in the oil and gas sector
- Achieved record number of man-hours and mobilisations
- Broadened specialist services offering within core markets

MAINTENANCE AND INDUSTRIAL SERVICES

ENERGY

The division's strong reputation for high quality maintenance and industrial services ensured it remained market competitive, securing a number of significant new oil and gas contracts and extensions.

The contracts for Woodside-operated gas production facilities and the INPEX-operated Ichthys LNG Project, in addition to the Shell Prelude FLNG maintenance and modification services contract awarded in 2015, demonstrate Monadelphous' leadership position in the provision of onshore and offshore LNG maintenance services in Australia.

A five-year contract was also secured in joint venture with Jacobs Engineering Group for engineering, procurement and construction services on Oil Search's oil and gas production facilities in the Highlands region of Papua New Guinea. Monadelphous has provided brownfield project and maintenance services to Oil Search since 2007, and during the period the division executed Oil Search's biggest ever shutdown, with 440 employees at peak. An existing agreement with Chevron Australia was also extended to provide facilities maintenance services at the Wheatstone LNG Project near Onslow, Western Australia (WA), for a 12-month period.

The division continued to provide maintenance, shutdown and project services for major oil and gas projects in WA, including facilities management and support services at the Chevron-operated Barrow Island assets, multi-disciplinary services through Woodside's Karratha Life Extension Program, through its joint venture with Giovenco, and a separate contract for Woodside providing maintenance and shutdown services at the Karratha Gas Plant. Capital works and maintenance events were also undertaken for BP Australia at its Kwinana Refinery in WA, including the refinery's largest ever turnaround, and early works associated with Shell Australia's Prelude FLNG project, in Darwin, Northern Territory.

A number of successful shutdowns were also undertaken as part of existing contracts for QGC's LNG Plant in Queensland and Incitec Pivot's Moranbah ammonia plant.

RESOURCES

Despite improved commodity prices, customers continued to focus on improving the operating efficiency of existing assets.

A contract was awarded to provide abrasive blasting, cleaning and specialised polyurea lining of carbon steel ore wagons for The Pilbara Infrastructure Pty Ltd in Port Hedland, WA.

Dragline and shovel shutdowns were successfully executed across New South Wales and at BHP Mitsubishi Alliance (BMA) sites throughout the Bowen Basin. Shutdown and maintenance services were also delivered in the Pilbara, WA, along with work for CITIC Pacific Mining's Sino Iron Project at Cape Preston and BHP's Nickel West operations in the Goldfields in WA.

The division grew its operations in the Goldfields region, with its strong reputation for performance and delivery resulting in several new customers. The acquisition of Arc West expanded the division's geographical footprint to Port Hedland, WA, and provided exposure to new customers. The rope access business acquired in 2016 continued to grow, and the first dewatering and industrial pipelines projects were secured.

Activity continued on the long-term contract for BHP's Olympic Dam operation in South Australia, where Monadelphous has been working for nearly 30 years.

OUTLOOK

The outlook for the maintenance division remains positive as new LNG projects are commissioned and production ramps up. The aging of assets in the resources sector will also drive higher volumes of maintenance and support services. The Company is well-placed to capitalise on a number of new maintenance opportunities and grow its recurring revenue base. While competition in the market remains high, the Company is recognised for its value-adding capability and strong delivery track record.

The division will continue to focus on diversification while maximising opportunities in core business areas, in what will remain a competitive landscape. Productivity improvements and the delivery of cost-effective solutions for customers will be a key focus area, with investment in systems and technology to support this focus.

The division's strategy to become a partner of choice in the provision of offshore oil and gas maintenance and modification services has gained momentum with the award and commencement of ramp up of the Ichthys LNG Project and Woodside-operated gas production facilities contracts.

The division will maintain its focus on building strong, long-term relationships with customers.

IMAGES

Above Karratha Gas Plant, Karratha, Western Australia. Image courtesy of Woodside.

Right A Monadelphous employee working on FMG's Solomon Hub mine as part of the tailings pipeline team, Mount Sheila, Western Australia.

The outlook for the maintenance division remains positive as new LNG projects are commissioned and production ramps up.

CASE STUDY

KARRATHA GAS PLANT

Customer – Woodside Energy Ltd.

Location – Karratha, Western Australia

The North West Shelf Project facilities constitute Australia's largest oil and gas development. The facilities include Karratha Gas Plant, one of the most advanced, integrated gas production systems in the world, where LNG, domestic gas, condensate and LPG are produced.

Monadelphous has undertaken multi-disciplinary maintenance and shutdown services at the Karratha Gas Plant since 2012. In 2017 Monadelphous secured a major contract with Woodside which expands the existing contract for the provision of gas asset general maintenance services and brownfields offshore implementation for Woodside-operated gas production facilities in the north-west of Western Australia. The contract includes maintenance, shutdown services and offshore brownfields implementation for Woodside's Karratha Gas Plant, Pluto LNG, North Rankin Complex, Goodwyn A platform and Angel platform.

The MGJV joint venture with Giovenco, which was awarded the Woodside's Karratha Life Extension Program in 2015, saw a significant ramp up that has reached steady state. This includes planning and execution of mechanical, electrical, access, fire protection application, blasting and painting, cladding and insulation services.

SUSTAINABILITY

Monadelphous is committed to the long-term sustainability of its business through strong safety and financial performance, mutually beneficial relationships with stakeholders, a comprehensive understanding of how its activities may impact the communities and environments in which it operates and a diverse and inclusive workforce.

The Company has a unique, values-based culture which has driven a loyal and knowledgeable workforce who operate to the highest standards of conduct. A commitment to delivering quality work and innovative solutions is underpinned by the pledge to 'deliver what we promise'.

Identifying business improvement opportunities remains a key priority in the current market environment, with the Company continuing to deliver productivity enhancements for both its own and its customers' businesses. Key areas of focus include reducing customer costs, increasing asset availability and optimising plant reliability, while continuing to deliver safer and more efficient outcomes. All employees are encouraged to support the concepts of continuous improvement and innovation.

The Maintenance and Industrial Services division has an Innovation Strategic Plan, which includes time-bound deliverables to elevate improvement maturity in the business. This approach is underpinned by the Innovation Charter, signed by the division's senior leadership, to demonstrate an unambiguous commitment to innovation. During the period, the Charter was reviewed and updated to reflect the division's focus on effectively using emerging technologies to improve productivity and deliver value to customers.

Several new technologies were trialled during the year to digitise operations, including photogrammetry and remote visualisation technologies, such as smart helmets. Unmanned aerial vehicles are routinely used to perform visual inspections of exhaust stacks on power plants, which has eliminated risks associated with working at heights, cranage, confined space and non-visual means of communication. Efficiency has increased by 95 per cent, resulting in cost savings and increased productivity.

MProve, a cloud-based innovation management platform, has seen significant growth in the number of ideas captured. During the period, 399 ideas, valued at over $24 million, were generated. Work also progressed to develop an in-house suite of databases to store and manage data for tender submissions and to support existing and future projects. This included a new, purpose-built Capability Library and a Customer Relationship Management application.

To increase cost effectiveness, low-cost engineering centres were used to provide support to projects.

PEOPLE

At Monadelphous, people are essential to the Company's long-term success and sustainability. The number of employees at the end of June was 6,164, up from the previous period due to high levels of maintenance services activity and ongoing moderate levels of construction activity. Monadelphous remains focused on attracting, developing and retaining high calibre employees who live the Company's values and actively contribute to the achievement of its vision and strategic objectives.

Learning and Development

Monadelphous is committed to investing in the development of its people, maximising performance and capability, increasing job satisfaction and retention and maintaining the delivery of quality services to its customers.

IMAGES

Above Monadelphous site administration employees preparing for a morning pre-start meeting, Papua New Guinea.

Left top Zenviron employees at the Sapphire Wind Farm site, New South Wales.

Left middle Artwork commissioned by Monadelphous from Perth-based Walmajarri artist Clifton Bieundurry, which depicts the Monadelphous values using Aboriginal art symbols.

Left bottom Monadelphous employees at FMG's Solomon Hub mine, Mount Sheila, Western Australia.

OUR PROGRESS

Implementation of new technology increased efficiency and cost savings

Strong participation in development programs

SUSTAINABILITY

To facilitate this development, the Company continues to implement a number of initiatives.

Leading at Monadelphous Program

Developed and facilitated in partnership with the Australian Institute of Management Western Australia, the Leading at Monadelphous program is designed to support and develop the Company's senior leaders. The program aims to enhance leadership capability and ensure business sustainability through leadership self-awareness and innovative thinking. Sixteen nominated senior leaders from across different disciplines and locations within the business completed the first intake of the program in early 2017.

Frontline Management Program

Designed for leading hands, supervisors, superintendents and managers, this program supports operations by developing frontline leaders to promote safe, cost efficient and productive work fronts. Following the transition of the Certificate IV Frontline Management training package to the newly released Certificate IV Leadership and Management qualification, the content of this program is being designed to enable participants to continue to formalise their learning with the award of a nationally accredited qualification. More than 190 employees with a Certificate IV qualification remain employed within the business.

Emerging Leaders Program

Fifteen participants took part in the program this year. Participants were nominated by senior managers based on criteria such as role, performance and alignment with the Company's values. Key leadership principles covered in the program included relationship building, change management and self-awareness.

Graduate Development Program

The Graduate Development Program is highly sought after with more than 1,750 applications for the 2017 intake across Australia and New Zealand, from which 25 new graduates were recruited. During the period, seven employees successfully completed the program and, at the end of the reporting period, 36 employees remain enrolled in the program.

Apprenticeship Program

More than 40 people enrolled in the Company's well-established Apprenticeship Program during the year, including three Papua New Guinea nationals. Nine employees undertook traineeships within the Water Operations, Logistics and Warehousing and Business Administration disciplines. In addition to these mainstream apprenticeships, Monadelphous also offers school-based, Indigenous, mature aged and fast-track apprenticeships.

Employee Development Centre

Our Registered Training Organisation, based in Bibra Lake, Western Australia, continued to provide pre and post-mobilisation training for the Monadelphous workforce along with other select non-Monadelphous parties. With the focus on core skills and high risk disciplines, the Centre delivered more than 1,540 local and site-based courses across the business during the year. The high standard of training and assessment is well regarded by peak industry bodies and customers.

DIVERSITY

Monadelphous' workforce consists of people from diverse cultures, backgrounds and skill sets, and this diversity enriches our breadth of knowledge, capability and experience. The Company believes 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, ethnicity, political or religious belief, cultural background, disability and age.

Indigenous Engagement

Monadelphous respects the traditional owners of the land upon which its operations are located and their links to culture and heritage. The Company's latest Reconciliation Action Plan (RAP) was launched during NAIDOC Week 2014 and development of a new RAP for 2017-20 commenced during the period, with the launch planned for later in 2017.

The 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.

