MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

CONSOLIDATED FINANCIAL REPORT

30 JUNE 2021

MONADELPHOUS GROUP LIMITED
A.B.N. 28 008 988 547
CORPORATE DIRECTORY

Directors
Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Peter John Dempsey
Lead Independent Non-Executive Director

Christopher Percival Michelmore
Independent Non-Executive Director

Dietmar Robert Voss
Independent Non-Executive Director

Helen Jane Gillies
Independent Non-Executive Director

Susan Lee Murphy AO
Independent Non-Executive Director

Company Secretaries
Kristy Glasgow
Philip Trueman

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Share Registry
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Western Australia 6000
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ASX Code
MND – Fully Paid Ordinary Shares

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

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

Bankers (continued)

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

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

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

Controlled Entities
Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Monadelphous Properties Pty Ltd
Monadelphous Workforce Pty Ltd
Genco Pty Ltd
Monadelphous Electrical & Instrumentation Pty Ltd
Monadelphous PNG Ltd
Monadelphous Holdings Pty Ltd
Moway International Limited
SinoStruct Pty Ltd
Moway AustAsia Steel Structures Trading (Beijing) Company Limited
Monadelphous Group Limited Employee Share Trust
Monadelphous KT Pty Ltd
Monadelphous Energy Services Pty Ltd
Monadelphous Singapore Pte Ltd
Monadelphous Mongolia LLC
M&ISS Pty Ltd
M Maintenance Services Pty Ltd
Monadelphous Engineering NZ Pty Ltd
Monadelphous Marcellus LLC
Evo Access Pty Ltd
Monadelphous Inc.
MGJV Pty Ltd
M Workforce Pty Ltd
Monadelphous Investments Pty Ltd
MWOG Pty Ltd
Arc West Group Pty Ltd
MOAG Pty Ltd
Monadelphous International Holdings Pty Ltd
Monadelphous Sdn Bhd
R.I.G. Installations (Newcastle) Pty Ltd
R E & M Services Pty Ltd
Pilbara Rail Services Pty Ltd
EC Projects Pty Ltd
Monadelphous Chile SpA
MAQ Rent SpA
Buildtek SpA
SinoStruct Engineering & Fabrication (Tianjin) Co. Ltd
Monadelphous RTW Pty Ltd (incorporated 7 July 2021)

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The Directors of Monadelphous Group Limited are pleased to report the Company's financial results for the year ended 30 June 2021.

Revenue

Monadelphous recorded revenue for the year of $1,953 million[1], an 18.3 per cent increase on the prior period. Demand for the Company's services increased as the industry recovered from the delays and disruptions experienced during the initial phases of COVID-19, with customers seeking to capitalise on strong commodity prices, especially in the iron ore sector.

The Engineering Construction division reported revenue of $979.0 million, a 59 per cent increase on last year, reflecting the significant progress made during the year on the Company's large portfolio of major construction contracts.

The Maintenance and Industrial Services division reported revenue of $976.9 million, down 6.9 per cent on the prior corresponding period. Demand for maintenance services within the iron ore sector was particularly strong, with reduced levels of activity experienced in the oil and gas sector.

Statutory revenue, which excludes Monadelphous' share of revenue from joint ventures, was $1,753.7 million.

Earnings

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $108.7 million[2], an improvement of 18 per cent on the prior period, with the industry regaining momentum following the initial impact of COVID-19.

Industry activity levels were very high during the year, particularly in Western Australia (WA), significantly increasing the demand for labour. Measures taken by state governments across the country to control the spread of the COVID-19 pandemic, including interstate border restrictions, impacted the industry's ability to source the required levels of skilled labour, further exacerbating the already stretched labour market. The resultant shortfall of available skilled resources was unprecedented and resulted in labour cost and productivity pressures across the industry.

In 2019, the Company received Notices of Amended Assessments (NOAAs) from the Australian Taxation Office (ATO) for research and development tax incentives claimed in previous years which were determined to be ineligible, and consequently included a one-off provision of $6.5 million in the 2019 financial year. The NOAAs were issued by the ATO to give effect to adverse findings made by Innovation and Science Australia, which determined that the activities undertaken were ineligible for such incentives. Monadelphous applied for an internal review of these findings and, prior to issuing the NOAAs, the ATO advised the Company in writing that if the finding was subsequently set aside then the Commissioner would make further amendments to accord with such findings.

In December 2020, the Company was notified that, upon review, the original findings had been set aside in full, and the research and development activities conducted by the Company were in fact eligible activities. As a consequence, and based on the earlier advice provided by the ATO, the Company reversed the provision made in the 2019 financial year in its half-year results for the period ended 31 December 2020, and commenced the process to obtain a refund of the amounts paid to the ATO.

Subsequent to 30 June 2021, the Company has been informed by the ATO that the amended assessments required to facilitate the refund will not be issued. Monadelphous has lodged Notices of Objection with the ATO in respect of this matter. The Company has reinstated the provision, which was reversed earlier in the reporting period, until the matter is finalised.

Net profit after tax for the period was $47.1 million, an increase of 29 per cent on the prior period, representing earnings per share of 49.7 cents.

[1] Includes Monadelphous' share of joint venture revenue – refer page 12 for reconciliation
[2] Refer page 12 for reconciliation of EBITDA

Dividend

Monadelphous' Board of Directors declared a final dividend of 21 cents per share, taking the full year dividend to 45 cents per share fully franked. This equates to a payout ratio of approximately 90 per cent of reported net profit after tax.

The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the final dividend.

Strong balance sheet

Monadelphous ended the year with a strong cash balance of $175.7 million.

The Company has experienced vastly different cash flow conversion rates over the last two financial years as a result of the initial impact of COVID-19 and the subsequent recovery therefrom, and the effects these events have had on the Company's activity and working capital levels. The average cash flow conversion rate for the two financial years ending 30 June 2020 and 30 June 2021 is a solid 87 per cent.

The materially reduced operating activity levels experienced in the months leading up to 30 June 2020, at the initial height of the COVID-19 pandemic, significantly reduced the working capital requirements of the business at that time, and delivered an unusually high cash flow conversion rate of 151 per cent for the financial year ended 30 June 2020.

The improvement in the operating environment post 30 June 2020, and the consequent increase in working capital as the Company's requirements returned to more normal levels, meant the cash flow conversion rate for the financial year ended 30 June 2021 was 35 per cent.

The strength of Monadelphous' balance sheet provides the Company with the financial capacity required to effectively deal with the unpredictable and volatile effects of the pandemic and take advantage of any potential investment opportunities that may arise.

Settlement of Claim

During August 2020, Monadelphous was notified that Rio Tinto had filed a Writ of Summons in the Supreme Court of Western Australia against one of Monadelphous' wholly owned subsidiaries in respect of a fire incident which occurred at Rio Tinto's iron ore processing facility at Cape Lambert, WA, in January 2019.

In April 2021, the Company announced a confidential out-of-court settlement had been reached in this matter, with the settlement being covered by the proceeds of insurance.

Strategic Progress

Monadelphous made good progress on its markets and growth strategy during the year, despite the impacts and uncertainty caused by COVID-19. The Company was awarded approximately $950 million in new contracts and contract extensions across the resources, energy and infrastructure markets since the beginning of the financial year, including approximately $200 million subsequent to year end.

A large proportion of the Company's new work was secured in the iron ore sector, with Monadelphous being awarded a significant number of sustaining capital work projects under panel agreements with both BHP and Rio Tinto, and in addition, being awarded work at Rio Tinto's Gudai-Darri iron ore project.

Monadelphous' Heavy Lift business was awarded a five-year crane services contract with Fortescue Metals Group, valued at approximately $150 million in total. The contract is for the provision of crane services supporting general repairs, maintenance and shutdown activities to Fortescue's Solomon and Eliwana operations in the Pilbara region of WA.

During the year, Monadelphous was awarded its first contracts under the BHP Olympic Dam Asset Projects Framework Agreement, including the supply and construction of acid storage tanks and smelter campaign maintenance works at BHP's Olympic Dam copper mine in Roxby Downs, South Australia (SA). The

Company was also awarded a two-year extension to its existing maintenance services contract at Olympic Dam to provide civil, structural, mechanical, building maintenance and electrical services, and underground rail maintenance services.

The Company's Chile based maintenance and construction services business, Buildtek, continued to perform strongly securing approximately $100 million of new work, which included several new contracts with Codelco, as well as with Minera Escondida which is majority owned by BHP. Subsequent to year end, Buildtek also secured a contract with Codelco for construction work associated with the development of a new underground section of the El Teniente copper mine in Rancagua. Monadelphous, through Buildtek, remains committed to strengthening its position in South America and is currently reviewing further growth opportunities.

Mondium, the Company's engineering, procurement and construction (EPC) joint venture with Lycopodium, made good progress on its strategically important $400 million contract with Rio Tinto for the Western Turner Syncline Phase 2 Project, located in the Pilbara. The project continues to progress in line with expectations and is due to be completed in 2021.

Monadelphous continued to grow its rail portfolio, particularly on the east coast of Australia. In addition to providing track resurfacing services in New South Wales (NSW), the Company is now providing general rail maintenance services to multiple customers on the east coast and in the Pilbara, as well as underground rail maintenance services at BHP's Olympic Dam mine site, SA.

Health and Safety

The Company's Total Recordable Injury Frequency Rate (TRIFR) improved by 39 per cent over the year to 2.26 incidents per million hours worked, which was a very pleasing result given the extraordinarily high levels of recruitment activity.

Throughout the period, Monadelphous implemented a number of key health and safety initiatives, including the introduction of a new Fatal Risk Standard and Life Saving Rule relating to the use of mobile plant and equipment, the release of the Company's revised and updated supervisor safety leadership program and further training in relation to the Delivering the Safe Way behaviour framework.

The Company continued to maintain focus on the mental health and wellbeing of employees, implementing and participating in a range of initiatives relating to resilience development and improving mental health awareness.

People

The Company's direct employee numbers peaked at over 7,600 employees during the period, its largest employee base since May 2013, and ended the year with a total workforce, including subcontractors, of 7,791 representing an increase of 37 per cent from 12 months prior.

High levels of industry activity in an already tight labour market, combined with COVID-19 related travel restrictions and border closures, placed significant pressure on the Company's ability to attract and retain labour. During the period, Monadelphous undertook a number of initiatives to bolster its employee engagement and attraction processes to ensure it continues to retain and attract highly competent employees who are culturally aligned to the Company's core values.

The continued retention and development of key talent is critical to Monadelphous' ongoing growth and success. The Company strengthened its employee development programs with a focus on performance management and succession planning processes to ensure the pipeline of key talent is provided with challenging and rewarding career opportunities. Some of its highest achieving future leaders were also invited to participate in the Company's Emerging Leaders and Group Mentoring programs during the year. The Company also performed a review of its benefit and reward programs to ensure that remuneration and employee benefits remain competitive.

To support its commitment to attracting and retaining a diverse workforce and acknowledging the important role that workplace flexibility plays in improving employee wellbeing and job satisfaction, Monadelphous formalised its commitment to workplace flexibility with its Workplace Flexibility Policy, and implemented further improvements to its existing Parental Leave Policy.

The Company also progressed a number of strategic attraction initiatives during the period, including launching its updated employer branding programme, advancing the implementation of its new and improved recruitment, onboarding and talent management system, and reviewing its approach to alumni relations with the view to winning back departed talent. These initiatives focus on optimising the sourcing, selection and mobilisation of new talent across the business.

In the first half of the financial year, certain Monadelphous subsidiaries received wage subsidy support under the Australian Government's JobKeeper scheme, totalling approximately $7 million. The JobKeeper scheme was implemented in the prior year to minimise the financial hardship to employees of businesses affected by the significant economic impact of COVID-19 and keep more Australians in jobs. The Company utilised the JobKeeper subsidy to pay employees placed on stand down, provide temporary uplifts for those eligible under the scheme, and to maintain, where possible, employment levels.

To show leadership support at the height of the pandemic, and in response to the impact of COVID-19 on the Company's business and operations, the Board agreed to a 30 per cent salary and fee reduction for a six month period from May to October 2020, with the Executive and General Management teams agreeing to salary reductions of between 10 and 20 per cent for the same period.