At the end of the period there were 52 people of Aboriginal and Torres Strait Islander descent employed across the three Monadelphous packages of work on the Ichthys Project Onshore LNG Facilities in Darwin and more than five per cent of employees on the Facilities Management Contract on Barrow Island. On the Wheatstone LNG Project near Onslow, WA, Monadelphous entered into a strategic subcontract partnership with BriJarCass, a 100 per cent owned and operated Indigenous business, for the provision of cleaning, janitorial and maintenance services. Monadelphous will work with BriJarCass to identify opportunities for technology transfer and capacity building activities.

The Company has a total of nine Indigenous employees in Perth, Darwin and Karratha completing Water Operations, Human Resources and Business Administration Traineeships. The Company's first Indigenous cadet graduated from university and joined the Monadelphous graduate program. A second Indigenous cadet completed summer vacation work in the Perth office and is currently in his second year of an engineering degree.

Gender Equality

The Company has submitted its 2016/17 Workplace Gender Equality Report. A copy of this can be found on the Workplace Gender Equality Agency and Monadelphous websites.

The Company made progress against its objective to enhance female participation in the workforce, appointing its first female Board member and first female General Manager. An annual executive review of development plans for female senior executives was performed by the General Manager Human Resources to ensure the development and retention of Monadelphous' key female talent. A thorough pay audit was also conducted to ensure gender parity across pay levels.

The Monadelphous Diversity Committee continued to progress a diversity strategy which includes a range of activities, including a pilot mentoring program for women. Key talent participated in Monadelphous development programs, with five female participants undertaking the Emerging Leaders Program and three female participants undertaking the Leading at Monadelphous program. Four new female graduates will commence the Graduate Program in 2018.

During the year, Monadelphous attended career expos and employment events at universities to promote career opportunities in the resources sector. Efforts to engage female graduates were enhanced by the provision of on-campus presentations by Monadelphous female engineers, coupled with on-going involvement in the Monadelphous Integrated Learning Centre at the University of Western Australia.

SAFETY

Monadelphous executes work underpinned by the safety policy message *The Safe Way is the Only Way*, and is committed to zero harm.

The 12-month total case injury frequency rate (TCIFR) achieved at the end of the year was 4.27 incidents per million man-hours worked and the lost time injury frequency rate (LTIFR) was 0.08.

In response, safety campaigns were undertaken throughout the business to educate employees and reinforce key safety messages. This included data gathering, analysis and improvement initiatives. Employees have been engaged via a Group-wide safety culture survey to identify opportunities to return to the Company's high standard of safety performance. Additionally, to reinforce the Company's historically strong safety culture, a renewed focus on safety communication to the workforce has commenced on the back of the implementation of an upgraded intranet.

Oil and gas sector operations have continued to deliver at world-class standards. Monadelphous' safety performance on the Ichthys Project Onshore LNG Facilities was recognised, with the Engineering Construction division receiving the Gold Standard Award for Subcontractor of the Year awarded by JKC Australia LNG in 2016.

IMAGE Members of the Monadelphous team working on the Ichthys Project Onshore LNG Facilities with the Gold Standard Award for Subcontractor of the Year, presented by JKC Australia LNG in 2016.

ENVIRONMENT

Monadelphous respects the sites and communities in which it operates and is committed to environmental protection through the identification and mitigation of risks and impacts to the environment and community heritage. Its historical record of zero serious environmental incidents continued this year, in line with the Company's target. This is particularly noteworthy given some of the sensitive environments in which it operates, such as Barrow Island in WA, which is a Class A Nature Reserve. Monadelphous received customer recognition for environmental performance on the Ichthys Project Onshore LNG Facilities, winning the JKC Emerald Award for environmental excellence in April 2017.

The Company recognises its obligation to stakeholders to conduct its operations in an environmentally responsible manner. The Company's carbon footprint is deemed small considering the nature of its operations. The largest environmental impacts are those from energy consumption, fuel used in vehicles, plant and equipment and electricity usage across the business. Greenhouse and energy reporting measures under the National Greenhouse and Energy Reporting Act (NGER) remain under the thresholds for legislative reporting.

Reportable scope 1 and 2 carbon emissions (CO_2e) remain significantly below legislative thresholds at 13,070 tonnes. The Company's total emissions in 2016/17 were 33,670 tonnes down 4.9 per cent on the previous year.

Monadelphous routinely collects and monitors carbon reporting data and has assessed that its current reporting is appropriate for all stakeholders in consideration of the risks, impacts and costs of reporting, and is consistent with the principles of the ESG Reporting Guide for Australian Companies (2015).

Recognising the growing importance of renewable energy, Monadelphous has entered the renewables sector with the creation of Zenviron, a joint venture between Monadelphous and ZEM Energy. Zenviron provides engineering, procurement and construction services to the renewable energy sector in Australia and New Zealand.

With increasing diversification into markets with greater exposure to urban areas and the general public, systems and processes are being enhanced for managing stakeholder engagement and promoting positive initiatives with the community.

COMMUNITY

Monadelphous has a strong history of supporting the communities in which it operates through ongoing partnerships, donations and sponsorships. The Company also encourages employees to actively participate in community events and organisations that add value to the communities in which they live and work.

Engagement with educational institutions and industry bodies continued, to facilitate a future pipeline of talent for Monadelphous. The Company partnered with Engineers Australia in Western Australia and provided training, development and support for students at the University of Western Australia, Curtin University, University of Queensland, Queensland University of Technology and the University of Canterbury. The 'Monadelphous Prize' was awarded to a high performing Master of Professional Engineering student at UWA, demonstrating support for emerging engineering talent and positioning Monadelphous as an employer of choice.

Employees frequently raise funds and volunteer their time for charitable causes. During the year, a donation was made on behalf of the Karratha Life Extension contractors and Woodside to the McGrath Foundation. Employees were also involved in fundraising activities for Movember, the children of the Tiwi Islands, the Salvation Army, the St Vincent de Paul Society, the Red Cross and the Starlight Foundation.

The Company maintained its support for Reconciliation Week, sponsoring the Town of Port Hedland's Reconciliation Week Concert. The Company also sponsored the City of Karratha NAIDOC Community Concert.

GOVERNANCE

The Board of Directors of Monadelphous Group Limited is responsible for establishing the Company's corporate governance framework having regard to the ASX Corporate Governance Council Principles and Recommendations. The Board guides and monitors the business and affairs of Monadelphous on behalf of the shareholders, by whom they are elected and to whom they are accountable. The Company has in place charters, policies and procedures which support the framework to ensure a high standard of governance is maintained.

Monadelphous' full Corporate Governance Statement, Board and Sub-Committee charters and the Company's governance policies, are published on the Company's website.

Monadelphous has exposure to a number of material economic and social sustainability risks which are identified and managed within the Group's Risk Management Framework. Mitigation of environmental risks includes the maintenance and implementation of a certified environmental management system (AS/NZS ISO 14001:2004) to ensure sustainable work practices and monitoring and minimising environmental impacts (spills and emissions) as far as practicable. For more detail on the level of the Group's risk exposure, refer to the Corporate Governance Statement.

FINANCIAL REPORT CONTENTS

IMAGE Installation of feed conveyor and radial stacker for the beneficiation plant at the Mount Whaleback mine, Newman, Western Australia.

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2017.

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 51 years experience in the construction and engineering services industry Also a director of one other publicly listed entity, Tech Mpire Limited (formerly Fortunis Resources Limited) (ASX: TMP) – appointed 20 March 2012, resigned 29 June 2015
Robert Velletri Managing Director	Appointed 26 August 1992 Mechanical Engineer, Corporate Member of Engineers Australia Appointed as Managing Director on 30 May 2003 38 years experience in the construction and engineering services industry
Peter John Dempsey Lead Independent Non-Executive Director	Appointed 30 May 2003 Civil Engineer, Fellow of Engineers Australia, Member of the Australian Institute of Company Directors 45 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entity, Service Stream Limited (ASX: SSM) – appointed 1 November 2010
Christopher Percival Michelmore Independent Non-Executive Director	Appointed 1 October 2007 Civil Engineer, Fellow of Engineers Australia 45 years experience in the construction and engineering services industry
Dietmar Robert Voss Independent Non-Executive Director	Appointed 10 March 2014 Chemical Engineer, Member of the Australian Institute of Company Directors 43 years experience in the oil and gas, and mining and minerals industries
Helen Jane Gillies Independent Non-Executive Director	Appointed 5 September 2016 Solicitor, Master of Business Administration and Construction Law, Fellow of the Australian Institute of Company Directors 21 years experience in the construction and engineering services industry

COMPANY SECRETARIES

Philip Trueman Company Secretary and Chief Financial Officer	Appointed 21 December 2007 Chartered Accountant, Member Chartered Accountants Australia and New Zealand and the South African Institute of Chartered Accountants 17 years experience in the construction and engineering services industry
Kristy Glasgow Company Secretary	Appointed 8 December 2014 Chartered Accountant, Member of Chartered Accountants Australia and New Zealand 12 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:

C. G. B. Rubino	2,022,653	Nil
R. Velletri	2,100,000	Nil
P. J. Dempsey	78,000	Nil
C. P. Michelmore	45,939	Nil
D. R. Voss	2,852	Nil
H. J. Gillies	Nil	Nil

Basic Earnings Per Share	61.41
Diluted Earnings Per Share	61.34

Final dividends declared		
– on ordinary shares	30.00	28,174
Dividends paid during the year:		
Current year interim		
– on ordinary shares	24.00	22,519
Final for 2016		
– on ordinary shares	32.00	29,981

CORPORATE INFORMATION

Corporate structure

Monadelphous Group Limited is a company limited by shares that is incorporated and domiciled in Australia. Monadelphous Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year (refer note 19 in the financial report).

The registered office of Monadelphous Group Limited is located at:

59 Albany Highway
Victoria Park
Western Australia 6100

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

General

Monadelphous operates from major offices in Perth and Brisbane, with regional offices in Sydney, Newcastle, Houston (USA), Beijing (China), Auckland and Christchurch (New Zealand) and Ulaanbaatar (Mongolia), and a network of workshop facilities in Kalgoorlie, Karratha, Port Hedland, Darwin, Roxby Downs, Gladstone, Hunter Valley, Mackay and Bunbury.

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

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

Employees

The consolidated entity employed 6,164 employees as of 30 June 2017 (2016: 4,438 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 Operating and Financial Review section of the Annual Report.

Operating results for the year

Revenue from services	**1,245,183**	1,364,685
Profit after income tax expense attributable to equity holders of the parent	**57,563**	67,014

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.