Social Value

Monadelphous remains committed to making a positive contribution to the societies and communities in which it operates focusing its efforts in the key strategic areas of diversity, community support and education.

During the year, the Company continued to make significant progress on its reconciliation journey, underpinned by its Stretch Reconciliation Action Plan for 2017 – 2020. Monadelphous is proud to have once again reached Indigenous 'Employment Parity', achieving its goal of more than three per cent Indigenous employment.

In late 2018, Monadelphous became a signatory to the Employment Parity Initiative and committed to creating 200 new roles for Aboriginal and Torres Strait Islander jobseekers over a four-year period. Pleasingly, the Company has now employed more than 190 Indigenous jobseekers and has upskilled more than 50 Aboriginal and Torres Strait Islander members of its workforce.

Monadelphous was proud to launch a three-year Indigenous Employment Pathways Program, in partnership with Rio Tinto, showcasing our joint commitment to creating meaningful and sustainable employment for Aboriginal and Torres Strait Islander peoples. Supported by dedicated coaching and mentoring, the Program aims to increase the number of skilled and tertiary qualified Aboriginal and Torres Strait Islander peoples in the resources industry. It will be open to prospective apprentices, trainees and tertiary cadets in a variety of fields including mechanical fitting, electrical, boiler making and welding, as well as traineeships in civil construction, crane operations, rigging, business administration and health, safety and environment.

Throughout the period the Company continued to provide cultural awareness training for its staff. The training aims to improve understanding and recognition of Aboriginal and Torres Strait Islander cultures, histories, knowledge and rights, and demonstrating respect for Aboriginal and Torres Strait Islander communities and their cultures.

During the year, the Company developed its fourth Reconciliation Action Plan 2021 – 2024, which will come into effect in the first half of the 2022 financial year. The plan, which was informed by consultation with Aboriginal and Torres Strait Islander employees and the broader workforce, places a renewed emphasis on engagement with Indigenous businesses to increase opportunities for business spend, maintaining a minimum of three per cent Indigenous employment, and improving mentoring and support for existing and new

Aboriginal and Torres Strait Islander employees. It demonstrates Monadelphous' continued commitment to achieving reconciliation, and its genuine desire to make a positive contribution to Australia's Aboriginal and Torres Strait Islander community.

In keeping with its ongoing commitment to gender diversity and inclusion, the Company successfully retained more than 90 per cent of its key female talent and announced the appointment of its first female operational General Manager. To support sustainable and meaningful change, the Company rolled out a number of training initiatives across its workforce relating to unconscious bias and equal employment opportunities. In addition, Monadelphous employees presented at, and participated in, a number of events focused on positively challenging perceptions and promoting gender diversity, including the Women in Mining and Resources Leadership Summit and an in-house International Women's Day panel discussion, viewed online by almost 1,000 Monadelphous employees.

During the year, the Company commenced the consultation process for its second Gender Diversity and Inclusion Plan 2021 – 2023, which will focus on ensuring a safe working environment for women, removing gender-based barriers, offering opportunities for women to enter trade roles, and extending targets for female candidates in the Company's Vacation and Graduate programs. The Plan will be launched in the first half of the 2022 financial year.

Finally, the Company took part in almost 70 community events and initiatives during the course of the year. This included extending its partnership with the Graham (Polly) Farmer Foundation for another year, sponsoring the second Monadelphous CQUniversity Yallarm STEM Camp for Aboriginal and Torres Strait Islander high school students in Gladstone, Queensland, participating in the Welcome to Hedland community event in Port Hedland, WA, and supporting International Women's Day across a number of its locations.

Productivity and Innovation

Monadelphous continues to focus on the implementation of proven technologies to improve productivity and deliver value for its customers. During the year, further progress was made on systems optimisation and the digitalisation of data capture and processing as an enabler of future initiatives focused on data analytics and automation.

In-field productivity remains a priority for Monadelphous, ensuring employees are equipped with the tools and technology to efficiently and safely execute their work. A number of technology trials were conducted during the period, including robotic process automation and asset tracking. Different hardware and software technologies were also evaluated to determine their compatibility with Monadelphous' processes, and to assess suitability for widespread replication across the business. The use of drone technology increased for both videography and survey purposes, as well as equipment installation on customer sites.

Coupled with an internal focus on improving efficiency, Monadelphous recognises the benefits of open innovation activities that seek to drive innovation at an industry level. During the year, Monadelphous employees participated in several open innovation challenges hosted by customers. The initiatives provided the Company with greater insight into the operational challenges faced by customers and provided Monadelphous with an opportunity to build on its reputation as a collaborative partner with an innovative approach to problem solving.

Employee engagement with the Company's internal collaboration platform, the Ideas Hub, increased during the period following the addition of new functionality.

OPERATIONAL ACTIVITY

Engineering Construction

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported revenue of $979.0 million[1] for the year, an increase of 59 per cent on the previous corresponding period. The result reflected the significant execution progress made during the year on the Company's large portfolio of major construction contracts. Since the beginning of the financial year, Monadelphous secured new construction contracts within the resources, energy and infrastructure sectors totaling approximately $480 million.

A number of packages of work were secured under the BHP Western Australia Iron Ore (WAIO) Panel Agreement across various sites in the Pilbara including providing multidisciplinary brownfield modification works at Nelson Point and Finucane Island, structural, mechanical and electrical upgrades at the Newman Hub, and dewatering of surplus water and fabrication of the train loadout rectification works at Jimblebar mine site.

Monadelphous continued to provide construction services on its three packages of work at BHP's South Flank Project. The structural, mechanical, piping and electrical and instrumentation work on the project's inflow and outflow infrastructure is expected to be completed in the second half of 2021, with the Company having completed the installation and construction of the world's largest rail mounted stockyard machines for thyssenkrupp Industrial Solutions (Australia) during the period. The division also completed a number of other packages of work for BHP secured under the WAIO Panel Agreement.

Construction activities substantially progressed at Rio Tinto's West Angelas Deposits C and D Project. The fully integrated project, which includes the supply and erection of fabricated products provided by SinoStruct, is expected to be completed in the second half of 2021. Work also continued on the structural, mechanical and piping package associated with the pyromet plant at MARBL Lithium Joint Venture's Kemerton lithium hydroxide plant in the south-west region of WA.

Zenviron, the Company's renewable energy joint venture, completed its works at the Dundonnell Wind Farm in regional Victoria for Vestas – Australian Wind Technology and significantly progressed works on the Crudine Ridge Wind Farm for CWP Renewables in regional NSW. During the period, Zenviron was awarded, and commenced, the balance of plant work on the Murra Warra Stage II Wind Farm for General Electric International in regional Victoria.

To better support its customers through the self-performance of selected fabrication and assembly work, SinoStruct established its own fabrication facility in Tianjin, China, during the period. It also secured several new contracts, delivering stand-alone packages of work for Origin Energy and Rio Tinto, in both Australia and Mongolia, as well as for major Monadelphous construction and maintenance projects, including for Newcrest Mining Limited in Papua New Guinea. The business also provided professional services in South America for the first time. Subsequent to year end, SinoStruct secured a new four-year agreement to supply wellsite equipment to Origin Energy. The packaged equipment is used to separate, meter and control coal seam gas for the Australia Pacific LNG plant located in Gladstone, Queensland. SinoStruct has been supplying packaged and modularised equipment to Origin Energy since 2015.

Mondium recommenced works at Talison Lithium's Greenbushes mine in the south-west region of WA. Work on the tailings retreatment processing plant, which includes engineering, procurement and management of subcontractors, is expected to be completed by the end of 2021.

Monadelphous' specialist Heavy Lift business entered into a strategic collaboration with global heavy lifting services company, Fagioli, during the period, with the objective of offering increased capacity and broadened capability within the Australian resources and energy markets. The joint venture has already been awarded its first contract, securing work with NMT International (Australia) to deliver lifting and haulage services at Fortescue's Iron Bridge Magnetite Project in the Pilbara.

[1] Includes Monadelphous' share of joint venture revenue

Following the decision to discontinue the Company's water operations in New Zealand and significantly consolidate its position in the Australian market, the division continued to focus on the safe delivery of contracted works. In NSW, work was completed on the Wyee Backlog Sewer Scheme under the Hunter Water Corporation Complex Capital Works Design and Construct Panel program, while activities are continuing to be closed out on Sydney Water's Network and Facilities Renewal Program. In Queensland, commissioning activities approached completion on the Kawana Sewerage Treatment Plant on the Sunshine Coast. In New Zealand, work on the Selwyn Pines solar drying project and the Kurow Duntroon Irrigation Scheme project are expected to be completed by the end of 2021.

Maintenance and Industrial Services

The Maintenance and Industrial Services division provides planning, management and execution of multidisciplinary maintenance services, sustaining capital works and turnarounds. The division recorded revenue of $976.9 million for the financial year, down 6.9 per cent on last year.

The result reflects the significant amount of work undertaken in the iron ore sector, with customers seeking to optimise production levels and capitalise on the strong iron ore price, as well as manage a maintenance deficit created during the initial stages of COVID-19. The Company experienced lower levels of demand for maintenance and turnaround services within the oil and gas sector, albeit improving steadily following the early impact of the pandemic.

In the oil and gas sector Monadelphous continued to provide maintenance services under its existing major onshore and offshore contracts, executing significant turnarounds during the period for both Woodside and INPEX. Planning commenced for major turnarounds scheduled across Woodside, Shell and INPEX-operated facilities over coming years.

During the period, the Company invested in specialist plant and equipment to support the growth of its industrial services and civil teams, as well as to further enhance its specialist oil and gas fabric maintenance capability. These investments will provide opportunities for growth across existing major, long-term contracts, as well as with new customers in the mining and oil and gas sectors.

The division has been awarded approximately $470 million in new contracts and contract extensions since the beginning of the financial year.

Major contract awards within the iron ore sector included three three-year master services contracts with Rio Tinto for the delivery of sustaining capital projects across various mine sites and port operations, as well as a number of contracts with BHP under the division's existing WAIO Site Engineering Panel Framework Agreement. The division successfully completed a number of packages of work under these contracts during the period, supplying and installing the Jimblebar Transfer Station for BHP and completed the Car Dumper 3 Mega Shut at Nelson Point for BHP. A number of other major shutdowns were also completed under these contracts with both BHP and Rio Tinto.

Outside of the iron ore sector, Monadelphous was awarded a 12-month extension to its existing mechanical and electrical maintenance, shutdown and project services contract across BHP's WA nickel operations, as well as a three-year contract with Rio Tinto to provide mechanical, electrical and access maintenance services for fixed plant shutdowns at its Gove operations in the Northern Territory.

In the east, the Company was awarded a contract to undertake a major dragline shutdown for BHP Mitsubishi Alliance at its Saraji Mine in Queensland, as well as a multidisciplinary contract with AGL Macquarie for the Bayswater Fly Ash Plant Refurbishment and Slurry Lines Replacement project near Muswellbrook, NSW.

In Chile, Buildtek was awarded a number of new contracts with Minera Escondida for the construction of a communications tower and modularised pump stations at the Escondida copper mine in Coloso, as well as for an upgrade to the conveyer system feeding the Filter Plant Warehouse at Coloso Port. Buildtek was also awarded a three-year contract with Codelco for the operations and maintenance of water infrastructure at the

Chuquicamata underground mine in Calama as well as a further two new contracts, also with Codelco, for maintenance activities associated with the concentrator plant at El Teniente mine in Rancagua.

Pleasingly, leveraging Monadelphous' experience within the liquefied natural gas (LNG) sector, Buildtek managed to secure its most significant LNG contract to date with GNL Quintero for the removal and replacement of five LNG discharge arms, three of which have been replaced to date.

Subsequent to year end, the Company announced the award of a number of new contracts, including a new three-year contract with Queensland Alumina Limited to continue to provide general mechanical maintenance services at its operations in Gladstone, and a 10-month extension to its existing contract with BHP Mitsubishi Alliance for the provision of dragline shutdown and maintenance services to its operations in the Browse Basin, both in Queensland. The Company also secured a number of new contracts in the iron ore sector in the Pilbara region of WA with BHP and Rio Tinto.