DIRECTORS' REPORT

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Dividends declared

On 21 August 2017, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is $28,174,354 which represents a fully franked final dividend of 30 cents per share. This dividend has not been provided for in the 30 June 2017 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

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

Contract awards

On 19 July 2017, Monadelphous Group Limited announced it has been awarded a number of new work packages with a combined value of approximately $55 million. The contracts announced were as follows:

- Mechanical decommissioning, demolition, civil, structural, mechanical and piping works associated with Shaft 1 and Shaft 2 Surface Infrastructure for the Oyu Tolgoi Underground Project – operated by Oyu Tolgoi LLC mine operations located in the South Gobi region of Mongolia.
- Piping modification and fabrication for Technip Oceania Pty Ltd (TechnipFMC) on the hook-up and commissioning phase of Shell Australia's Prelude Floating Liquefied Natural Gas project in the Browse Basin, approximately 475 kilometres north-northeast of Broome, in Western Australia.
- The Company's renewable energy business, Zenviron, was awarded a contract, in consortium with Vestas – Australian Wind Technology Pty Ltd, to provide engineering, procurement, construction and commissioning of the 54 MW Salt Creek Wind Farm for Tilt Renewables, located in western Victoria.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Refer to the Operating and Financial Review section of the Annual 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.

DIRECTORS' REPORT

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 30,000 unissued ordinary shares under options as follows:

- 30,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $17.05. The options expire between 1 September 2017 and 14 September 2017.

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

Shares issued as a result of the exercise of options

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

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

(a) the liability arises out of conduct involving a wilful breach of duty; or

(b) there has been a contravention of Sections 182 or 183 of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid during the financial year was $351,568 (2016: $302,350).

INDEMNIFICATION OF AUDITORS

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

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

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

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2017 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
H. J. Gillies	Independent Non-Executive Director

(ii) Executives

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

Remuneration Philosophy

The performance of the Company depends 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 22 November 2016 when shareholders approved an aggregate remuneration of $750,000 in the 'not to exceed sum' paid to non-executive directors.

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

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 year ending 30 June 2017 is detailed in Table 1 on page 42 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 Incentives (STI) and Long Term Incentives (LTI).

As disclosed in the 2016 Financial Statements, Monadelphous undertook a review of its STI and LTI programs, to identify the most appropriate incentive plan, for both KMP and other employees, that is best aligned to the creation of shareholder wealth.

The review lead to the implementation of a combined incentive model that rewards past performance of both the Company and the employee, continues to act as a retention mechanism and motivates the employee to grow the Company through long term share ownership. Details of the simplified combined incentive model are discussed on page 41. The review also concluded that the existing Monadelphous Group Limited Employee Option Plan should be retained, as an alternative or additional incentive scheme for the executive management team, for use as appropriate at the discretion of the Board.

The proportion of fixed remuneration and variable remuneration is established for each member of the executive management team by the Remuneration Committee. Tables 1 and 2 on pages 42 and 43 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.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Executive remuneration (continued)

Fixed remuneration

Objective

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

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

Monadelphous has a structured approach aimed at delivering fixed remuneration which is market competitive and rewards performance. The Company participates in a number of respected remuneration surveys from which it receives quarterly or six-monthly market and forecast data, and its remuneration system is designed to analyse detailed market and sector information at various levels.

Structure

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

The fixed remuneration component of the executives of the Company is detailed in Tables 1 and 2 on pages 42 and 43 of this report.

Variable remuneration – Short term incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Company's targets with the performance of the employee charged with meeting those targets. The total STI for executives is discretionary and 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 and Board. Payments made are usually delivered as a cash bonus.

The overall performance rating for the Company was not at a level to result in the award of the STI for the 2016 or 2017 financial year.
No amounts were paid or are payable in relation to KMP.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Executive remuneration (continued)

Variable remuneration – Long term incentive (LTI)

Objective

The objective of the LTI plan is to retain and reward key employees in a manner which aligns this element of remuneration with the creation of shareholder wealth. As previously mentioned, the Company has in place a combined incentive model, but retains the Monadelphous Group Limited Employee Option Plan as an alternative or additional scheme for the executive management team.

Structure

Monadelphous Group Limited Employee Option Plan

LTI grants to executives are at the discretion of the Remuneration Committee and Board, and historically have been delivered in the form of options. The individual performance rating of each executive and the annual cost to the Company, on an individual basis, of any issue is taken into account when determining the amount, if any, of options granted.

No Directors or KMP received options during the year ended 30 June 2017. No options were forfeited by KMP 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 Board in particular circumstances):

25% 2 years after the options were issued

25% 3 years after the options were issued

50% 4 years after the options were issued

In addition, the ability to exercise options during each applicable window period is subject to the financial performance of the Company during the option vesting period. The options shall only be capable of exercise during that window period where the prescribed performance hurdle has been achieved. If, however, this hurdle is not achieved for a particular window period, rather than lapsing, the options will be re-tested during all later window periods in respect of that issue and may become exercisable at that later date.

Simplified combined incentive plan

Proposed awards under the simplified combined incentive plan will be comprised of cash and performance rights (effectively zero priced options). The plan rewards past performance of both the Company and the employee, continues to act as a retention mechanism and motivates the employee to grow the Company through long term share ownership, thereby aligning the incentive model with the interests of shareholders in an optimal manner. Service period and disposal restrictions will be incorporated within the plan to ensure employee retention and long term share ownership. In order to drive shareholder value any rewards provided under this plan would be based on the performance of the Company and will be comparable to the current STI and LTI plans.

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

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

No awards were issued under the simplified combined incentive plan during the year ended 30 June 2017.

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.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Company performance

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

Profit after income tax expense attributable to equity holders of the parent	**57,563**	67,014	105,825	146,510	156,314
Basic earnings per share	**61.41c**	71.77c	113.91c	159.05c	173.03c
Share price as at 30 June	**$13.99**	$7.46	$9.37	$15.71	$16.14

A review of the Company's performance and returns to shareholders over the last five years has been provided on page 17 of this report.

The Remuneration Committee of the Board of Directors has determined that market conditions and the performance of the Company have not justified awards under either the Company's Short Term, Long Term or Simplified Combined Incentive schemes since 2013. Furthermore, there have only been two inflationary increases to companywide staff remuneration since 2012. The discipline shown by the Company, and commitment shown by our staff, has ensured the Group's underlying cost structures have adapted to the current environment, and ensured business sustainability.

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2017

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

* H. Gillies was appointed as a Non-Executive Director on 5 September 2016. The balances shown in Table 1 comprise remuneration from the date of appointment.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Management Personnel (continued)

Table 2: Remuneration for the year ended 30 June 2016

Non-Executive Directors										
P. J. Dempsey	124,201	6,306	–	11,799	–	–	–	142,306	–	–
C. P. Michelmore	103,653	5,262	–	9,847	–	–	–	118,762	–	–
D. R. Voss	91,324	4,636	–	8,676	–	–	–	104,636	–	–
Subtotal Non–Executive Directors	**319,178**	**16,204**	–	**30,322**	–	–	–	**365,704**	–	–
Executive Directors										
C. G. B. Rubino	366,861	20,917	–	19,308	–	8,300	–	415,386	–	–
R. Velletri	886,990	54,451	–	19,308	–	18,044	–	978,793	–	–
Subtotal Executive Directors	**1,253,851**	**75,368**	–	**38,616**	–	**26,344**	–	**1,394,179**	–	–
Other Key Management Personnel										
D. Foti	652,150	40,134	–	19,308	–	13,893	–	725,485	–	–
Z. Bebic	500,045	31,550	–	19,308	–	9,468	–	560,371	–	–
P. Trueman	399,306	21,901	–	19,308	–	2,391	–	442,906	–	–
Subtotal Other Key Management Personnel	**1,551,501**	**93,585**	–	**57,924**	–	**25,752**	–	**1,728,762**	–	–
Total	**3,124,530**	**185,157**	–	**126,862**	–	**52,096**	–	**3,488,645**	–	–

Table 3: Compensation options: Granted during the years ended 30 June 2017 and 30 June 2016

During the years ended 30 June 2017 and 30 June 2016, no options were granted as equity compensation benefits to Key Management Personnel.

Table 4: Shares issued on exercise of compensation options during the year ended 30 June 2017

During the year ended 30 June 2017, no shares were issued on exercise of compensation options by Key Management Personnel.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Additional disclosures relating to options and shares

Table 5: Option holdings of Key Management Personnel

Directors					
C. G. B. Rubino	–	–	–	–	–
R. Velletri	–	–	–	–	–
P. J. Dempsey	–	–	–	–	–
C. P. Michelmore	–	–	–	–	–
D. R. Voss	–	–	–	–	–
H. J. Gillies	–	–	–	–	–
Executives					
D. Foti	–	–	–	–	–
Z. Bebic	–	–	–	–	–
P. Trueman	–	–	–	–	–
Total	–	–	–	–	–

Table 6: Shareholdings of Key Management Personnel

Directors					
C. G. B. Rubino	2,022,653	–	–	–	2,022,653
R. Velletri	2,100,000	–	–	–	2,100,000
P. J. Dempsey	78,000	–	–	–	78,000
C. P. Michelmore	45,939	–	–	–	45,939
D. R. Voss	2,852	–	–	–	2,852
H. J. Gillies	–	–	–	–	–
Executives					
D. Foti	359,316	–	–	–	359,316
Z. Bebic	5,000	–	–	(5,000)	–
P. Trueman	–	–	–	–	–
Total	4,613,760	–	–	(5,000)	4,608,760

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 are shown in the table below. Each director attended all meetings that they were eligible to attend, with the exception of D.R. Voss who was absent from one directors' meeting and one audit committee meeting.

Number of meetings held:	13	7	4	4
Number of meetings attended:				
C. G. B. Rubino	13	–	–	4
R. Velletri	13	–	–	–
P. J. Dempsey*	13	7	–	4
C. P. Michelmore*	13	4	4	4
D. R. Voss*	12	6	3	1
H. J. Gillies*	9	3	3	1

* Appointed/resigned from committees during the year. Refer to table below.

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:

P. J. Dempsey (c)	C. P. Michelmore (c)	C. G. B. Rubino (c)
C. P. Michelmore (resigned 16 February 2017)	P. J. Dempsey (resigned 16 February 2017)	C. P. Michelmore
D. R. Voss	D. R. Voss	P. J. Dempsey
H. J. Gillies (appointed 16 February 2017)	H. J. Gillies (appointed 16 February 2017)	H. J. Gillies (appointed 16 February 2017)
		D. R. Voss (appointed 16 February 2017)

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

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars ($'000) (where rounding is applicable) under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the legislative instrument applies.

CORPORATE GOVERNANCE

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

The Company's Corporate Governance Statement is detailed on the company's website.

DIRECTORS' REPORT

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received an independence declaration from the auditor of Monadelphous Group Limited, as shown on page 47.

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	27,264
Assurance related	–
	27,264

MODIFICATION OF AUDITOR ROTATION REQUIREMENTS

On 9 April 2015, the Board of Directors approved the extension of the Lead Audit Partner rotation period from five years to seven years in accordance with section 324DAB of the *Corporations Act 2001* and the *Corporations Legislation Amendment (Audit Enhancement) Act 2012*.