Other significant contract activity undertaken during the year included:

- Maintenance, shutdown and sustaining capital works services for BHP's Pilbara-based iron ore operations, WA;
- Fixed plant maintenance and sustaining capital works services for Rio Tinto's Pilbara-based iron ore operations, WA;
- Maintenance and shutdown services for BHP's Olympic Dam copper-uranium operation at Roxby Downs, SA;
- Engineering, procurement and construction services on Oil Search's oil and gas production and support facilities in the Highlands region of Papua New Guinea, in joint operation with Worley;
- Minor capital project services at Newcrest Mining Limited's Lihir Gold Mine in Papua New Guinea;
- Maintenance and projects for Queensland Alumina Limited in Gladstone, Queensland;
- Mechanical shutdown and tank maintenance and refurbishments for Newmont at Boddington, WA;
- Rail maintenance services for Rio Tinto on its privately-owned rail network in the Pilbara, WA;
- Shutdown and mechanical services for South32's Worsley Alumina Refinery, WA;
- National Services Agreement to complete maintenance, shutdown and sustaining capital works across APA Group's assets;
- Operation and maintenance of the coal handling facility at the Muja Power Station for Synergy in Collie, WA;
- General mechanical and maintenance services for Incitec Pivot Limited in Gibson Island, Queensland; and
- Maintenance and turnaround services in the Hunter Valley, NSW, for Glencore.

Markets and Outlook

The buoyant economic conditions forecast for the resources, energy and infrastructure sectors in coming years are expected to provide Monadelphous with a strong pipeline of opportunities.

In the resources sector, the outlook for the Australian iron ore industry remains positive, with ongoing significant levels of capital and operating expenditures to sustain high levels of production driving strong demand. Maintenance activity is expected to grow steadily on the back of aging assets and customers deferring discretionary work in prior periods.

Strong commodity prices are also contributing to a positive outlook for developments in lithium, gold, copper and nickel. These markets will continue to present opportunities for Monadelphous in Australia, as well as its international operations in South America, Mongolia and Papua New Guinea.

After unprecedented demand disruption during the height of the pandemic, conditions in the oil and gas sector are improving with construction opportunities from the development of new LNG projects expected to emerge in the next one or two years.

Australia's transition towards clean energy continues to gain momentum, with the portfolio of new wind farms coming to market in the next few years expected to provide opportunities for Zenviron, particularly as electrical grid access improves in NSW and Victoria. Rapid development of the hydrogen sector will also provide opportunities in the coming years.

The 2020/21 year has seen an extraordinary surge in construction activity after the initial impact of COVID-19. With several large construction projects all completing in the next six months, full year 2021/22 revenues are likely to be lower than the previous year due to the timing of award and commencement of new major projects. Construction activity is forecast to be stronger in the 2022/23 financial year. The performance of the business will be dependent on the unpredictable and uncertain nature of the COVID-19 pandemic and its impact on the Company's operations.

The shortage of skilled labour will continue to be the major challenge for the Company's operations in Australia. High levels of industry activity and the prolonged effects of COVID-19 international border restrictions limiting skilled migration are contributing factors. As highlighted earlier, the impacts are particularly acute for fly-in fly-out construction work in the resources and energy sectors where restrictions in the mobility of personnel due to unpredictable interstate border restrictions are impeding labour mobilisation and impacting operational productivity.

In response, Monadelphous will strategically target new work opportunities that best utilise the skills of its workforce, working collaboratively with customers in this regard. The Company will also focus on bolstering its employee attraction and retention practices, including performing a review of its variable remuneration practices to support the retention of key talent.

The Company will continue to assess market opportunities to achieve ongoing service and customer market diversification and support long-term sustainable growth.

Monadelphous' reputation as a leader in its markets and as an employer of choice, together with its longstanding commitment to the delivery of safe, reliable and cost competitive service solutions, places it in a strong position to capitalise on the opportunities and deal with the challenges ahead.

In conclusion, I would like to take this opportunity to sincerely thank our loyal and talented team for their truly herculean efforts. Our team has worked incredibly hard to deal with extraordinary challenges and unprecedented constraints imposed throughout the COVID-19 pandemic. I also extend my appreciation to our shareholders, customers and other stakeholders for their ongoing support during these difficult and unusual times.

John Rubino
Monadelphous Chairman
23 August 2021

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

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Revenue	**1,754,242**	1,488,749	1,479,737	1,737,632	1,249,085
EBITDA	**108,696**	92,077	106,791	119,046	98,184
Profit before income tax expense	**70,372**	55,086	83,426	102,845	82,664
Income tax expense	**21,906**	17,860	31,313	30,570	24,144
Profit after income tax expense attributable to equity holders of the parent	**47,060**	36,483	50,565	71,479	57,563
Basic earnings per share	**49.70c**	38.65c	53.72c	76.11c	61.41c
Interim dividends per share (fully franked)	**24.00c**	22.00c	25.00c	30.00c	24.00c
Final dividends per share (fully franked)	**21.00c**	13.00c	23.00c	32.00c	30.00c
Net tangible asset backing per share	**413.31c**	402.43c	413.93c	415.86c	398.23c
Total equity and reserves attributable to equity holders of the parent	**395,572**	384,433	393,436	394,481	377,393
Depreciation	**32,476**	30,570	19,490	17,222	17,892
Debt to equity ratio	**10.1%**	11.9%	9.7%	5.3%	3.6%
Return on equity	**11.9%**	9.5%	12.9%	18.1%	15.3%
EBITDA margin	**5.6%**	5.6%	6.6%	6.7%	7.8%

Revenue including joint ventures is a non-IFRS measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to revenue presented by other companies. This measure, which is unaudited, is important to management when used as an additional means to evaluate the Company's performance.

Reconciliation of Total Revenue from Contracts with Customers including joint ventures to Statutory Revenue from Contracts with Customers (unaudited)

	2021 $'000	2020 $'000
Total revenue from contracts with customers including joint ventures	**1,953,180**	1,650,768
Share of revenue from joint ventures [1]	**(199,442)**	(163,375)
Statutory revenue from contracts with customers	**1,753,738**	1,487,393

[1] Represents Monadelphous' proportionate share of the revenue from joint ventures accounted for using the equity method.

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, which is unaudited, is important to management as an additional way to evaluate the Company's performance.

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

	2021 $'000	2020 $'000
Profit before income tax	**70,372**	55,086
Interest expense on loans and hire purchase finance charges	**1,476**	1,753
Interest expense on other lease liabilities	**1,598**	1,941
Interest revenue	**(414)**	(1,171)
Depreciation of owned and hire purchase assets	**23,542**	22,608
Depreciation of right of use assets	**8,934**	7,962
Amortisation expense	**445**	644
Share of interest, depreciation, amortisation and tax of joint ventures [2]	**2,743**	3,254
EBITDA	**108,696**	92,077

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

Your directors submit their report for the year ended 30 June 2021.

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 55 years experience in the construction and engineering services industry
Robert Velletri	*Managing Director* Appointed 26 August 1992 Mechanical Engineer, Corporate Member of Engineers Australia Appointed as Managing Director on 30 May 2003 42 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 49 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 49 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 47 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 25 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entity, Yancoal Australia Limited (ASX: YAL) – appointed 30 January 2018 Aurelia Metals Limited (ASX:AMI) – appointed 21 January 2021
Susan Lee Murphy AO	*Independent Non-Executive Director* Appointed 11 June 2019 Civil Engineer, Honorary Fellow of Engineers Australia 42 years experience in the resources and infrastructure industries Also a non-executive director of the following other publicly listed entity, MMA Offshore Limited (ASX: MRM) – appointed 30 April 2021

COMPANY SECRETARIES

Philip Trueman

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

Interests in the shares and options of the Company and related bodies corporate

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

	Ordinary Shares	Performance Rights over Ordinary Shares	Options over Ordinary Shares
C. G. B. Rubino	1,022,653	Nil	Nil
R. Velletri	2,132,884	6,437	300,000
P. J. Dempsey	78,000	Nil	Nil
C. P. Michelmore	50,000	Nil	Nil
D. R. Voss	32,910	Nil	Nil
H. J. Gillies	8,865	Nil	Nil
S. L. Murphy	Nil	Nil	Nil

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	49.70
Diluted Earnings Per Share	49.45

DIVIDENDS

	Cents	$'000
Final dividends declared		
▪ on ordinary shares	21.00	19,933
Dividends paid during the year:		
Current year interim		
▪ on ordinary shares	24.00	22,724
Final for 2020		
▪ on ordinary shares	13.00	12,303

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 22 in the financial report).

The registered office of Monadelphous Group Limited is located at:

59 Albany Highway
Victoria Park
Western Australia 6100

Nature of operations and principal activities

Engineering Services

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

Services provided include:

- Fabrication, modularisation, offsite pre-assembly, procurement and installation of structural steel, tankage, mechanical and process equipment, piping, demolition and remediation works
- Multi-disciplined construction services
- Plant commissioning
- Electrical and instrumentation services
- Engineering, procurement and construction services
- Process and non-process maintenance services
- Front-end scoping, shutdown planning, management and execution
- Water and waste water asset construction and maintenance
- 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
- Specialist coatings
- Rail maintenance services

General

Monadelphous operates from major offices in Perth and Brisbane, with regional offices in Sydney, Newcastle, Beijing (China), Ulaanbaatar (Mongolia), Manila (Philippines) and Santiago (Chile), and a network of workshop facilities in Kalgoorlie, Karratha, Port Hedland, Newman, Tom Price, Darwin, Roxby Downs, Gladstone, Hunter Valley, Mackay, Bibra Lake, Bunbury, Chinchilla, Mudgee, Rutherford and Tianjin (China).

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

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

Employees

The consolidated entity employed 7,559 employees as of 30 June 2021 (2020: 5,579 employees).

OPERATING AND FINANCIAL REVIEW

Review

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

Operating results for the year

	2021 **$'000**	2020 $'000
Revenue from contracts with customers	**1,753,738**	1,487,393
Profit after income tax expense attributable to equity holders of the parent	**47,060**	36,483

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Dividends declared

On 23 August 2021, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is $19,932,509 which represents a fully franked final dividend of 21 cents per share. This dividend has not been provided for in the 30 June 2021 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

The Company strives to continually improve its environmental performance.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 79,980 performance rights and 5,530,000 options on issue as follows:

- 79,980 performance rights to take up one ordinary share in Monadelphous Group Limited. The performance rights have a vesting date 1 July 2022
- 652,500 options to take up one ordinary share in Monadelphous Group Limited. The options have a vesting date 1 September 2021
- 1,382,500 options to take up one ordinary share in Monadelphous Group Limited. The options have a vesting date 1 September 2022
- 2,035,000 options to take up one ordinary share in Monadelphous Group Limited. The options have a vesting date 1 September 2023
- 1,460,000 options to take up one ordinary share in Monadelphous Group Limited. The options have a vesting date 1 September 2024

Performance rights and options holders do not have any right, by virtue of the performance right or option, to participate in any share issue of the Company or any related body corporate or in the interest of any other registered Scheme.

Shares issued as a result of the exercise of options

On 1 July 2020, 161,250 performance rights vested and were exercised.

On 1 July 2021, 155,556 performance rights vested and were exercised.

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 and officers 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*.

INDEMNIFICATION OF AUDITORS

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

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

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

REMUNERATION REPORT (Audited)

The Remuneration Report for the year ended 30 June 2021 outlines the Key Management Personnel remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001.*

For the purposes of this report Key Management Personnel of the Group are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company. For the purposes of this report, the term 'executive' encompasses the Managing Director (MD), Chief Financial Officer (CFO) and Executive General Managers (EGM) of the Group.

Details of Key Management Personnel

(i) Directors

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

(ii) Senior executives

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

Remuneration Philosophy

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

To this end, the Company embodies the principles of providing competitive rewards to attract and retain high calibre executives, and the linking of executive rewards to the creation of shareholder value.

Remuneration Committee

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

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

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

Remuneration Structure

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

REMUNERATION REPORT (Audited) (continued)

Executive remuneration

Objective

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

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

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

Structure

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

Executive remuneration consists of a fixed remuneration element and a variable remuneration element. The variable remuneration element can be provided under the Combined Reward Plan and/or the Employee Option Plan. From time to time, the Company reviews the structure and composition of variable remuneration to ensure it remains relevant and market competitive.

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

REMUNERATION REPORT (Audited) (continued)

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 25 and 26 of this report detail the proportion of fixed and variable remuneration for each of the executive directors and the senior executives of the Company.

Fixed remuneration

Objective

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

The level of fixed remuneration is set to provide a base level of remuneration which is both appropriate to the position and competitive in the market, taking into account the individual's skills, experience and qualifications.

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

Structure

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

The fixed remuneration component of the executives of the Company is detailed in Tables 1 and 2 on pages 25 and 26 of this report.

Variable remuneration – Combined Reward Plan

Objective

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

The CR Plan combines short and long term incentive elements and rewards performance of both the Company and the employee. The equity component of the award is subject to service vesting conditions and disposal restrictions, encouraging employee retention and linking rewards to the creation of shareholder value through long term share ownership, with employee and shareholder alike benefitting from the long term growth in the share price.

Structure

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

For the years ended 30 June 2020 and 2021, the Board determined that no award would be made under the CR Plan.

REMUNERATION REPORT (Audited) (continued)

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

Performance Requirements

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

For the year ended 30 June 2021, the Managing Director had a target opportunity of 40% of fixed remuneration, and a maximum opportunity of 60%. Executives had a target opportunity of 30% of fixed remuneration, and a maximum opportunity of 45%. The target opportunity is awarded for achieving the objectives set by the Board at the beginning of each financial year. In order for the maximum opportunity to be awarded, performance must be a clear margin above the planned targets that were set.

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

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

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

Other Group or divisional KPAs relate to:
- Working capital management
- Safety performance
- People performance
- Customer satisfaction
- Strategic progress

The Company regards the performance targets and the actual result as confidential and commercially sensitive in nature and if disclosed, would provide an unfair advantage to competitors.

The Board has reviewed the financial performance for the year ended 30 June 2021 and determined that no award would be made under the CR Plan.

Tables 1 and 2 on pages 25 and 26 of this report detail the proportion of fixed and variable remuneration for each of the executive directors and the senior executives of the Company for the financial years ended 30 June 2021 and 30 June 2020.

The deferred performance right component of the awards relating to the years ended 30 June 2018 and 2019 are being amortised over three and four years respectively.

REMUNERATION REPORT (Audited) (continued)

On 1 July 2020, 161,250 performance rights representing the first tranche of the award under the terms of the CR Plan for the year ended 30 June 2019 and the second tranche of the award under the terms of the CR Plan for the year ended 30 June 2018 vested and were exercised into Monadelphous Group Limited ordinary shares.

On 1 July 2021, 155,556 performance rights representing the second tranche of the award under the terms of the CR Plan for the year ended 30 June 2019 and the third tranche of the award under the terms of the CR Plan for the year ended 30 June 2018 vested and were exercised into Monadelphous Group Limited ordinary shares.

Variable remuneration – Employee Option Plan

Objective

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

Structure

Monadelphous Group Limited Employee Option Plan

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

On 24 November 2020, following shareholder approval at the Company's Annual General Meeting, 300,000 options were issued to the Managing Director under the terms of the 2019 award of the Monadelphous Group Limited Employee Option Plan and subject to the Monadelphous Group Limited Employee Option Plan Rules.

On 4 December 2020, a further 560,000 options were issued to Key Management Personnel under the terms of the 2020 award of the Monadelphous Group Limited Employee Option Plan and subject to the Monadelphous Group Limited Employee Option Plan Rules.

In accordance with the terms of the offer and the rules of the Monadelphous Group Limited Employee Option Plan, the options can only be exercised in specified window periods (or at the discretion of the Board in particular circumstances) and are subject to the financial performance of the Company during the option vesting period (measurement period).

Earnings Per Share (EPS) growth is the means for measuring the performance of the Company over the measurement period. In respect of the 2019 award of options, in order for 100 per cent of the options to be exercisable EPS growth of 10 per cent per annum (compounded over the measurement period) is required. If EPS growth of 5 per cent per annum (compounded) is achieved, 50 per cent of the options will be exercisable and if EPS growth of between 5 per cent and 10 per cent per annum (compounded) is achieved, a pro-rata number of options will be exercisable.

In respect of the 2020 award of options, in order for 100 per cent of the options to be exercisable EPS growth of 8 per cent per annum (compounded over the measurement period) is required. If EPS growth of 4 per cent per annum (compounded) is achieved, 50 per cent of the options will be exercisable and if EPS growth of between 4 per cent and 8 per cent per annum (compounded) is achieved, a pro-rata number of options will be exercisable.

REMUNERATION REPORT (Audited) (continued)

In subsequent window periods, performance will be re-tested and any options that were incapable of exercise in earlier window periods will become available for exercise to the extent that EPS performance has 'caught up' and the EPS growth hurdle is met over the longer measurement period. At the end of the final window period, any options remaining that are not capable of exercise, as a result of the performance hurdle not being achieved, will be forfeited. No options will be exercisable if an EPS growth rate is achieved that is less than 5 per cent per annum (compounded) for the 2019 award of options and 4 per cent per annum (compounded) for the 2020 award of options.

Subject to the satisfaction of the EPS performance hurdle, the 2020 award of options may be exercised in the following window periods:

- Up to a maximum of 25% during the window period commencing 1 September 2022;
- Up to a maximum of 25%, plus any options rolled over from the previous window period, during the window period commencing 1 September 2023; and
- Up to a maximum of 50%, plus any options rolled over from the previous window period, during the window commencing 1 September 2024.

Subject to the satisfaction of the EPS performance hurdle, the 2019 award of options may be exercised in the following window periods:

- Up to a maximum of 25% during the window period commencing 1 September 2021;
- Up to a maximum of 25%, plus any options rolled over from the previous window period, during the window period commencing 1 September 2022; and
- Up to a maximum of 50%, plus any options rolled over from the previous window period, during the window commencing 1 September 2023.

Hedging of equity awards

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

Non-executive director remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The most recent determination was at the Annual General Meeting held on 19 November 2019 when shareholders approved an aggregate remuneration of $850,000 in the 'not to exceed sum' paid to non-executive directors.

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

REMUNERATION REPORT (Audited) (continued)

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

In March 2020, the Directors agreed to a 30 per cent salary and fee reduction for a six month period to support the cost reduction measures implemented by the Company in response to COVID-19.

The table below summarises Board and Committee fees payable to non-executive directors for the financial year ended 30 June 2021 (inclusive of superannuation):

Board Fees	Annualised Fee Applicable July 2020 to September 2020 $	Annualised Fee Applicable October 2020 to June 2021 $
Non-executive Director fee	82,600	118,000
Board Deputy Chair and Lead Independent Non-executive Director additional fee	20,000	20,000
Committee Chair Fees		
Audit	15,000	15,000
Remuneration	15,000	15,000
Nomination	*	*

* The Nomination Committee is chaired by the Executive Chairman.

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

Fees for non-executive directors are not linked to the performance of the Company. The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration of non-executive directors for the year ending 30 June 2021 is detailed in Table 1 on page 25 of this report.

Employment contracts

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

Company performance

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

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Profit after income tax expense attributable to equity holders of the parent	**47,060**	36,483	50,565	71,479	57,563
Basic earnings per share	**49.70c**	38.65c	53.72c	76.11c	61.41c
Share Price as at 30 June	**$10.45**	$10.82	$18.81	$15.06	$13.99

A review of the Company's performance and returns to shareholders over the last five years has been provided on page 11 of this report.

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2021

In March 2020, the Board agreed to a 30 per cent salary and fee reduction for a six month period in response to the impact of COVID-19 on the Company's business and operations, with the Executive and General Management teams agreeing to salary reductions of between 10 and 20 per cent for the same period.

	Short Term Benefits				**Post Employment**	**Long Term Benefits**	**Share-Based Payments [3]**	**Total**	**Total Performance Related**	**Total Performance Rights and Options Related**
	Salary & Fees $	Leave [1] $	Non-Monetary [2] $	Cash Award $	Super-annuation $	Leave $	Performance Rights and Options $	$	%	%
Non- Executive Directors										
P. J. Dempsey	118,504	-	-	-	11,258	-	-	129,762	-	-
C. P. Michelmore	111,514	-	-	-	10,594	-	-	122,108	-	-
D. R. Voss	97,815	-	-	-	9,292	-	-	107,107	-	-
H. J. Gillies	109,090	-	-	-	10,364	-	-	119,454	-	-
S. L. Murphy	97,815	-	-	-	9,292	-	-	107,107	-	-
Subtotal Non-Executive Directors	**534,738**	**-**	**-**	**-**	**50,800**	-	-	**585,538**	**-**	**-**
Executive Directors										
C. G. B. Rubino	373,969	38,843	-	-	21,694	7,819	-	442,325	-	-
R. Velletri	915,243	5,204	11,380	-	21,694	(12,403)	224,713	1,165,831	19.27	19.27
Subtotal Executive Directors	**1,289,212**	**44,047**	**11,380**	**-**	**43,388**	**(4,584)**	**224,713**	**1,608,156**	**13.97**	**13.97**
Other Key Management Personnel										
D. Foti	739,867	12,793	5,385	-	21,694	(2,882)	140,542	917,399	15.32	15.32
Z. Bebic	637,680	44,548	9,905	-	21,694	12,117	139,751	865,695	16.14	16.14
P. Trueman	486,360	8,737	8,379	-	21,694	9,194	110,004	644,368	17.07	17.07
Subtotal Other Key Management Personnel	**1,863,907**	**66,078**	**23,669**	**-**	**65,082**	**18,429**	**390,297**	**2,427,462**	**16.08**	**16.08**
Total	**3,687,857**	**110,125**	**35,049**	**-**	**159,270**	**13,845**	**615,010**	**4,621,156**	**13.31**	**13.31**

[1] Leave reflects annual leave accrual less annual leave taken.
[2] Non-monetary benefits consist of Life and Salary Continuance insurance premiums.
[3] Relates to both the 2018 and 2019 awards under the CR Plan and 2019 and 2020 awards under the Options Plan.

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel (continued)

Table 2: Remuneration for the year ended 30 June 2020

	Short Term Benefits				**Post Employment**	**Long Term Benefits**	**Share-Based Payments [3]**	**Total**	**Total Perform-ance Related**	**Total Perform-ance Rights and Options Related**
	Salary & Fees $	Leave [1] $	Non-Monetary [2] $	Cash Award $	Super-annuation $	Leave $	Performance Rights and Options $	$	%	%
Non- Executive Directors										
P. J. Dempsey	133,509	-	-	-	12,683	-	-	146,192	-	-
C. P. Michelmore	115,244	-	-	-	10,948	-	-	126,192	-	-
D. R. Voss	101,545	-	-	-	9,647	-	-	111,192	-	-
H. J. Gillies	101,545	-	-	-	9,647	-	-	111,192	-	-
S. L. Murphy	101,545	-	-	-	9,647	-	-	111,192	-	-
Subtotal Non-Executive Directors	**553,388**	**-**	**-**	**-**	**52,572**	**-**	**-**	**605,960**	**-**	**-**
Executive Directors										
C. G. B. Rubino	388,231	35,097	-	-	21,003	8,095	-	452,426	-	-
R. Velletri	946,494	24,444	17,850	-	21,003	22,669	176,236	1,208,696	14.58	14.58
Subtotal Executive Directors	**1,334,725**	**59,541**	**17,850**	**-**	**42,006**	**30,764**	**176,236**	**1,661,122**	**10.61**	**10.61**
Other Key Management Personnel										
D. Foti	756,731	18,057	7,965	-	21,003	30,487	99,309	933,552	10.64	10.64
Z. Bebic	652,500	31,419	15,270	-	21,003	29,865	96,554	846,611	11.40	11.40
P. Trueman	494,550	8,176	12,690	-	21,003	(10,616)	73,442	599,245	12.26	12.26
Subtotal Other Key Management Personnel	**1,903,781**	**57,652**	**35,925**	**-**	**63,009**	**49,736**	**269,305**	**2,379,408**	**11.32**	**11.32**
Total	**3,791,894**	**117,193**	**53,775**	**-**	**157,587**	**80,500**	**445,541**	**4,646,490**	**9.59**	**9.59**

[1] Leave reflects annual leave accrual less annual leave taken.
[2] Non-monetary benefits consist of Life and Salary Continuance insurance premiums.
[3] Relates to both the 2018 and 2019 awards under the CR Plan.