The reasons why the Board of Directors approved the extension included:

- Mr Meyerowitz, the Lead Audit Partner, has a detailed understanding of the Group's business and strategies, its systems and controls. This knowledge is considered to be valuable to the Board at this point in time.
- The existing independence and service metrics in place with EY and Mr Meyerowitz, are sufficient to ensure that auditor independence would not be diminished in any way by such an extension.
- Mr Meyerowitz will continue to abide by the independence guidance provided in APES 110 'Code of Ethics for Professional Accountants' as issued by the Accounting Professional and Ethical Standards Board and EY's own independence requirements.
- The Board of Directors are of the view that Mr Meyerowitz's continued involvement with the Group as the Lead Audit Partner will not in any way diminish the audit quality provided to the Group.

Signed in accordance with a resolution of the directors.

C. G. B. Rubino
Chairman
Perth, 21 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

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

As lead auditor for the audit of Monadelphous Group Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Monadelphous Group Limited and the entities it controlled during the financial year.

Ernst & Young

G H Meyerowitz
Partner
21 August 2017

INDEPENDENT AUDIT REPORT

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

Building a better working world

Independent auditor's report to the members of Monadelphous Group Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Monadelphous Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

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

INDEPENDENT AUDIT REPORT

Building a better working world

1. Recognition of revenues and profits on long-term contracts

Why significant	How our audit addressed the key audit matter
The Group's business involves entering into contractual relationships with customers to provide a range of services. A significant proportion of the Group's revenues and profits are derived from long-term contracts. Revenue recognition involves a significant degree of judgment, with estimates being made to: ► assess the total contract costs ► assess the stage of completion of the contract ► forecast the profit margin after taking into consideration additional revenue arising from variations to the original contract ► appropriately provide for loss making contracts. The Group's accounting policies and disclosures for revenue are detailed in General Information – Key Judgements – Revenue, Note 1 Revenue and Other Income and Note 7 Inventories to the financial report.	We examined all key contracts and enquired with the Group for each of these contracts to understand the specific terms and risks, which in turn allowed us to assess the recognition of revenue. We evaluated and tested the relevant IT systems, and assessed the operating effectiveness of internal controls over the accuracy and timing of revenue recognised in the financial report, including controls relating to: ► contract reviews performed by the Group that included estimating total costs, stage of completion of contracts, profit margin and evaluating contract profitability ► transactional controls that underpin the revenue and billing cycles ► transactional controls that underpin the production of underlying contract related cost balances including the purchase to pay, and payroll cycles. For the material contracts with a delivery schedule of greater than 12 months we performed the following additional procedures: ► understood the performance and status of the contracts through enquiries with the key executives having oversight over the various contract portfolios ► tested the contract status through the examination of externally generated evidence, such as approved variations and customer correspondence ► analysed the Group's estimates for total contract costs and forecast costs to complete, including taking into account the historical accuracy of such estimates ► assessed the provisions for loss making contracts and whether these appropriately reflected the expected contractual positions ► assessed the Group's accounting policies and the adequacy of its related disclosures in the financial report.

INDEPENDENT AUDIT REPORT

Building a better working world

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

INDEPENDENT AUDIT REPORT

Building a better working world

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

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 38 to 44 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Monadelphous Group Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

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

INDEPENDENT AUDIT REPORT

Building a better working world

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

G H Meyerowitz
Partner
Perth
21 August 2017

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 2017 and of its performance for the year ended on that date; and

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

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

   (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed on page 59.

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 2017.

3) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 19 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

C. G. B. Rubino
Chairman
Perth, 21 August 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

Continuing Operations			
REVENUE	1	**1,249,085**	1,368,849
Cost of services rendered		**(1,121,827)**	(1,226,188)
GROSS PROFIT		**127,258**	142,661
Other income	1	**6,865**	6,914
Business development and tender expenses		**(22,096)**	(21,870)
Occupancy expenses		**(3,305)**	(3,041)
Administrative expenses		**(24,565)**	(25,891)
Finance costs	2	**(734)**	(1,025)
Unrealised foreign currency loss		**(759)**	(2,138)
PROFIT BEFORE INCOME TAX		**82,664**	95,610
Income tax expense	3	**(24,144)**	(28,702)
PROFIT AFTER INCOME TAX		**58,520**	66,908
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**57,563**	67,014
NON-CONTROLLING INTERESTS		**957**	(106)
		58,520	66,908
Basic earnings per share (cents per share)	4	**61.41**	71.77
Diluted earnings per share (cents per share)	4	**61.34**	71.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

NET PROFIT FOR THE YEAR	**58,520**	66,908
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Net gain on available-for-sale financial asset	**267**	–
Income tax effect	**(80)**	–
	187	–
Foreign currency translation	**(134)**	692
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**53**	692
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**58,573**	67,600
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**57,616**	67,706
NON-CONTROLLING INTERESTS	**957**	(106)
	58,573	67,600

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT AS 30 JUNE 2017

ASSETS			
Current assets			
Cash and cash equivalents	5	**241,909**	203,515
Trade and other receivables	6	**245,826**	326,087
Inventories	7	**69,774**	53,435
Total current assets		**557,509**	583,037
Non-current assets			
Property, plant and equipment	8	**79,052**	79,988
Intangible assets and goodwill	9	**3,345**	2,947
Investment in joint venture	10	**1,911**	729
Deferred tax assets	3	**25,980**	22,287
Other non-current assets	11	**1,901**	236
Total non-current assets		**112,189**	106,187
TOTAL ASSETS		**669,698**	689,224
LIABILITIES			
Current liabilities			
Trade and other payables	12	**183,063**	210,100
Interest bearing loans and borrowings	13	**6,904**	7,868
Income tax payable	3	**3,603**	1,124
Provisions	14	**86,042**	85,633
Total current liabilities		**279,612**	304,725
Non-current liabilities			
Interest bearing loans and borrowings	13	**6,856**	9,678
Provisions	14	**4,972**	5,711
Deferred tax liabilities	3	**14**	221
Total non-current liabilities		**11,842**	15,610
TOTAL LIABILITIES		**291,454**	320,335
NET ASSETS		**378,244**	368,889
EQUITY			
Contributed equity	17	**122,965**	120,723
Reserves	18	**31,048**	29,955
Retained earnings	18	**223,380**	218,317
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**377,393**	368,995
Non-Controlling Interests		**851**	(106)
TOTAL EQUITY		**378,244**	368,889

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

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

	Attributable to equity holders					
	Issued Capital $'000	Share-Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Non-controlling Interests $'000	Total $'000
At 1 July 2015	117,310	30,280	161	220,347	–	368,098
Other comprehensive income	–	–	692	–	–	692
Profit for the period	–	–	–	67,014	(106)	66,908
Total comprehensive income for the period	–	–	692	67,014	(106)	67,600
Transactions with owners in their capacity as owners						
Share-based payments	–	(1,178)	–	–	–	(1,178)
Shares issued on acquisition of subsidiary	100	–	–	–	–	100
Dividend reinvestment plan	3,313	–	–	–	–	3,313
Dividends paid	–	–	–	(69,044)	–	(69,044)
At 30 June 2016	120,723	29,102	853	218,317	(106)	368,889

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**1,430,396**	1,489,748
Payments to suppliers and employees (inclusive of GST)		**(1,305,002)**	(1,398,403)
Interest received		**3,395**	3,234
Borrowing costs		**(705)**	(1,014)
Other income		**2,726**	3,223
Income tax paid		**(19,617)**	(18,819)
NET CASH FLOWS FROM OPERATING ACTIVITIES	5	**111,193**	77,969
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**6,866**	7,461
Purchase of property, plant and equipment		**(12,368)**	(836)
Investment/loan to joint venture		**(3,753)**	(1,650)
Investment in available-for-sale financial asset		**(1,634)**	–
Repayment/(payment) of loan to associates	28	**2,438**	(7,226)
Acquisition of controlled entities	20	**(5,433)**	(1,347)
Dividend received		**54**	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(13,830)**	(3,598)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(50,258)**	(65,731)
Proceeds from borrowings		**2,400**	1,500
Repayment of borrowings		**(2,400)**	(1,667)
Payment of finance leases		**(7,886)**	(13,344)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(58,144)**	(79,242)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**39,219**	(4,871)
Net foreign exchange differences		**(825)**	(1,449)
Cash and cash equivalents at beginning of period		**203,515**	209,835
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	**241,909**	203,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2017

GENERAL INFORMATION

The consolidated financial report of Monadelphous Group Limited (the Group) and its subsidiaries for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of directors on 21 August 2017.

Monadelphous Group Limited is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group's registered office is 59 Albany Highway, Victoria Park, Western Australia.

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

Basis of preparation

The financial report is a general purpose financial report, which:

– has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as applicable to a for-profit entity.

– has also been prepared on a historical cost basis.

– is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the legislative instrument applies.

– adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or before 1 July 2016 (Refer to note 31).

– does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control.

A list of controlled entities (subsidiaries) at year end is contained in note 19. Consolidation of the subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

Business combinations

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

Foreign currency translation

Functional and presentation currency

Each entity in the Group determines its own functional currency. Both the functional and presentation currencies of Monadelphous Group Limited, its Australian subsidiaries and its Papua New Guinea subsidiary (Monadelphous PNG Ltd) are Australian dollars (A$).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2017

GENERAL INFORMATION (continued)

Foreign currency translation (continued)

Transactions and balances

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

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

Translation of Group companies' functional currency to presentation currency

As at the reporting date the assets and liabilities of the foreign operations are translated into the presentation currency of Monadelphous Group Limited at the rate of exchange ruling at the reporting date and the income statements are translated at the weighted average exchange rates for the year. Exchange variations arising from the translation are recognised in the foreign currency translation reserve in equity.

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements or at note 31.

Key judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Management have identified the following critical accounting policies for which significant judgements, estimates and assumptions are made:

Revenue

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

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

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

Taxation

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

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

Impairment

Refer to notes 8 and 9 for details.

Workers Compensation

Refer note 14 for details.

Consolidation of MGJV Pty Ltd

Refer note 19 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2017

Rendering of services and construction contract revenue	**1,245,183**	1,364,685
Finance revenue	**3,848**	4,164
Dividends received	**54**	–
Revenue	**1,249,085**	1,368,849
Net gains on disposal of property, plant and equipment	**4,139**	3,691
Other income	**2,726**	3,223
Other income	**6,865**	6,914

Recognition and measurement

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

Rendering of Services

Where the contract outcome can be reliably measured revenue is recognised as services are rendered to the customer for maintenance contracts. For construction contracts refer to the accounting policy below.

Where the contract outcome cannot be reliably measured contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised only to the extent that costs have been incurred. This also applies to construction contracts.