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel (continued)

Table 3: Performance Rights: Granted during the year ended 30 June 2021

No performance rights were granted during the year ended 30 June 2021.

Table 4: Options: Granted during the year ended 30 June 2021

	Terms and conditions for each Grant						
	Granted Number	**Grant Date**	**Weighted Average Fair value per right at grant date**	**Exercise price per right**	**Expiry date**	**First exercise date**	**Last exercise date**
Executive Directors							
R. Velletri	300,000	24/11/2020	$2.12	$14.84	14/9/2023	1/9/2021	14/9/2023
Other Key Management Personnel							
D. Foti	200,000	5/11/2020	$2.07	$9.30	14/9/2024	1/9/2022	14/9/2024
Z. Bebic	200,000	5/11/2020	$2.07	$9.30	14/9/2024	1/9/2022	14/9/2024
P. Trueman	160,000	5/11/2020	$2.07	$9.30	14/9/2024	1/9/2022	14/9/2024
Total							

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel (continued)

Table 5: Shares issued on exercise of performance rights during the year ended 30 June 2021

	Performance Rights Vested	Performance Rights Exercised	Shares Issued	Paid per Share $
Directors				
R. Velletri ^	13,106	13,106	13,106	Nil
Executives				
D. Foti ^	7,357	7,357	7,357	Nil
Z. Bebic ^	7,194	7,194	7,194	Nil
P. Trueman ^	5,478	5,478	5,478	Nil
Total	33,135	33,135	33,135	

^ On 1 July 2020, the date of exercise of the above performance rights, the closing share price was $10.81.

Additional disclosures relating to options and shares

Table 6: Performance rights holdings of Key Management Personnel

Performance Rights held in Monadelphous Group Limited	Balance at Beginning of Period 1 July 2020	Granted as Remuneration	Rights Exercised and Lapsed	Net Change Other	Balance at End of Period 30 June 2021
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	32,651	-	(13,106)	-	19,545
P. J. Dempsey	-	-	-	-	-
C. P. Michelmore	-	-	-	-	-
D. R. Voss	-	-	-	-	-
H. J. Gillies	-	-	-	-	-
S. L. Murphy	-	-	-	-	-
Executives					
D. Foti	18,071	-	(7,357)	-	10,714
Z. Bebic	17,789	-	(7,194)	-	10,595
P. Trueman	13,526	-	(5,478)	-	8,048
Total	82,037	-	(33,135)	-	48,902

REMUNERATION REPORT (Audited) (continued)

Additional disclosures relating to options and shares (continued)

Table 7: Options holdings of Key Management Personnel

Options held in Monadelphous Group Limited	**Balance at Beginning of Period 1 July 2020**	**Granted as Remuneration**	**Options Exercised and Lapsed**	**Net Change Other**	**Balance at End of Period 30 June 2021**
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	-	300,000	-	-	300,000
P. J. Dempsey	-	-	-	-	-
C. P. Michelmore	-	-	-	-	-
D. R. Voss	-	-	-	-	-
H. J. Gillies	-	-	-	-	-
S. L. Murphy	-	-	-	-	-
Executives					
D. Foti	200,000	200,000	-	-	400,000
Z. Bebic	200,000	200,000	-	-	400,000
P. Trueman	160,000	160,000	-	-	320,000
Total	560,000	860,000	-	-	1,420,000

Table 8: Shareholdings of Key Management Personnel

Shares held in Monadelphous Group Limited	**Balance at Beginning of Period 1 July 2020**	**Granted as Remuneration**	**On Exercise of Performance Rights**	**Net Change Other**	**Balance at End of Period 30 June 2021**
Directors					
C. G. B. Rubino	1,022,653	-	-	-	1,022,653
R. Velletri	2,106,670	-	13,106	-	2,119,776
P. J. Dempsey	78,000	-	-	-	78,000
C. P. Michelmore	50,000	-	-		50,000
D. R. Voss	2,852	-	-	30,058	32,910
H. J. Gillies	8,571	-	-	294	8,865
S. L. Murphy	-	-	-	-	-
Executives					
D. Foti	58,316	-	7,357	-	65,673
Z. Bebic	3,793	-	7,194	-	10,987
P. Trueman	2,911	-	5,478	-	8,389
Total	3,333,766	-	33,135	30,352	3,397,253

REMUNERATION REPORT (Audited) (continued)

Loans to Key Management Personnel and their related parties

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

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

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

END OF REMUNERATION REPORT

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director are shown in the table below.

	Directors' Meetings	Meetings of Committees		
		Audit	**Remuneration**	**Nomination**
Number of meetings held:	17	8	5	2
Number of meetings attended:				
C. G. B. Rubino	17	-	-	2
R. Velletri	17	-	-	-
P. J. Dempsey	16	8	-	2
C. P. Michelmore	17	-	5	1
D. R. Voss	17	8	5	2
H. J. Gillies	17	8	5	2
S. L. Murphy	17	8	5	2

COMMITTEE MEMBERSHIP

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

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

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

Note: (c) Designates the chair of the committee. H. J. Gillies was appointed chair of the audit committee from 1 September 2020, replacing P. J. Dempsey.

ROUNDING

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Monadelphous Group Limited support and have adhered to the principles of Corporate Governance.
The Company's Corporate Governance Statement is detailed on the Company's website.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received an independence declaration from the auditor of Monadelphous Group Limited, as shown on page 33.

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	67,807
Other agreed upon procedures services	122,567
	190,374

Signed in accordance with a resolution of the directors.

C. G. B. Rubino
Chairman
Perth, 23 August 2021

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

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Auditor's independence declaration to the directors of Monadelphous Group Limited

As lead auditor for the audit of the financial report of Monadelphous Group Limited for the financial year ended 30 June 2021, 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

Ernst & Young

D S Lewsen
Partner
23 August 2021

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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 2021, 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 2021 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 (including Independence Standards)* (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.

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Recognition of revenues and profits on long-term contracts

Why significant

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 judgement, with estimates being made to:

- Determine the transaction price under the customer contract
- Assess the total contract costs
- Measure the Group's progress towards the complete satisfaction of the performance obligations under the customer contract
- Appropriately provide for onerous 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 Contract Assets* of the financial report.

How our audit addressed the key audit matter

We examined a sample of key contracts and held discussions with Group key executives to understand the specific terms and risks of those contracts to assess the revenue recognition policies adopted by the Group.

We assessed the operating effectiveness of controls over the recording 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 and contract profitability, including consideration of historical estimation accuracy
- Revenue recording and billing processes
- Contract cost recording processes including the purchases, payments and payroll processes.

For a sample of contracts in progress at 30 June 2021, we performed the following additional procedures:

- Understood the performance and status of the contracts through enquiries with the key executives with oversight over the various contract portfolios
- Assessed the contract status through the examination of external evidence, such as approved variations and customer correspondence
- Analysed the Group's estimates of total contract costs and forecast costs to complete
- For projects with known disputes, sighted claim documentation, met with the Group's internal General Counsel and reviewed supporting documentation in relation to the status, entitlement, obligations and disclosure of these matters

We assessed the provisions for onerous contracts and whether these appropriately reflected the expected contractual positions

We assessed the Group's accounting policies and the adequacy of its related disclosures in the financial report.

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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 2021 annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional 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.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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.

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Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Monadelphous Group Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Lewsen

D S Lewsen
Partner
Perth
23 August 2021

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 2021 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 46.

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 2021.

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 22 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, 23 August 2021

	Notes	2021 $'000	2020 $'000
Continuing Operations			
REVENUE	1	**1,754,242**	1,488,749
Cost of services rendered		**(1,641,572)**	(1,386,327)
GROSS PROFIT		**112,670**	102,422
Other income	1	**11,195**	4,778
Business development and tender expenses		**(16,845)**	(17,196)
Occupancy expenses		**(3,935)**	(3,663)
Administrative expenses		**(32,645)**	(32,493)
Finance costs	2	**(3,074)**	(3,694)
Share of profit from joint ventures	11	**3,006**	4,932
PROFIT BEFORE INCOME TAX		**70,372**	55,086
Income tax expense	3	**(21,906)**	(17,860)
PROFIT AFTER INCOME TAX		**48,466**	37,226
ATTRIBUTABLE TO			
EQUITY HOLDERS OF THE PARENT		**47,060**	36,483
NON-CONTROLLING INTERESTS		**1,406**	743
		48,466	37,226
Basic earnings per share (cents per share)	4	**49.70**	38.65
Diluted earnings per share (cents per share)	4	**49.45**	38.52

	2021 $'000	2020 $'000
NET PROFIT FOR THE YEAR	**48,466**	37,226
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	**(796)**	(1,244)
Items that will not be reclassified subsequently to profit or loss:		
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income	**386**	(48)
Income tax effect	**(116)**	13
	270	(35)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(526)**	(1,279)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**47,940**	35,947
ATTRIBUTABLE TO		
EQUITY HOLDERS OF THE PARENT	**46,534**	35,204
NON-CONTROLLING INTERESTS	**1,406**	743
	47,940	35,947

	Notes	2021 $'000	2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**175,708**	208,292
Trade and other receivables	6	**318,648**	262,437
Contract assets	7	**59,685**	27,379
Inventories	8	**3,600**	4,786
Total current assets		**557,641**	502,894
Non-current assets			
Property, plant and equipment	9	**162,891**	163,666
Contract assets	7	**-**	124
Intangible assets and goodwill	10	**3,917**	4,181
Investment in joint venture	11	**11,904**	11,649
Deferred tax assets	3	**31,455**	28,775
Other receivables	6	**6,000**	-
Other non-current assets	12	**3,259**	2,873
Total non-current assets		**219,426**	211,268
TOTAL ASSETS		**777,067**	714,162
LIABILITIES			
Current liabilities			
Trade and other payables	13	**168,117**	165,752
Interest bearing loans and borrowings	14	**900**	1,580
Lease liabilities	15	**21,978**	18,733
Income tax payable	3	**22,093**	3,766
Provisions	16	**77,016**	59,365
Total current liabilities		**290,104**	249,196
Non-current liabilities			
Interest bearing loans and borrowings	14	**-**	1,943
Lease liabilities	15	**74,710**	69,636
Provisions	16	**6,521**	4,340
Other financial liability	17	**10,151**	4,480
Deferred tax liabilities	3	**-**	125
Total non-current liabilities		**91,382**	80,524
TOTAL LIABILITIES		**381,486**	329,720
NET ASSETS		**395,581**	384,442
EQUITY			
Contributed equity	20	**132,608**	131,307
Reserves	21	**30,867**	33,062
Retained earnings	21	**232,097**	220,064
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**395,572**	384,433
Non-controlling Interests		**9**	9
TOTAL EQUITY		**395,581**	384,442

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Attributable to equity holders							
	Issued Capital $'000	**Share-Based Payment Reserve $'000**	**Foreign Currency Translation Reserve $'000**	**Retained Earnings $'000**	**Non-controlling Interests $'000**	**Fair value reserve for Financial Assets $'000**	**Equity Reserve $'000**	**Total $'000**
At 1 July 2020	131,307	34,810	(1,160)	220,064	9	867	(1,455)	384,442
Other comprehensive income	**-**	**-**	**(796)**	**-**	**-**	**270**	**-**	**(526)**
Profit for the period	**-**	**-**	**-**	**47,060**	**1,406**	**-**	**-**	**48,466**
Total comprehensive income for the period	**-**	**-**	**(796)**	**47,060**	**1,406**	**270**	**-**	**47,940**
Transactions with owners in their capacity as owners								
Reclassification of non controlling interest to liabilities	**-**	**-**	**-**	**-**	**(1,406)**	**-**	**1,406**	**-**
Remeasurement of financial liability	**-**	**-**	**-**	**-**	**-**	**-**	**(5,671)**	**(5,671)**
Share-based payments	**-**	**2,538**	**-**	**-**	**-**	**-**	**-**	**2,538**
Adjustment to deferred tax asset recognised on employee share trust	**-**	**(11)**	**-**	**-**	**-**	**-**	**-**	**(11)**
Dividend reinvestment plan	**1,301**	**-**	**-**	**-**	**-**	**-**	**-**	**1,301**
Dividends paid	**-**	**-**	**-**	**(35,027)**	**-**	**-**	**-**	**(35,027)**
Foreign currency movements	**-**	**-**	**-**	**-**	**-**	**-**	**69**	**69**
At 30 June 2021	**132,608**	**37,337**	**(1,956)**	**232,097**	**9**	**1,137**	**(5,651)**	**395,581**