Construction contracts

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

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

Interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2017

Finance costs		
Loans and overdrafts	107	70
Finance charges payable under finance leases and hire purchase contracts	627	955
	734	1,025
Depreciation and amortisation		
Depreciation expense	17,892	21,094
Amortisation of intangible assets	562	65
	18,454	21,159
Employee benefits expense		
Employee benefits expense	697,999	686,084
Defined contribution superannuation expense	43,615	40,235
	741,614	726,319
Lease payments and other expenses		
Minimum lease payments – operating lease	14,620	22,566
Government grants included in the income statement	6,028	6,927

Recognition and measurement

Finance costs

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

Depreciation and amortisation

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

Employee benefits expense

Refer to note 14 for employee benefits expense and note 26 for share-based payments expense.

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

Operating leases

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

Government Grants

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2017

The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax charge	28,484	23,303
Adjustments in respect of previous years	(360)	(721)
Deferred income tax		
Temporary differences	(3,441)	6,212
Adjustments in respect of previous years	(539)	(92)
Income tax expense reported in the income statement	24,144	28,702
Tax reconciliation		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	82,664	95,610
Income tax rate of 30% (2016: 30%)	24,799	28,683
– Share based payment expense	440	(354)
– R&D	(1,808)	(2,078)
– Other	713	2,451
Aggregate income tax expense	24,144	28,702

Opening balance	(1,124)	22,066	(4,288)	28,204
Charged to income	(28,124)	3,980	(22,582)	(6,120)
Charged to equity	–	(80)	–	–
Other / payments	25,645	–	25,746	(18)
Closing balance	(3,603)	25,966	(1,124)	22,066

Amounts recognised on the consolidated statement of financial position:		
Deferred tax asset	25,980	22,287
Deferred tax liability	(14)	(221)
	25,966	22,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2017

Deferred income tax at 30 June relates to the following:		
Deferred tax assets		
Provisions	**25,992**	24,490
Other	**1,900**	1,274
Gross deferred tax assets	**27,892**	25,764
Set-off of deferred tax liabilities	**(1,912)**	(3,477)
Net deferred tax assets	**25,980**	22,287
Deferred tax liabilities		
Accelerated depreciation	**1,915**	3,489
Other	**11**	209
Gross deferred tax liabilities	**1,926**	3,698
Set-off against deferred tax assets	**(1,912)**	(3,477)
Net deferred tax liabilities	**14**	221

Unrecognised temporary differences

At 30 June 2017, 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 (2016: $nil).

Tax consolidation

Monadelphous Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2003. Members of the tax consolidated group have entered into a tax funding agreement. The head entity, Monadelphous Group Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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

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

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

Recognition and Measurement

Current taxes

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

Deferred Taxes

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists and they relate to the same taxable entity and the same taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2017

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	**57,563**	67,014
Earnings used in calculation of basic and diluted earnings per share	**57,563**	67,014
Number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**93,730,313**	93,371,865
Effect of dilutive securities		
Shares issuable associated with Arc West Group Pty Ltd acquisition (refer to note 20)	**119,031**	–
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**93,849,344**	93,371,865

Conversions, calls, subscriptions or issues after 30 June 2017:

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

Calculation of earnings per share

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

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

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

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

There are 30,000 share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2017

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash balances comprise:		
Cash at bank	**156,909**	163,515
Short term deposits	**85,000**	40,000
	241,909	203,515
Reconciliation of net profit after tax to the net cash flows from operating activities		
Net profit	**58,520**	66,908
Adjustments for		
Depreciation of non-current assets	**17,892**	21,094
Amortisation and impairment of intangible assets	**943**	65
Net profit on sale of property, plant and equipment	**(4,139)**	(3,691)
Impairment of other non-current assets	**236**	1,011
Share-based payment expense/(credit)	**1,040**	(1,178)
Unrealised foreign exchange loss	**759**	2,138
Dividend income	**(54)**	–
Interest receivable	**(453)**	–
Other	**2,718**	918
Changes in assets and liabilities		
Decrease in receivables	**79,482**	48,541
(Increase)/decrease in inventories	**(16,225)**	27,109
(Increase)/decrease in deferred tax assets	**(3,773)**	5,917
Decrease in payables	**(27,607)**	(67,904)
Decrease in provisions	**(418)**	(20,016)
Increase/(decrease) in income tax payable	**2,479**	(3,164)
Increase/(decrease) in deferred tax liabilities	**(207)**	221
Net cash flows from operating activities	**111,193**	77,969

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 $4,069,735 (2016: $7,741,790).

Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2017

CURRENT		
Trade receivables	**166,660**	244,398
Less allowance for impairment loss	**(2,794)**	(2,508)
	163,866	241,890
Other debtors	**81,960**	84,197
	245,826	326,087

Allowance for impairment loss	2017 $'000	2016 $'000
Movements in the allowance for impairment loss were as follows:		
Balance at the beginning of the year	2,508	3,642
Expense/(credit) for the year reflected in administrative expenses in the income statement	**286**	(1,134)
Balance at the end of the year	**2,794**	2,508

Trade receivables past due not impaired

At 30 June 2017, the ageing of trade receivables, past due but not considered impaired is as follows:

31 – 60 Days	**33,904**	22,186
61 – 90 Days	**9,470**	3,606
91+ Days	**10,160**	9,517
TOTAL	**53,534**	35,309

The majority of the amounts past due at 30 June 2017 have been collected subsequent to year end. Payment terms on the remaining amounts have not been re-negotiated however credit has been stopped where the credit limit has been exceeded. In this case, payment terms will not be extended. Each business unit has been in direct contact with the relevant debtor and is satisfied that payment will be received.

Receivables not impaired nor past due

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

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

Other debtors

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

Recognition and measurement

Trade receivables, which generally have 30 to 45 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Bad debts are written off when identified.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2017

Construction work in progress			
Cost incurred to date plus profit recognised		**1,422,765**	1,694,307
Consideration received and receivable as progress billings		**(1,454,382)**	(1,798,104)
		(31,617)	(103,797)
Represented by:			
Amounts due to customers	12	**101,391**	157,232
Amounts due from customers		**69,774**	53,435

Amounts due to customers

Advances received for construction work not yet commenced or for committed subcontractor work not yet received are recognised as a current liability in trade and other payables. Refer note 12.

Credit risk of amounts due from customers

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

Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2017

8. PROPERTY, PLANT AND EQUIPMENT

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

Year ended 30 June 2017						
Net carrying amount at 1 July 2016	13,411	16,660	696	27,682	21,539	79,988
Additions	–	**12**	–	**12,356**	**4,070**	**16,438**
Acquired through business combination (Note 20)	–	**1,041**	–	**2,270**	–	**3,311**
Assets transferred	–	**587**	**(587)**	**4,487**	**(4,487)**	–
Disposals	–	**(31)**	–	**(2,696)**	–	**(2,727)**
Depreciation charge	–	**(1,072)**	**(109)**	**(12,912)**	**(3,799)**	**(17,892)**
Exchange differences	–	–	–	**(66)**	–	**(66)**
Net carrying amount at 30 June 2017	**13,411**	**17,197**	–	**31,121**	**17,323**	**79,052**
At 30 June 2017						
Gross carrying amount – at cost	**13,411**	**27,380**	–	**150,237**	**25,275**	**216,303**
Accumulated depreciation	–	**(10,183)**	–	**(119,116)**	**(7,952)**	**(137,251)**
Net carrying amount	**13,411**	**17,197**	–	**31,121**	**17,323**	**79,052**
Year ended 30 June 2016						
Net carrying amount at 1 July 2015	13,411	17,754	1,333	34,793	28,899	96,190
Additions	–	–	84	836	7,742	8,662
Assets transferred	–	539	(539)	9,417	(9,417)	–
Disposals	–	(276)	–	(3,494)	–	(3,770)
Depreciation charge	–	(1,357)	(182)	(13,870)	(5,685)	(21,094)
Net carrying amount at 30 June 2016	13,411	16,660	696	27,682	21,539	79,988
At 30 June 2016						
Gross carrying amount – at cost	13,411	24,959	1,485	143,858	33,969	217,682
Accumulated depreciation	–	(8,299)	(789)	(116,176)	(12,430)	(137,694)
Net carrying amount	13,411	16,660	696	27,682	21,539	79,988

Property, plant and equipment pledged as security

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

Assets pledged as security	**17,323**	22,235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2017

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Recognition and measurement

Property, plant and equipment

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

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

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

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

Impairment of non-financial assets other than goodwill

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

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists or when annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2017

Year ended 30 June 2017			
At 1 July 2016	–	2,947	2,947
On business combination (Note 20)	**1,187**	**154**	**1,341**
Amortisation	**(562)**	**–**	**(562)**
Impairment	**–**	**(381)**	**(381)**
At 30 June 2017	**625**	**2,720**	**3,345**
Year ended 30 June 2016			
At 1 July 2015	65	2,947	3,012
Amortisation	(65)	–	(65)
At 30 June 2016	–	2,947	2,947

Description of the Group's intangible assets

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

Impairment testing of the Group's intangible assets and goodwill

Goodwill acquired through business combinations has been allocated to cash generating units ("CGU") for impairment testing purposes. The CGUs are the entity Monadelphous Electrical & Instrumentation Pty Ltd, the Hunter Valley business unit, the entity Monadelphous Energy Services Pty Ltd and the entity Arc West Group Pty Ltd. None of these CGUs are material to the Group. The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five year period and applying a discount rate to the cash flow projections in the range of 12% to 15%. No reasonable possible changes in key assumptions would result in the carrying amount of the CGU exceeding its recoverable amount.

Recognition and measurement

Goodwill

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

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

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

Intangible assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2017

10. INTEREST IN JOINT VENTURES

Monaro LLC

The Group has a 50% interest in Monaro LLC, an incorporated joint venture involved in delivering multidisciplinary construction services in the Marcellus and Utica gas regions of North East USA.

A decision was made in June 2017 to discontinue the Monaro joint venture.

Mondium Pty Ltd

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

Zenviron Pty Ltd

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

At 30 June 2017, the Group's interests in Monaro LLC, Mondium Pty Ltd and Zenviron Pty Ltd were not material individually or in aggregate.

Commitments and contingent liabilities relating to Joint Ventures

Joint ventures had insurance bond guarantees at 30 June 2017 of $12,001,408 (2016: $nil)

Joint ventures had no capital commitments at 30 June 2017 (2016: $nil).

Recognition and measurement

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2017

Other non-current assets	**1,901**	236

Other non-current assets consists of investments as follows:

Ordinary shares in AnaeCo Limited (ASX Code: ANQ). The Group has a 14.6% interest in AnaeCo Limited, whose principal activity is the development and commercialisation of a process for the treatment of organic solid waste. The investment is classified as an investment in associate. The investment is not considered to be material.

Ordinary shares at fair value in Lycopodium Limited (ASX Code: LYL). The investment is classified as available-for-sale securities. The investment is not considered to be material.