	Attributable to equity holders							
	Issued Capital $'000	**Share-Based Payment Reserve $'000**	**Foreign Currency Translation Reserve $'000**	**Retained Earnings $'000**	**Non-controlling Interests $'000**	**Fair value reserve for Financial Assets $'000**	**Equity Reserve $'000**	**Total $'000**
At 1 July 2019	128,723	32,721	84	226,036	1,245	902	-	389,711
Other comprehensive income	-	-	(1,244)	-	-	(35)	-	(1,279)
Profit for the period	-	-	-	36,483	743	-	-	37,226
Total comprehensive income for the period	-	-	(1,244)	36,483	743	(35)	-	35,947
Transactions with owners in their capacity as owners								
Recognition of non-controlling interest at the date of acquisition of controlled entities	-	-	-	-	2,831	-	-	2,831
Reclassification of non controlling interest to liabilities	-	-	-	-	(3,026)	-	(1,455)	(4,481)
Share-based payments	-	2,186	-	-	-	-	-	2,186
Adjustment to deferred tax asset recognised on employee share trust	-	(97)	-	-	-	-	-	(97)
Dividend reinvestment plan	2,584	-	-	-	-	-	-	2,584
Dividends paid	-	-	-	(42,455)	(1,650)	-	-	(44,105)
Foreign currency movements	-	-	-	-	(134)	-	-	(134)
At 30 June 2020	131,307	34,810	(1,160)	220,064	9	867	(1,455)	384,442

	Notes	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**1,786,360**	1,734,620
Payments to suppliers and employees (inclusive of GST)		**(1,756,244)**	(1,610,556)
Interest received		**414**	1,171
Finance costs paid		**(3,074)**	(3,694)
Other income		**3,252**	2,306
Income tax paid		**(6,813)**	(4,954)
Dividends received		**2,840**	185
NET CASH FLOWS FROM OPERATING ACTIVITIES	5	**26,735**	119,078
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**11,206**	3,770
Purchase of property, plant and equipment		**(8,191)**	(12,126)
(Payment)/repayment of loans to joint ventures		**(6,000)**	1,230
Purchase of intangible assets		**-**	(460)
Acquisition of controlled entities		**-**	(681)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(2,985)**	(8,267)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(33,726)**	(41,521)
Proceeds from borrowings		**540**	594
Repayment of borrowings		**(2,625)**	(6,256)
Payment of principal portion of hire purchase liabilities		**(13,017)**	(12,398)
Payment of principal portion of other lease liabilities		**(5,501)**	(7,322)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(54,329)**	(66,903)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(30,579)**	43,908
Net foreign exchange differences		**(2,005)**	342
Cash and cash equivalents at beginning of period		**208,292**	164,042
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	**175,708**	208,292

GENERAL INFORMATION

The consolidated financial report of Monadelphous Group Limited (the Group) and its subsidiaries for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of directors on 23 August 2021.

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

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

Basis of preparation

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

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as applicable to a for-profit entity.
- has also been prepared on a historical cost basis except for certain financial assets that have been measured at fair value.
- is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the legislative instrument applies.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or before 1 July 2020 (Refer to note 33).
- 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 2021. 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 22. Consolidation of the subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

GENERAL INFORMATION (continued)

Business combinations

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

Foreign currency translation

Functional and presentation currency

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

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

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 33.

GENERAL INFORMATION (continued)

Key judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Management have identified the following critical accounting policies for which significant judgements, estimates and assumptions are made:

Accounting for contracts with customers

The Group accounts for construction contracts in accordance with AASB 15 Revenue from Contracts with Customers.

Accounting for construction contracts involves the continuous use of estimates based on a number of detailed assumptions. Construction contracts can span accounting periods, requiring estimates and assumptions to be updated on a regular basis.

Accounting estimates resulting from judgements in relation to individual projects may be materially different to actual results due to the size, scale and complexity of projects.

Revenue
Where performance obligations are satisfied over time, revenue is recognised in the consolidated income statement by reference to the progress towards complete satisfaction of each performance obligation.

For construction contracts, revenue is recognised using an output method based on work certified to date which the Group believes depicts the transfer of goods and services as it is based on completed work as agreed by our customers.

Fundamental to this calculation is a reliable estimate of the transaction price (total contract revenue). In determining the transaction price, variable consideration including claims and certain contract variations are only included to the extent it is highly probable that a significant reversal in revenue will not occur in the future. Where a variation in scope has been agreed with the customer but the corresponding change in the transaction price has not been agreed the variation is accounted for as variable consideration. The estimate of variable consideration is determined using the expected value approach taking into account the facts and circumstances of each individual contract and the historical experience of the Group and is reassessed throughout the life of the contract.

There are a number of factors considered in assessing variable consideration including status of negotiations with the customer, outcomes of previous negotiations and legal evidence that provides a basis for entitlement.

Forecast Costs
Forecast costs to complete construction contracts are regularly updated and are based on costs expected to be incurred when the related activity is undertaken. Key assumptions regarding costs to complete contracts include estimation of labour costs, technical costs, impact of delays and productivity.

Construction contracts may incur additional costs in excess of original cost estimates. Liability for such costs may rest with the customer if considered to be a change to the original scope of works. Any additional contractual obligations, including liquidated damages, are also assessed to the extent these are due and payable under the contract.

GENERAL INFORMATION (continued)

Key judgements and estimates (continued)

Forecast Costs (continued)

When it is considered probable that total contract costs will exceed total contract revenue, the contract is considered onerous and the present obligation under the contract is recognised immediately as a provision.

Contract claims and disputes
Claims arising out of construction contracts may be made by or against the Group in the ordinary course of business, some of which may involve litigation or arbitration.

Estimates and assumptions regarding the likely outcome of these claims are made and recognised in the carrying value of contract assets and liabilities. In making these estimates and assumptions, legal opinions are obtained as appropriate.

The Directors do not consider the outcome of these claims to have a material adverse effect on the financial position of the Group, however uncertainty remains until the final outcome is determined.

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 6 and 9 for details.

Workers Compensation

Refer note 16 for details.

Determination of the lease term of contracts with renewal options

Refer to note 15 for details.

1. REVENUE AND OTHER INCOME

	2021 $'000	2020 $'000
Revenue from contracts with customers		
Services revenue	**976,921**	1,049,801
Construction revenue	**776,817**	437,592
	1,753,738	1,487,393
Finance revenue	**414**	1,171
Dividends received	**90**	185
	1,754,242	1,488,749
Net gains on disposal of property, plant and equipment	**7,943**	2,472
Other income	**3,252**	2,306
	11,195	4,778
Disaggregation of revenue from contracts with customers by end customer industry:		
Iron Ore	**1,034,104**	528,397
Other minerals	**489,621**	479,619
Oil and gas	**349,449**	460,915
Infrastructure	**80,006**	181,837
	1,953,180	1,650,768
Less share of revenue from joint ventures accounted for using the equity method	**(199,442)**	(163,375)
	1,753,738	1,487,393
The following amounts are included in revenue from contracts with customers:		
Revenue recognised as a contract liability in the prior period	**61,322**	11,988
Revenue from performance obligations satisfied in prior periods	**11,978**	10,944

Unsatisfied Performance Obligations

Transaction price expected to be recognised in future years for unsatisfied performance obligations at 30 June 2021:

	2021 $'000	2020 $'000
Services revenue	**1,176,689**	1,607,339
Construction revenue	**177,331**	384,544
Total	**1,354,020**	1,991,883

In line with the Group's accounting policy described following, the transaction price expected to be recognised in future years excludes variable consideration that is constrained.

The average duration of contracts is given below, however some contracts will vary from these typical lengths. Revenue is typically earned over these varying timeframes.

Services	1 to 5 years
Construction	1 to 2 years

1. REVENUE AND OTHER INCOME (continued)

Recognition and measurement

Revenue from contracts with customers

The Group is in the business of providing construction and maintenance services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

Construction services
Construction contracts are assessed to identify the performance obligations contained in the contract. The total transaction price is allocated to each individual performance obligation. Typically, the Group's construction contracts contain a single performance obligation.

Work is performed on assets that are controlled by the customer or on assets that have no alternative use to the Group, with the Group having right to payment for performance to date. As performance obligations are satisfied over time, revenue is recognised over time using an output method based on work certified to date.

Customers are typically invoiced on a monthly basis and invoices are paid on normal commercial terms.

Services contracts
Contracts for performance of maintenance activities cover servicing of assets and involve various activities. These activities tend to be substantially the same with the same pattern of consumption by the customer. Where this is the case, which is the majority of the services contracts, these services are taken to be one performance obligation and the total transaction price is allocated to the performance obligation identified.

Performance obligations are fulfilled over time as the Group largely performs maintenance over the assets which the customer controls. Customers are typically invoiced monthly for an amount that is calculated on either a schedule of rates or a cost plus basis. For these contracts, the transaction price is determined as an estimate of this variable consideration.

Variable consideration
If the consideration in the contract includes a variable amount, the Group estimates the amount of the consideration to which it is entitled in exchange for transferring the goods and services to the customer. The Group includes some or all of this variable consideration in the transaction price only to the extent it is highly probable that a significant reversal of the cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Certain contracts are subject to claims which are enforceable under the contract. If the claim does not result in any additional goods or services, the transaction price is updated and the claim accounted for as variable consideration.

Significant financing component
Using the practical expedient in AASB 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer or the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

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

2. EXPENSES

	2021 $'000	2020 $'000
Finance costs		
Loans and overdrafts	**87**	254
Finance charges payable under hire purchase contracts	**1,389**	1,499
Interest on other lease liabilities	**1,598**	1,941
	3,074	3,694
Depreciation and amortisation		
Depreciation expense of owned property, plant and equipment	**14,000**	15,589
Depreciation expense of right of use hire purchase assets	**9,542**	7,019
Depreciation expense of right of use assets	**8,934**	7,962
Amortisation of intangible assets	**280**	479
Amortisation of deferred contract fulfilment costs	**165**	165
	32,921	31,214
Employee benefits expense		
Employee benefits expense	**895,104**	801,907
Defined contribution superannuation expense	**60,310**	56,479
	955,414	858,386
Lease payments and other expenses		
Expense relating to short-term leases and low value leases (included in cost of sales)	**1,464**	2,318

Government Grants - JobKeeper

Certain Monadelphous subsidiaries received wage subsidy support under the Australian Government's JobKeeper scheme during the year totalling $7,143,000. The Company utilised the JobKeeper subsidy to pay employees placed on stand down, provide temporary uplifts for those eligible under the scheme, and to maintain, where possible, employment levels.

2. EXPENSES (continued)

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 9 and 10 for details on depreciation and amortisation.

Employee benefits expense

Refer to note 16 for employee benefits expense and note 28 for share-based payments expense.

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

Lease payments

Refer to note 15 for details on lease payments.