Recognition and measurement

Investments in associates

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

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

CURRENT		
Trade payables	**54,109**	34,119
Advances on construction work in progress – Amounts due to customers	**101,391**	157,232
Sundry creditors and accruals	**27,563**	18,749
	183,063	210,100

Recognition and measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2017

CURRENT		
Hire purchase liability – secured	**5,363**	6,732
Loan – unsecured	**1,541**	1,136
	6,904	7,868
NON-CURRENT		
Hire purchase liability – secured	**6,856**	9,303
Loan – unsecured	**–**	375
	6,856	9,678

Terms and conditions

The unsecured loan is repayable quarterly. Interest is charged at a fixed rate of 3.25%.

Hire purchase agreements have an average term of three years. The average discount rate implicit in the hire purchase liability is 4.15% (2016: 4.44%). The hire purchase liability is secured by a charge over the hire purchase assets.

Defaults and breaches

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

Recognition and measurement

Interest bearing loans and borrowings

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

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

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

Leases

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2017

14. PROVISIONS	2017 $'000	2016 $'000
CURRENT		
Employee benefits	**59,621**	56,635
Workers' compensation	**26,421**	28,998
	86,042	85,633
NON-CURRENT		
Employee benefits – long service leave	**4,972**	5,711

Movements in provisions	
Workers compensation	
Carrying amount at the beginning of the year	28,998
Additional provision	**5,794**
Amounts utilised during the year	**(8,371)**
Carrying amount at the end of the financial year	**26,421**

Recognition and measurement

Provisions

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

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

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

Employee benefits

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

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

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

Workers' compensation

It is customary for all entities within the engineering and construction industry to be covered by workers' compensation insurance. Payments under these policies are calculated differently depending on which state of Australia the entity is operating in. Premiums are generally calculated based on actual wages paid and claims experience. Wages are estimated at the beginning of each reporting period. Final payments are made when each policy is closed out based on the difference between actual wages and the original estimated amount. The amount of each payment varies depending on the number of incidents recorded during each period and the severity thereof. The policies are closed out within a five 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: CAPITAL STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2017

15. CAPITAL MANAGEMENT

Capital is managed by the Group's Chief Financial Officer in conjunction with the Group's Finance and Accounting department. Management continually monitor the Group's net cash/debt position and the gearing levels to ensure efficiency and compliance with the Group's banking facility covenants, including the gearing ratio, operating leverage ratio and fixed charge coverage ratio. At 30 June 2017, the Group is in a net cash position of $228,149,000 (2016: $185,969,000) and has a debt to equity ratio of 3.6% (2016: 4.8%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2017, management paid dividends of $52,500,168. 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.

Declared and paid during the year		
Current year interim		
Interim franked dividend for 2017 (24 cents per share) (2016: 28 cents per share)	**22,519**	26,175
Previous year final		
Final franked dividend for 2016 (32 cents per share) (2015: 46 cents per share)	**29,981**	42,869
Unrecognised amounts		
Current year final		
Final franked dividend for 2017 (30 cents per share) (2016: 32 cents per share)	**28,174**	29,981
Franking credit balance		
Franking credits available for future reporting years at 30% adjusted for franking credits that will arise from the payment of income tax payable as at the end of the financial year	**45,103**	48,234
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	**(12,075)**	(12,849)
	33,028	35,385

Tax rates

The tax rate at which paid dividends have been franked is 30% (2016: 30%). Dividends payable will be franked at the rate of 30% (2016: 30%).

Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CAPITAL STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2017

Ordinary shares – Issued and fully paid	**124,234**	121,992
Reserved shares	**(1,269)**	(1,269)
	122,965	120,723

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.

Beginning of the financial year	**93,703,963**	**121,992**	93,194,159	118,579
Dividend reinvestment plan	**224,301**	**2,242**	496,054	3,313
Acquisition of subsidiary	**–**	**–**	13,750	100
End of the financial year	**93,928,264**	**124,234**	93,703,963	121,992

During the year ended 30 June 2017, under the Monadelphous Group Limited Employee Option Plan, no employees exercised options to acquire fully paid ordinary shares.

Reserved shares

Beginning of the financial year	85,500	(1,269)	85,500	(1,269)
End of the financial year	**85,500**	**(1,269)**	85,500	(1,269)

Recognition and measurement

Contributed equity

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

Reserved shares

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CAPITAL STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2017

Foreign currency translation reserve	**719**	853
Share-based payment reserve	**30,142**	29,102
Available-for-sale reserve	**187**	–
	31,048	29,955
Retained earnings	**223,380**	218,317
Movements in retained earnings		
Balance at the beginning of the year	218,317	220,347
Net profit attributable to equity holders of the parent	**57,563**	67,014
Total available for appropriation	**275,880**	287,361
Dividends paid	**(52,500)**	(69,044)
Balance at the end of the year	**223,380**	218,317

Movements in reserves	Foreign Currency Translation Reserve $'000	Share-Based Payment Reserve $'000	Available-For-Sale Reserve $'000	Total $'000
At 1 July 2015	161	30,280	–	30,441
Foreign currency translation	692	–	–	692
Share-based payment	–	(1,178)	–	(1,178)
At 30 June 2016	853	29,102	–	29,955
Foreign currency translation	**(134)**	**–**	**–**	**(134)**
Share-based payment	**–**	**1,040**	**–**	**1,040**
Net fair value gain of available-for-sale financial assets	**–**	**–**	**187**	**187**
At 30 June 2017	**719**	**30,142**	**187**	**31,048**

Nature and purpose of reserves

Foreign currency translation reserve

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

Share-based payment reserve

The share-based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 26 for further details of these plans.

Available-for-sale reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: GROUP STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2017

19. SUBSIDIARIES

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

Parent:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
#Monadelphous Engineering Associates Pty Ltd	Australia	**100**	100	**26,132**	26,133
#Monadelphous Properties Pty Ltd	Australia	**100**	100	**1,941**	1,788
#Monadelphous Engineering Pty Ltd	Australia	**100**	100	**4,066**	4,219
#Genco Pty Ltd	Australia	**100**	100	**342**	342
#Monadelphous Workforce Pty Ltd	Australia	**100**	100	**370**	370
#Monadelphous Electrical & Instrumentation Pty Ltd	Australia	**100**	100	**5,343**	5,343
#Monadelphous KT Pty Ltd	Australia	**100**	100	**15,729**	16,112
#Monadelphous Energy Services Pty Ltd	Australia	**100**	100	**4,434**	4,434
#M Workforce Pty Ltd	Australia	**100**	100	**–**	–
#M Maintenance Services Pty Ltd	Australia	**100**	100	**–**	–
M&ISS Pty Ltd	Australia	**100**	100	**–**	–
SinoStruct Pty Ltd	Australia	**100**	100	**125**	125
Monadelphous Group Limited Employee Share Trust	Australia	**100**	100	**–**	–
Monadelphous Holdings Pty Ltd	Australia	**100**	100	**–**	–
MGJV Pty Ltd	Australia	**70 ^**	70 ^	**–**	–
Evo Access Pty Ltd	Australia	**100**	100	**–**	–
Monadelphous Investments Pty Ltd*	Australia	**100**	–	**–**	–
MWOG Pty Ltd*	Australia	**100**	–	**–**	–
MOAG Pty Ltd*	Australia	**100**	–	**–**	–
Monadelphous International Holdings Pty Ltd*	Australia	**100**	–	**–**	–
Arc West Group Pty Ltd (Refer to Note 20)	Australia	**100**	–	**5,440**	–
Monadelphous PNG Ltd	Papua New Guinea	**100**	100	**–**	–
Moway International Limited	Hong Kong	**100**	100	**443**	443
Moway AustAsia Steel Structures Trading (Beijing) Company Limited	China	**100**	100	**–**	–
Monadelphous Singapore Pte Ltd	Singapore	**100**	100	**144**	144
Monadelphous Mongolia LLC	Mongolia	**100**	100	**–**	–
Monadelphous Inc.	USA	**100**	100	**1,806**	1,806
Monadelphous Marcellus LLC	USA	**100**	100	**–**	–
MKT Pipelines Ltd	Canada	**100**	100	**–**	–
Monadelphous Engineering NZ Pty Ltd	New Zealand	**100**	100	**–**	–
Monadelphous Sdn Bhd*	Malaysia	**100**	–	**–**	–
				66,315	61,259

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

* Incorporated during the year

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

Ultimate parent

Monadelphous Group Limited is the ultimate holding company.

Material partly-owned subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: GROUP STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2017

20. BUSINESS COMBINATION

Acquisition of Arc West Group Pty Ltd

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

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

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

The cash outflow on acquisition is as follows:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: GROUP STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2017

21. INTEREST IN JOINT OPERATIONS

Joint operations interests

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

Monadelphous Muhibbah Marine Joint Venture (MMM)	To construct the approach jetty and ship berth associated with the Wiggins Island Coal Export Terminal.	Gladstone, QLD	–	50
KT-OSD Joint Venture	Design and construction of a transmission pipeline and associated facilities for Hamersley Iron.	West Angelas, WA	–	60

Commitments and contingent liabilities relating to joint operations

In July 2016, Monadelphous announced that MMM, reached agreement with Wiggins Island Coal Export Terminal Pty Ltd to resolve all claims relating to contracts performed on the Wiggins Island Coal Export Terminal Project in Gladstone, Queensland. The terms of this agreement are confidential.

There were no other capital commitments or contingent liabilities relating to the joint operations at 30 June 2017 (2016: $nil).

Impairment

No assets employed in the joint operations were impaired during the year ended 30 June 2017 (2016: $nil).

Recognition and Measurement

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 30 JUNE 2017

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

(a) Risk exposures and responses

Interest rate risk

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

Financial assets			
Cash and cash equivalents	5	**241,909**	203,515
Net exposure		**241,909**	203,515

The Group utilises a number of financial institutions to obtain the best interest rate possible and to manage its risk. The Group does not enter into interest rate hedges.

At 30 June 2017, reasonable possible movement in variable interest rates, based on a review of historical movements and forward rate curves for forward rates would not have had a material impact on the Group.

Foreign currency risk

As a result of operations in the USA, Papua New Guinea, China, Mongolia and New Zealand the Group's statement of financial position can be affected by movements in the US$/A$, PGK/A$, RMB/A$, MNT/A$ and NZ$/A$ exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. Where possible, Monadelphous does not take on foreign exchange risk. At 30 June 2017, the Group had no forward contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 30 JUNE 2017

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

Foreign currency risk (continued)

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

At 30 June 2017, the Group had the following exposure to foreign currency:

Financial assets			
Cash and cash equivalents	**11,562**	**11,537**	**8,392**
Trade and other receivables	**4,582**	**27,886**	**–**
Financial liabilities			
Trade and other payables	**(1,292)**	**(4,003)**	**–**
Net Exposure	**14,852**	**35,420**	**8,392**

Year ended 30 June 2016	**PGK AUD$'000**	**USD AUD$'000**	**EURO AUD$'000**
Financial assets			
Cash and cash equivalents	23,184	8,026	753
Trade and other receivables	18	11,060	–
Financial liabilities			
Trade and other payables	(6)	(715)	–
Net Exposure	23,196	18,371	753

At 30 June 2017, reasonably possible movements in Euro foreign exchange rates, based on a review of historical movements, would not have had a material impact on the Group.