Government Grants

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

3. INCOME TAX

The major components of income tax expense are:

	2021 $'000	2020 $'000
Income statement		
Current income tax		
Current income tax charge	**24,518**	11,704
Adjustments in respect of previous years	**211**	(2,779)
Deferred income tax		
Temporary differences	**(2,133)**	5,728
Adjustments in respect of previous years	**(690)**	3,207
Income tax expense reported in the income statement	**21,906**	17,860
Statement of Comprehensive Income		
Deferred tax related to items recognised in Statement of Comprehensive income during the year:		
Unrealised gain/(loss) on equity instrument designated at fair value through other comprehensive income	**116**	(13)
	116	(13)
Amounts credited directly to equity		
Share-based payment	**11**	97
Income tax expense reported in equity	**11**	97
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	**70,372**	55,086
Income tax rate of 30% (2020: 30%)	**21,112**	16,526
- Share-based payment expense	**289**	382
- Other	**505**	952
Aggregate income tax expense	**21,906**	17,860

3. INCOME TAX (continued)

Recognised deferred tax assets and liabilities

	2021 $'000 Current Income Tax	**2021 $'000 Deferred Income Tax**	2020 $'000 Current Income Tax	2020 $'000 Deferred Income Tax
Opening balance	(3,766)	28,650	205	36,154
Acquisition of subsidiaries	**-**	**-**	-	1,667
Charged to income	**(24,729)**	**2,823**	(8,925)	(8,935)
Charged to equity	**-**	**(127)**	-	(84)
Other / payments	**6,402**	**109**	4,954	(152)
Closing balance	**(22,093)**	**31,455**	(3,766)	28,650
Amounts recognised on the consolidated statement of financial position:				
Deferred tax assets		**31,455**		28,775
Deferred tax liabilities		**-**		(125)
		31,455		28,650

	2021 $'000	2020 $'000
Deferred income tax at 30 June relates to the following:		
Deferred tax assets		
Employee provisions	**26,172**	19,075
Provisions for doubtful debts	**748**	1,041
Other provisions	**1,530**	2,407
Lease assets and lease liabilities	**3,127**	2,345
Other	**3,641**	6,346
Gross deferred tax assets	**35,218**	31,214
Set-off of deferred tax liabilities	**(3,763)**	(2,439)
Net deferred tax assets	**31,455**	28,775
Deferred tax liabilities		
Accelerated depreciation	**(3,276)**	(1,097)
Other	**(487)**	(1,467)
Gross deferred tax liabilities	**(3,763)**	(2,564)
Set-off against deferred tax assets	**3,763**	2,439
Net deferred tax liabilities	**-**	(125)

Unrecognised temporary differences

At 30 June 2021, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries.

3. INCOME TAX (continued)

Research and Development tax incentives refund

In 2019, the Company received Notices of Amended Assessments (NOAAs) from the Australian Taxation Office (ATO) for research and development tax incentives claimed in previous years which were determined to be ineligible, and consequently included a one-off provision of $6.5 million in the 2019 financial year. The NOAAs were issued by the ATO to give effect to adverse findings made by Innovation and Science Australia, which determined that the activities undertaken were ineligible for such incentives. Monadelphous applied for an internal review of these findings and, prior to issuing the NOAAs, the ATO advised the Company in writing that if the finding was subsequently set aside then the Commissioner would make further amendments to accord with such findings.

In December 2020, the Company was notified that, upon review, the original findings had been set aside in full, and the research and development activities conducted by the Company were in fact eligible activities. As a consequence, and based on the earlier advice provided by the ATO, the Company reversed the provision made in the 2019 financial year in its half-year results for the period ended 31 December 2020, and commenced the process to obtain a refund of the amounts paid to the ATO.

Subsequent to 30 June 2021, the Company has been informed by the ATO that the amended assessments required to facilitate the refund will not be issued. Monadelphous has lodged Notices of Objection with the ATO in respect of this matter. The Company has reinstated the provision, which was reversed earlier in the reporting period, until the matter is finalised.

Tax consolidation

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

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

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

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

3. INCOME TAX (continued)

Recognition and measurement

Current taxes

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

Deferred taxes

Deferred income tax is provided for using the full liability balance sheet approach.

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.

4. EARNINGS PER SHARE

	2021 $'000	2020 $'000
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net profit attributable to ordinary equity holders of the parent	**47,060**	36,483
Earnings used in calculation of basic and diluted earnings per share	**47,060**	36,483
	Number	Number
Number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**94,692,124**	94,383,189
Effect of dilutive securities		
Performance rights and options	**476,763**	321,459
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**95,168,887**	94,704,648

Conversions, calls, subscriptions or issues after 30 June 2021:

On 1 July 2021, 155,556 performance rights vested and were exercised.

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.

5. CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
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	**167,663**	178,292
Short term deposits	**8,045**	30,000
	175,708	208,292

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

	2021 $'000	2020 $'000
Net profit	**48,466**	37,226
Adjustments for		
Depreciation of non-current assets	**32,476**	30,570
Amortisation of intangible assets and fulfilment costs	**445**	644
Net profit on sale of property, plant and equipment	**(7,943)**	(2,472)
Share-based payment expense	**2,538**	2,186
Unrealised foreign exchange (gain)/loss	**(1)**	142
Share of profits from joint ventures	**(3,006)**	(4,932)
Dividends from joint ventures	**2,750**	-
Other	**749**	(474)
Changes in assets and liabilities		
Decrease/(increase) in receivables	**(56,211)**	73,708
Decrease/(increase) in inventories	**1,186**	(179)
Decrease/(increase) in contract assets	**(32,306)**	1,870
Decrease/(increase) in deferred tax assets	**(2,807)**	9,102
(Decrease)/increase in payables	**2,365**	(26,068)
(Decrease)/increase in provisions	**19,832**	(6,201)
(Decrease)/increase in income tax payable	**18,327**	3,971
(Decrease)/increase in deferred tax liabilities	**(125)**	(15)
Net cash flows from operating activities	**26,735**	119,078

Non-cash financing and investing activities

Hire purchase transactions:
During the year, the consolidated entity acquired right of use plant and equipment assets by means of hire purchase agreements with an aggregate fair market value of $9,710,911 (2020: $18,470,751).

Reconciliation of liabilities arising from financing activities

	2020 $'000	Cash flows $'000	Non-cash changes new leases/ terminations $'000	Other $'000	2021 $'000
Hire purchase liabilities	42,326	**(12,477)**	**9,711**	**(533)**	**39,027**
Other lease liabilities	46,043	**(5,501)**	**17,184**	**(65)**	**57,661**
Loan	3,523	**(2,625)**	**-**	**2**	**900**
	91,892	**(20,603)**	**26,895**	**(596)**	**97,588**

5. CASH AND CASH EQUIVALENTS (continued)

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.

6. TRADE AND OTHER RECEIVABLES

	Note	2021 $'000	2020 $'000
CURRENT			
Trade receivables		**225,861**	191,105
Less allowance account for expected credit losses		**(2,504)**	(3,581)
		223,357	187,524
Other debtors		**96,181**	75,369
Less allowance account for expected credit losses		**(890)**	(456)
		318,648	262,437
NON-CURRENT			
Other debtors	30	**6,000**	-

Trade receivables generally have 30 to 60 days terms.

Allowance account for trade receivables impairment losses

Movements in loss allowance based on lifetime ECL:

	2021	2020
Balance at the beginning of the year	3,581	3,634
Decrease in loss allowance	**(1,077)**	(53)
Balance at the end of the year	**2,504**	3,581

Recognition and measurement

Trade receivables

Refer to accounting policies of financial assets in note 33.

Other debtors

Other debtors include contract assets that are unconditional (see note 7). These assets are reclassified to trade receivables when invoiced.

	2021 $'000	2020 $'000
7. CONTRACT ASSETS		
CURRENT		
Contract assets	**59,685**	27,379
NON CURRENT		
Contract assets	**-**	124

Contract assets are net of expected credit losses of $275,803. Included in contract assets are deferred project fulfilment costs of $124,022.

Recognition and measurement

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group transfers goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration. If the Group's right to an amount of consideration is unconditional (other than the passage of time), the contract asset is classified as a receivable.

Refer to accounting policies of revenue from contracts with customers in note 1.

Project fulfilment costs

If project fulfilment costs are within the scope of AASB 15, the Group recognises these costs as an asset only if the costs relate directly to a contract, the costs generate or enhance resources and the costs are expected to be recovered.

These costs are amortised on a systematic basis that is consistent with the transfer of goods and services under the contract. If not capitalised, project fulfilment costs are expensed as incurred.

	2021 $'000	2020 $'000
8. INVENTORIES		
Raw materials and consumables	**3,600**	4,786

Recognition and measurement

Raw materials and consumables

Raw materials and consumables are stated at the lower of cost and net realisable value.

9. PROPERTY, PLANT AND EQUIPMENT

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

				Right of Use Assets			
	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Plant and equipment under hire purchase $'000	Land and buildings $'000	Plant and equipment $'000	Total $'000
Year ended 30 June 2021							
Net carrying amount at 1 July 2020	14,811	16,500	44,108	49,905	37,756	586	163,666
Additions	-	**428**	**7,763**	**9,711**	**16,814**	**370**	**35,086**
Assets transferred	-	-	**1,334**	**(1,334)**	-	-	-
Disposals	-	**(11)**	**(3,066)**	**(140)**	-	**(46)**	**(3,263)**
Depreciation charge	-	**(1,515)**	**(12,485)**	**(9,542)**	**(8,397)**	**(537)**	**(32,476)**
Exchange differences	-	**(7)**	**(198)**	**74**	-	**9**	**(122)**
Net carrying amount at 30 June 2021	**14,811**	**15,395**	**37,456**	**48,674**	**46,173**	**382**	**162,891**
At 30 June 2021							
Gross carrying amount – at cost	**14,811**	**27,732**	**146,027**	**67,810**	**61,366**	**1,404**	**319,150**
Accumulated depreciation	-	**(12,337)**	**(108,571)**	**(19,136)**	**(15,193)**	**(1,022)**	**(156,259)**
Net carrying amount	**14,811**	**15,395**	**37,456**	**48,674**	**46,173**	**382**	**162,891**

9. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Plant and equipment under hire purchase $'000	Right of Use Assets: Land and buildings $'000	Right of Use Assets: Plant and equipment $'000	Total $'000
Year ended 30 June 2020							
Net carrying amount at 1 July 2019	14,811	17,611	41,062	41,953	38,940	1,221	155,598
Additions	-	64	12,062	18,471	6,528	-	37,125
Additions through business combinations	-	-	1,822	1,663	981	-	4,466
Assets transferred	-	-	4,910	(4,910)	-	-	-
Disposals	-	(112)	(1,186)	-	(940)	(150)	(2,388)
Depreciation charge	-	(1,063)	(14,526)	(7,019)	(7,477)	(485)	(30,570)
Exchange differences	-	-	(36)	(253)	(276)	-	(565)
Net carrying amount at 30 June 2020	14,811	16,500	44,108	49,905	37,756	586	163,666
At 30 June 2020							
Gross carrying amount – at cost	14,811	28,340	170,819	62,498	44,972	1,071	322,511
Accumulated depreciation	-	(11,840)	(126,711)	(12,593)	(7,216)	(485)	(158,845)
Net carrying amount	14,811	16,500	44,108	49,905	37,756	586	163,666

9. 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.

Right of use assets

The Group recognises lease assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Lease assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of lease assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

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.

10. INTANGIBLE ASSETS AND GOODWILL

	Intangible Assets $'000	Goodwill $'000	Total $'000
Year ended 30 June 2021			
At 1 July 2020	280	3,901	4,181
Amortisation	**(280)**	**-**	**(280)**
Exchange differences	**-**	**16**	**16**
At 30 June 2021	**-**	**3,917**	**3,917**
Year ended 30 June 2020			
At 1 July 2019	-	3,120	3,120
On business combination	-	815	815
Purchased	759	-	759
Amortisation	(479)	-	(479)
Exchange differences	-	(34)	(34)
At 30 June 2020	280	3,901	4,181

Impairment testing of the Group's intangible assets and goodwill

Goodwill acquired through business combinations has been allocated to cash generating units ("CGU") for impairment testing purposes. The CGUs are the entity Monadelphous Electrical & Instrumentation Pty Ltd, the Hunter Valley business unit, the entity Monadelphous Energy Services Pty Ltd, the entity Arc West Group Pty Ltd, the entity R.I.G. Installations (Newcastle) Pty Ltd and the entity Buildtek SpA. 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 pre-tax discount rate to the cash flow projections in the range of 12% to 15%. No reasonably possible changes in key assumptions would result in the carrying amount of the individual CGUs exceeding their 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.

10. INTANGIBLE ASSETS AND GOODWILL (continued)

Recognition and measurement (continued)

Intangible assets

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

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

11. INTEREST IN JOINT VENTURES

Mondium Pty Ltd

On 21 October 2016, an Australian 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.

The Group considers that it has joint control with its respective joint venture partner over Mondium Pty Ltd as relevant decisions at a Board and Shareholder level require unanimous agreement.