At 30 June 2017, 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:

+10% (2016: +10%)	**(1,040)**	(1,624)	**–**	–
-10% (2016: -10%)	**1,040**	1,624	**–**	–

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

At 30 June 2017, if the USD foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

+5% (2016: +5%)	**(1,240)**	(643)	**–**	–
-5% (2016: -5%)	**1,240**	643	**–**	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 30 JUNE 2017

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

Credit risk

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

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

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

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

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

The Group's maximum exposure to credit risk is its cash and trade receivables representing $405,775,000 at 30 June 2017 (2016: $445,405,000).

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

Liquidity risk

At balance date the following financing facilities had been negotiated and were available		
Total facilities:		
– Bank guarantee and performance bonds	**490,000**	575,000
– Revolving credit	**67,053**	98,995
	557,053	673,995
Facilities used at balance date:		
– Bank guarantee and performance bonds	**147,704**	209,797
– Revolving credit	**13,760**	17,546
	161,464	227,343
Facilities unused at balance date:		
– Bank guarantee and performance bonds	**342,296**	365,203
– Revolving credit	**53,293**	81,449
	395,589	446,652

Nature of bank guarantees and performance bonds

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

Nature of revolving credit

The revolving credit includes loans and hire purchase/leasing facilities. Refer to note 13 for terms and conditions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 30 JUNE 2017

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

Liquidity risk (continued)

The table below reflects all contractually fixed pay-offs, repayments and interest resulting from financial liabilities as of 30 June 2017.

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

Financial liabilities		
6 months or less	**186,252**	214,848
6 – 12 months	**4,112**	3,689
1 – 5 years	**7,007**	10,227
	197,371	228,764

Maturity analysis of financial liabilities:

Financial liabilities					
Trade and other payables	**183,063**	**–**	**–**	**183,063**	**183,063**
Loan	**–**	**1,575**	**–**	**1,575**	**1,541**
Hire purchase liability	**3,189**	**2,537**	**7,007**	**12,733**	**12,219**
Net maturity	**186,252**	**4,112**	**7,007**	**197,371**	**196,823**
Financial liabilities					
Trade and other payables	210,100	–	–	210,100	210,100
Bank loan	409	761	376	1,546	1,511
Hire purchase liability	4,339	2,928	9,851	17,118	16,035
Net maturity	214,848	3,689	10,227	228,764	227,646

(b) Net fair values of financial assets and liabilities

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

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

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

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

Available-for-sale financial assets: The carrying amount is equal to the fair value.

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

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

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

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

There were no material financial assets or liabilities measured at fair value at 30 June 2017 or 30 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: UNRECOGNISED ITEMS

FOR THE YEAR ENDED 30 JUNE 2017

Hire purchase commitments			
Payable:			
– Within one year		**5,726**	7,267
– Later than one year but not later than five years		**7,007**	9,851
Minimum lease payments		**12,733**	17,118
Less future finance charges		**(514)**	(1,083)
Present value of minimum lease payments		**12,219**	16,035
Current liability	13	**5,363**	6,732
Non-current liability	13	**6,856**	9,303
		12,219	16,035

Hire purchase agreements have an average term of three years.

Minimum lease payments				
– Within one year	**13,470**	**207**	**13,677**	16,616
– Later than one year but not later than five years	**44,156**	**132**	**44,288**	38,585
– Later than five years	**700**	**–**	**700**	8,403
Aggregate lease expenditure contracted for at balance date but not provided for	**58,326**	**339**	**58,665**	63,604

Other operating leases includes motor vehicles. Properties include the Victoria Park office lease, the Brisbane office lease and other rental properties. Other operating leases have an average lease term remaining of 17 months. Properties under operating leases have an average lease term remaining of less than one year.

Capital commitments

The consolidated group has capital commitments of $5,185,942 at 30 June 2017 (2016: $442,443).

Guarantees

Guarantees given to various clients for satisfactory contract performance	**147,704**	209,797

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

Contingent Liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: UNRECOGNISED ITEMS

FOR THE YEAR ENDED 30 JUNE 2017

24. SUBSEQUENT EVENTS

Dividends declared

On 21 August 2017, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is $28,174,354 which represents a fully franked final dividend of 30 cents per share. This dividend has not been provided for in the 30 June 2017 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

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

Contracts update

On 19 July 2017, Monadelphous Group Limited announced it has been awarded a number of new work packages with a combined value of approximately $55 million. The contracts announced were as follows:

- Mechanical decommissioning, demolition, civil, structural, mechanical and piping works associated with Shaft 1 and Shaft 2 Surface Infrastructure for the Oyu Tolgoi Underground Project – operated by Oyu Tolgoi LLC mine operations located in the South Gobi region of Mongolia.
- Piping modification and fabrication for Technip Oceania Pty Ltd (TechnipFMC) on the hook-up and commissioning phase of Shell Australia's Prelude Floating Liquefied Natural Gas project in the Browse Basin, approximately 475 kilometres north-northeast of Broome, in Western Australia.
- The Company's renewable energy business, Zenviron, was awarded a contract, in consortium with Vestas – Australian Wind Technology Pty Ltd, to provide engineering, procurement, construction and commissioning of the 54 MW Salt Creek Wind Farm for Tilt Renewables, located in western Victoria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2017

25. PARENT ENTITY INFORMATION	Notes	2017 $'000	2016 $'000
Information relating to Monadelphous Group Limited parent entity			
Current assets		240,478	187,508
Total assets		1,544,283	1,349,016
Current liabilities		(1,345,267)	(1,131,878)
Total liabilities		(1,352,122)	(1,141,181)
Net assets		192,161	207,835
Contributed equity		122,965	120,723
Share-based payment reserve		28,943	29,102
Retained earnings		40,253	58,010
Total equity		192,161	207,835
Profit after tax		34,743	33,708
Total comprehensive income of the parent entity		34,930	33,708
Contingent liabilities			
Guarantees	23	147,704	209,797

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

Capital commitments

The parent entity has capital commitments of $nil at 30 June 2017 (2016: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2017

26. SHARE BASED PAYMENT EXPENSE

The Monadelphous Group Limited Employee Option Plan has been established where eligible directors and employees of the consolidated entity are issued with options over the ordinary shares of Monadelphous Group Limited. The options, issued for nil consideration, are issued in accordance with the guidelines established by the remuneration committee of Monadelphous Group Limited. The options issued carry various terms and exercising conditions. There are currently no directors and 1 employee participating in these schemes.

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

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 outstanding at 30 June 2017 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.

Balance at the beginning of the year	365,000	19.26	2,105,000	17.70
Forfeited during the year	(335,000)	19.46	(1,740,000)	18.16
Balance at the end of the year	30,000	17.05	365,000	19.26
Exercisable during the next year	30,000	17.05	335,000	19.46

No options were exercised during the year.

The weighted average fair values for options outstanding at 30 June 2017 are:

30,000	5/11/2013	14/09/2017	$2.91

The share-based payment expense relating to the Monadelphous Group Limited Employee Option Plan for the year ended 30 June 2017 was a $nil (2016: credit $1,178,599) for the consolidated entity.

For the year ended 30 June 2017, the Group has recognised $1,466,617 of share-based payment expense in the Income Statement (2016: $nil) relating to shares to be issued as part of the acquisition of Arc West Group Pty Ltd (refer to note 20). $426,617 of this was satisfied as a cash payment during the year.

Options held as at the end of the reporting period

The following table summarises information about options held by the employees as at 30 June 2017:

30,000	5/11/2013	01/09/2017	14/09/2017	$17.05

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2017

26. SHARE BASED PAYMENT EXPENSE (continued)

Recognition and Measurement

The Group provides benefits to employees (including Key Management Personnel) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). These benefits are provided through the Monadelphous Group Limited Employee Option Plan and the Monadelphous Group Limited Employee Option Prospectus.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Monadelphous Group Limited (market conditions), if applicable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

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

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

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

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	**209,764**	215,931
– Other services in relation to the entity and any other entity in the consolidated entity		
– tax compliance	**27,264**	33,195
– assurance related	**–**	–
	237,028	249,126
Amounts received or due and receivable by other accounting firms for:		
– tax compliance*	**712,555**	893,469
– other services	**114,914**	47,737
	827,469	941,206

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 2017 relate predominantly to the application for Research and Development Tax Concessions and overseas tax compliance services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2017

28. RELATED PARTY DISCLOSURES

Compensation of key management personnel

Short term benefits	**3,702,728**	3,309,687
Post-employment	**135,459**	126,862
Long term benefits	**77,500**	52,096
Total compensation	**3,915,687**	3,488,645

Loans to associates and joint ventures

AnaeCo

At 30 June 2017, an amount totalling $13,675,000 (2016: $16,113,000) had been loaned to AnaeCo Limited (AnaeCo). Monadelphous owns 14.60% (2016: 14.67%) of the ordinary share capital of AnaeCo. The loan is included in the statement of financial position within other receivables. Interest is payable on the loan at a rate of 12% (2016: 12%) per annum. The loan is secured by a first ranking charge over AnaeCo Limited's assets.

On 5 August 2016, Monadelphous announced that it had entered into a binding agreement with Xiaoqing Environmental Protection Technology Company (XEPTC) that will result in XEPTC buying part of the convertible loan owed to Monadelphous by AnaeCo.

At completion of the sale XEPTC will pay Monadelphous $11.5 million and Monadelphous will assign its rights and obligations under that part of the loan being sold to XEPTC.

Monadelphous will retain its rights to the balance of the loan (being all amounts owing from AnaeCo in excess of $11.5 million) and, subject to approval by AnaeCo's shareholders, will convert the remaining balance into equity of AnaeCo. It is expected that Monadelphous will hold 30% of AnaeCo's issued share capital upon conversion.

Zenviron

At 30 June 2017, an amount totalling $1,833,000 had been loaned to Zenviron Pty Ltd (Zenviron). The loan is included in the statement of financial position within Investment in Joint Venture. Interest is payable on the loan at a rate of 6% per annum.

29. OPERATING SEGMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2017

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 2017, the Engineering Construction division contributed revenue of $615.4 million (2016: $757.6 million) and the Maintenance and Industrial Services division contributed revenue of $652.9 million (2016: $608.4 million). Included in these amounts is $3.5 million (2016: $1.3 million) of inter-entity revenue and $19.6 million (2016: $nil) of revenue of joint ventures, which is eliminated on consolidation. The operating divisions are exposed to similar risks and rewards from operations, and are only segmented to facilitate appropriate management structures.

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

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

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

The Group has a number of customers to which it provides services. The largest customer represented 22% of the Group's revenue. Two other customers individually contributed over 10% of the Group's revenue, representing 13% and 11% respectively. There are multiple contracts with these customers, across a number of their subsidiaries, divisions within those subsidiaries and locations.

Geographical Information		
Revenue from external customers		
Australia	**1,160,062**	1,310,481
Overseas	**85,121**	54,204
	1,245,183	1,364,685

30. DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, relief has been granted to these controlled entities of Monadelphous Group Limited from the *Corporations Act 2001* requirements for preparation, audit and publication of accounts.

As a condition of the Class Order, Monadelphous Group Limited and the controlled entities subject to the Class Order, entered into a deed of indemnity on 9 June 2011, 1 June 2012, 9 June 2014 and 8 June 2016. The effect of the deed is that Monadelphous Group Limited has guaranteed to pay any deficiency in the event of winding up of these controlled entities. The controlled entities have also given a similar guarantee in the event that Monadelphous Group Limited is wound up.

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

Consolidated Income Statement and Comprehensive Income		
Profit before income tax	**80,298**	108,779
Income tax expense	**(20,907)**	(31,195)
Net profit after tax for the period	**59,391**	77,584
Reconciliation of Retained Earnings		
Retained earnings at the beginning of the period	207,036	198,496
Dividends paid	**(52,500)**	(69,044)
Net profit after tax for the period	**59,391**	77,584
Retained earnings at the end of the period	**213,927**	207,036
Consolidated Statement of Financial Position		
ASSETS		
Current assets		
Cash and cash equivalents	**214,576**	164,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2017

30. DEED OF CROSS GUARANTEE (continued)

	2017 $'000	2016 $'000
Trade and other receivables	**251,647**	345,968
Inventories	**42,291**	33,681
Total current assets	**508,514**	543,971
Non-current assets		
Investments in subsidiaries	**6,151**	711
Property, plant and equipment	**70,164**	75,827
Deferred tax assets	**24,345**	20,830
Intangible assets and goodwill	**2,720**	2,946
Other non-current assets	**1,901**	236
Total non-current assets	**105,281**	100,550
TOTAL ASSETS	**613,795**	644,521
LIABILITIES		
Current liabilities		
Trade and other payables	**148,843**	181,899
Interest bearing loans and borrowings	**5,363**	6,732
Income tax payable	**2,046**	1,823
Provisions	**80,443**	82,634
Total current liabilities	**236,695**	273,088
Non-current liabilities		
Interest bearing loans and borrowings	**6,856**	9,302
Provisions	**4,409**	5,270
Total non-current liabilities	**11,265**	14,572
TOTAL LIABILITIES	**247,960**	287,660
NET ASSETS	**365,835**	356,861
EQUITY		
Contributed equity	**122,965**	120,723
Reserves	**28,943**	29,102
Retained earnings	**213,927**	207,036
TOTAL EQUITY	**365,835**	356,861

31. OTHER ACCOUNTING STANDARDS

Other accounting policies

Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2017

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

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

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

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

Changes in accounting policies

Monadelphous Group Limited and its subsidiaries ('the Group') has adopted all new and amended Australian Standards and Interpretations mandatory for reporting periods beginning on or before 1 July 2016, including:

- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*
- AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)*
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012– 2014 Cycle*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133* & *AASB 1057]*

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

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 2017.

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

Reference	Summary	Application date of standard	Application date for Group
2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*	This Standard amends AASB 112 *Income Taxes (July 2004)* and AASB 112 *Income Taxes (August 2015)* to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	This Standard amends AASB 107 *Statement of Cash Flows (August 2015)* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017
AASB 9 *Financial Instruments*	AASB 9 contains accounting requirement for financial instruments, replacing AASB 139. The standard: (a) contains a simpler model for classification and measurement of financial assets; (b) a single, forward looking 'expected loss' impairment model that will require more timely recognition of expected credit losses; (c) a substantially reformed approach to hedge accounting including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. The Group has not yet completed its review of the application of this Standard.	1 January 2018	1 July 2018
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	AASB 2014-10 amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2018	1 July 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2017

31. OTHER ACCOUNTING STANDARDS (continued)

New accounting standards and interpretations (continued)

Reference	Summary	Application date of standard	Application date for Group
IFRS 2 (Amendments) *Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]*	This standard amends to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: – The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments – Share-based payment transactions with a net settlement feature for withholding tax obligations – A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	1 July 2018
AASB 16 *Leases*	The key features of AASB 16 are as follows: *Lessee accounting* – Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. – A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. – Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. – AASB 16 contains disclosure requirements for lessees. *Lessor accounting* – AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. – AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. As at the reporting date, the Group has non-cancellable operating lease commitments as set out in note 23. The Group has not quantified the effect of the new standard, however the impacts will include: – Total assets and liabilities on the Statement of Financial Position will increase; and – Interest expense will increase due to the unwinding of the effective interest rate implicit in the lease.	1 January 2019	1 July 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2017

31. OTHER ACCOUNTING STANDARDS (continued)

New accounting standards and interpretations (continued)

Reference	Summary	Application date of standard	Application date for Group
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Guidance is provided on topics such as when revenue should be recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The new revenue standard will supersede all current revenue recognition requirements under IFRS. In particular, the standard replaces AASB 118 'Revenue' and AASB 11 'Construction Contracts', upon which the Group's current revenue recognition policies are based. Either a full retrospective application or a modified retrospective application is required for the reporting period beginning on 1 July 2018. The Group is in the process of evaluating which transition method will be applied. The Group will continue to carry out a systematic review of the impact of AASB 15 on existing contracts and new contracts as they are awarded. The quantitative impact of AASB 15 will not be reasonably estimable until the review is completed. However, AASB 15 will have a material impact on the disclosures required in the Group's consolidated financial reports. A further update will be provided as part of the 31 December 2017 interim financial reporting.	1 January 2018	1 July 2018

INVESTOR INFORMATION

FOR THE YEAR ENDED 30 JUNE 2017

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current at 11 September 2017.

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	7,057	3,426,797	3.65
1,001 – 5,000	4,925	11,706,250	12.46
5,001 – 10,000	874	6,501,785	6.92
10,001 – 100,000	675	17,356,852	18.48
100,001 – 99,999,999	48	54,936,580	58.49
Total	13,579	93,928,264	100.00

The number of shareholders holding less than marketable parcels is 338.
13,750 shares are held in voluntary escrow, one half to be released on 30 June 2018 and one half to be released on 22 April 2019.

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	16,526,569	17.59
2.	J P Morgan Nominees Australia Limited	10,149,708	10.80
3.	Citicorp Nominees Pty Limited	6,069,283	6.46
4.	National Nominees Limited	3,447,551	3.67
5.	BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	2,628,716	2.80
6.	Velham Nominees Pty Ltd (The Velletri Family A/C)	2,100,000	2.23
7.	Rubi Holdings Pty Ltd (John Rubino Super Fund A/C)	2,022,653	2.15
8.	Wilmar Enterprises Pty Ltd	1,320,000	1.41
9.	RBC Investor Services Australia Nominees Pty Ltd (VFA A/C)	1,003,589	1.07
10.	3rd Wave Investors Ltd	851,000	0.91
11.	BNP Paribas Noms Pty Ltd (DRP)	739,794	0.79
12.	HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	580,660	0.62
13.	National Nominees Limited (DB A/C)	551,930	0.59
14.	Goldman Sachs Australia Pty Ltd (House Omni A/C)	517,175	0.55
15.	HSBC Custody Nominees (Australia) Limited-GSCO ECA	446,602	0.48
16.	AMP Life Limited	412,999	0.44
17.	Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	342,053	0.36
18.	Mrs Mary Teresa Erdash	335,000	0.36
19.	Neale Edwards Pty Ltd	324,760	0.35
20.	BNP Paribas Nominees Pty Ltd (Agency Lending Collateral)	309,000	0.33
Total		50,679,042	53.96

c) Substantial shareholders

No 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*.

INVESTOR INFORMATION
FOR THE YEAR ENDED 30 JUNE 2017

d) Voting rights

Each ordinary shareholder present at a general meeting (whether in person, by proxy or by representative) is entitled to one vote on a show of hands, or on a poll, one vote for each fully paid ordinary share subject to any voting restrictions that may apply (refer Corporations Amendments – Improving Accountability on Director and Executive Remuneration Bill 2011).

e) Securities exchange listing

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at The University Club, University of Western Australia, Crawley, WA on Tuesday 21 November 2017 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 Limited	Telephone:	1300 364 961 (Australia)
Level 11, 172 St Georges Terrace		+61 3 9946 4415 (Overseas)
Perth	Facsimile:	+61 8 9473 2500
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 to page 99).

INVESTOR INFORMATION
FOR THE YEAR ENDED 30 JUNE 2017

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

CORPORATE DIRECTORY

DIRECTORS

Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Peter John Dempsey
Lead Independent Non-Executive Director

Christopher Percival Michelmore
Independent Non-Executive Director

Dietmar Robert Voss
Independent Non-Executive Director

Helen Jane Gillies
Independent Non-Executive Director

COMPANY SECRETARIES

Kristy Glasgow

Philip Trueman

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

59 Albany Highway
Victoria Park
Western Australia 6100

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

POSTAL ADDRESS

PO Box 600
Victoria Park
Western Australia 6979

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 11, 172 St George's Terrace
Perth
Western Australia 6000

Telephone: 1300 364 961 (Australia)
+61 3 9946 4415 (Overseas)
Facsimile: +61 8 9473 2500

ASX CODE

MND – Fully Paid Ordinary Shares

BANKERS

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

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

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

AUDITORS

Ernst & Young
11 Mounts Bay Road
Perth
Western Australia 6000

SOLICITORS

Johnson, Winter & Slattery
Level 4, 167 St George's Terrace
Perth
Western Australia 6000

CONTROLLED ENTITIES

Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Monadelphous Properties Pty Ltd
Monadelphous Workforce Pty Ltd
Genco Pty Ltd
Monadelphous Electrical & Instrumentation Pty Ltd
Monadelphous PNG Ltd
Monadelphous Holdings Pty Ltd
Moway International Limited
SinoStruct Pty Ltd
Moway AustAsia Steel Structures Trading (Beijing) Company Limited
Monadelphous Group Limited Employee Share Trust
Monadelphous KT Pty Ltd
Monadelphous Energy Services Pty Ltd
Monadelphous Singapore Pte Ltd
Monadelphous Mongolia LLC
M&ISS Pty Ltd
M Maintenance Services Pty Ltd
Monadelphous Engineering NZ Pty Ltd
Monadelphous Marcellus LLC
MKT Pipelines Limited
Evo Access Pty Ltd
Monadelphous Inc.
MGJV Pty Ltd
M Workforce Pty Ltd
Monadelphous Investments Pty Ltd
MWOG Pty Ltd
Arc West Group Pty Ltd
MOAG Pty Ltd
Monadelphous International Holdings Pty Ltd
Monadelphous Sdn Bhd

www.monadelphous.com.au