Zenviron Pty Ltd

On 26 July 2016, a joint venture company, Zenviron Pty Ltd was formed between Monadelphous and ZEM Energy Investments Pty Ltd. The Group has a 55% ownership interest in the joint venture and a 50% interest in the voting rights. The principal activity of Zenviron is to deliver multi-disciplinary construction services in the renewable energy market in Australia and New Zealand.

The Group considers that it has joint control with its respective joint venture partner over Zenviron Pty Ltd as relevant decisions at a Board and Shareholder level require unanimous agreement.

11. INTEREST IN JOINT VENTURES (continued)

The aggregated results, assets and liabilities of Zenviron Pty Ltd and Mondium Pty Ltd are as follows:

	2021 **$'000**	2020 $'000
Group's share of net assets of joint ventures	**11,904**	11,649
Group's share of profit after tax from continuing operations	**3,006**	4,932
Group's share of profit and total comprehensive income	**3,006**	4,932

Commitments and contingent liabilities relating to Joint Ventures

The Group's share of insurance bond guarantees issued by Joint Ventures at 30 June 2021 was $52,716,995 (2020: $92,033,477).

Joint ventures had no capital commitments at 30 June 2021 (2020: $nil).

Recognition and measurement

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

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

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

	2021 **$'000**	2020 $'000
12. OTHER NON-CURRENT ASSETS		
Other non-current assets	**3,259**	2,873

Other non-current assets consist of investments as follows:

Ordinary shares at fair value in Lycopodium Limited (ASX Code: LYL). The investment is classified as a financial asset at fair value through other comprehensive income. Fair value is calculated using quoted prices in active markets.

13. TRADE AND OTHER PAYABLES

	2021	2020
	$'000	$'000
CURRENT		
Trade payables	**119,652**	73,640
Contract liabilities	**22,617**	61,322
Sundry creditors and accruals	**25,848**	30,790
	168,117	165,752

Recognition and measurement

Trade and other payables

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

Sundry creditors and accruals are non-interest bearing and have terms of 7 to 30 days.

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

14. INTEREST BEARING LOANS AND BORROWINGS

	2021	2020
	$'000	$'000
CURRENT		
Loan – secured	**900**	1,580
NON-CURRENT		
Loan – secured	**-**	1,943

Defaults and breaches

During the current and prior year, there were no defaults and 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 a 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.

15. LEASE LIABILITIES

	2021 $'000	2020 $'000
CURRENT		
Hire purchase lease liabilities	**14,091**	12,535
Other lease liabilities	**7,887**	6,198
	21,978	18,733
NON-CURRENT		
Hire purchase lease liabilities	**24,936**	29,791
Other lease liabilities	**49,774**	39,845
	74,710	69,636
Carrying amount at the beginning of the financial year	88,369	82,190
Additions through business combinations	**-**	1,889
Additions	**26,895**	24,999
Accretion of interest	**2,987**	3,440
Payments	**(20,965)**	(22,566)
Other	**(598)**	(1,583)
Carrying amount at the end of the financial year	**96,688**	88,369

Terms and conditions

Hire purchase agreements have an average term of three years. The average discount rate implicit in the hire purchase liability is 2.9% (2020: 3.1%).

Other lease liabilities have an average term of 1.3 years. The average discount rate implicit in the other lease liability is 3.8% (2020: 3.9%).

The maturity analysis of lease liabilities is set out in note 24.

Recognition and measurement

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and lease assets representing the right to use the underlying assets.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised lease assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

- Property 1 to 8 years
- Plant and equipment 1 to 10 years

If ownership of leases assets transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease assets are subject to impairment.

15. LEASE LIABILITIES (continued)

Recognition and measurement (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption for those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of plant and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew and considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

16. PROVISIONS

	2021 $'000	2020 $'000
CURRENT		
Employee benefits	**63,555**	46,869
Workers' compensation	**11,938**	9,349
Other	**1,523**	3,147
	77,016	59,365
NON-CURRENT		
Employee benefits – long service leave	**5,145**	4,340
Other	**1,376**	-
	6,521	4,340

Movements in provisions

	2021 $'000	2020 $'000
Workers compensation		
Carrying amount at the beginning of the year	9,349	18,363
Additional provision	**11,285**	635
Amounts utilised during the year	**(8,696)**	(9,649)
Carrying amount at the end of the financial year	**11,938**	9,349

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.

16. PROVISIONS (continued)

Recognition and measurement (continued)

Employee benefits (continued)

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.

17. OTHER FINANCIAL LIABILITY

In November 2019, Monadelphous Group Limited acquired 75% of Chile-based construction and maintenance services contractor, Buildtek SpA ("Buildtek") and plant and equipment hire company, MAQ Rent SpA ("MAQ Rent").

At the date of acquisition, the Group obtained an option to acquire the remaining 25% of the shares on issue of Buildtek and MAQ Rent in three years' time. Similarly, the existing holders of the remaining 25% have the option to require the Group to purchase the remaining shares on the same terms and conditions as the option held by the Group.

In relation to the option held by the minority shareholders, the Group has made an accounting policy choice to reclassify the non-controlling interest in these controlled entities as a liability at each reporting date until such time as the option is exercised or expires. The financial liability, representing the minority put and call option, has been recognised on the balance sheet with a corresponding adjustment to equity. Subsequent to initial recognition, changes to the carrying amount of the financial liability are also recognised directly in equity.

The financial liability was initially measured at fair value, being the present value of the estimated amount payable in three years' time. The amount payable will be determined based on a multiple of the average annual earnings for the three years ending 31 December 2022.

At 30 June 2021, the financial liability associated with the option held by the minority shareholders was $10,150,590 (2020: $4,480,811).

18. 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 2021, the Group is in a net cash position of $135,781,000 (2020: $162,443,000) and has a debt to equity ratio of 10.1% (2020: 11.9%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2021, management paid dividends of $35,027,000. The policy is to payout dividends of 80% to 100% of annual net profit after tax, subject to the working capital requirements of the business, potential investment opportunities and business and economic conditions generally.

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

19. DIVIDENDS PAID AND PROPOSED

	2021 $'000	2020 $'000
Declared and paid during the year		
Current year interim		
Interim franked dividend for 2021 (24 cents per share) (2020: 22 cents per share)	**22,724**	20,767
Previous year final		
Final franked dividend for 2020 (13 cents per share) (2019: 23 cents per share)	**12,303**	21,688
Unrecognised amounts		
Current year final		
Final franked dividend for 2021 (21 cents per share) (2020: 13 cents per share)	**19,933**	12,303
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	**44,961**	40,475
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	**(8,543)**	(5,273)
	36,418	35,202

Tax rates

The tax rate at which paid dividends have been franked is 30% (2020: 30%). Dividends payable will be franked at the rate of 30% (2020: 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.

	2021 $'000	2020 $'000
20. CONTRIBUTED EQUITY		
Ordinary shares – Issued and fully paid	**133,877**	132,576
Reserved shares	**(1,269)**	(1,269)
	132,608	131,307

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.

	2021		2020	
	Number of Shares	**$'000**	Number of Shares	$'000
Beginning of the financial year	94,489,833	132,576	94,294,487	129,992
Dividend reinvestment plan	**119,673**	**1,301**	195,346	2,584
Exercise of performance rights	**151,646**	**-**	-	-
End of the financial year	**94,761,152**	**133,877**	94,489,833	132,576

During the year ended 30 June 2021, 9,604 performance rights were exercised through the issue of reserved shares.

Reserved shares

	2021		2020	
	Number of Shares	**$'000**	Number of Shares	$'000
Beginning of the financial year	9,604	(1,269)	92,375	(1,269)
Conversion of performance rights	**(9,604)**	**-**	(82,771)	-
End of the financial year	**-**	**(1,269)**	9,604	(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.

21. RESERVES AND RETAINED EARNINGS

	2021 $'000	2020 $'000
Foreign currency translation reserve	**(1,956)**	(1,160)
Share-based payment reserve	**37,337**	34,810
Fair value reserve for financial assets	**1,137**	867
Equity reserve	**(5,651)**	(1,455)
	30,867	33,062
Retained earnings	**232,097**	220,064

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 28 for further details of these plans.

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

Equity reserve
The equity reserve is used to record the changes in the carrying amount of the financial liability representing the minority put and call option over the remaining 25% of the shares on issue of Buildtek SpA and MAQ Rent SpA.

22. SUBSIDIARIES

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

Name	Country of Incorporation	Percentage Held by Consolidated Entity 2021 %	2020 %
Parent:			
Monadelphous Group Limited			
Controlled entities of Monadelphous Group Limited:			
#Monadelphous Engineering Associates Pty Ltd	Australia	**100**	100
#Monadelphous Properties Pty Ltd	Australia	**100**	100
#Monadelphous Engineering Pty Ltd	Australia	**100**	100
#Genco Pty Ltd	Australia	**100**	100
#Monadelphous Workforce Pty Ltd	Australia	**100**	100
#Monadelphous Electrical & Instrumentation Pty Ltd	Australia	**100**	100
#Monadelphous KT Pty Ltd	Australia	**100**	100
#Monadelphous Energy Services Pty Ltd	Australia	**100**	100
#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
Monadelphous Group Limited Employee Share Trust	Australia	**100**	100
Monadelphous Holdings Pty Ltd	Australia	**100**	100
MGJV Pty Ltd	Australia	**70 ^**	70 ^
Evo Access Pty Ltd	Australia	**100**	100
Monadelphous Investments Pty Ltd	Australia	**100**	100
MWOG Pty Ltd	Australia	**100**	100
MOAG Pty Ltd	Australia	**100**	100
Monadelphous International Holdings Pty Ltd	Australia	**100**	100
Arc West Group Pty Ltd	Australia	**100**	100
R.I.G. Installations (Newcastle) Pty Ltd	Australia	**100**	100
RE&M Services Pty Ltd	Australia	**100**	100
Pilbara Rail Services Pty Ltd	Australia	**100**	100
EC Projects Pty Ltd	Australia	**100**	100
Monadelphous PNG Ltd	Papua New Guinea	**100**	100
Moway International Limited	Hong Kong	**100**	100
Moway AustAsia Steel Structures Trading (Beijing) Company Limited	China	**100**	100
SinoStruct Engineering & Fabrication (Tianjin) Co. Ltd *	China	**100**	-
Monadelphous Singapore Pte Ltd	Singapore	**100**	100
Monadelphous Mongolia LLC	Mongolia	**100**	100
Monadelphous Inc.	USA	**100**	100
Monadelphous Marcellus LLC	USA	**100**	100
Monadelphous Engineering NZ Pty Ltd	New Zealand	**100**	100
Monadelphous Chile SpA	Chile	**100**	100
MAQ Rent SpA	Chile	**75**	75
Buildtek SpA	Chile	**75**	75
Monadelphous Sdn Bhd	Malaysia	**100**	100

Controlled entities subject to the Class Order (refer to note 32)

* Incorporated during the year

^ The Group considers that it controls this company 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.

23. INTEREST IN JOINT OPERATIONS

Joint operations interests

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

Joint Arrangement	Principal Activity	Principal place of business	Group Interest 2021 %	2020 %
Monadelphous Worley JV PNG	Engineering, Procurement and Construction & Maintenance Support Work in PNG	PNG	**65**	65
Monadelphous Worley JV	Engineering, Procurement and Construction & Maintenance Support Work	Brisbane, QLD	**65**	65

Commitments and contingent liabilities relating to joint operations

There were no capital commitments or contingent liabilities relating to the joint operations at 30 June 2021 (2020: $nil).

Impairment

There were no assets employed in the joint operations during the year ended 30 June 2021 (2020: $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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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, 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.

Risk exposures and responses

Interest rate risk

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

	Notes	2021 $'000	2020 $'000
Financial assets/liabilities			
Cash and cash equivalents	5	**175,708**	208,292
Loan – secured		**(900)**	(2,100)
Net exposure		**174,808**	206,192

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 2021, reasonably possible movements in variable interest rates, based on a review of historical movements and forward rate curves for forward rates would not have had a material impact on the Group.

Foreign currency risk

As a result of operations in the USA, Papua New Guinea, China, Mongolia, New Zealand and Chile the Group's statement of financial position can be affected by movements in the US$/A$, PGK/A$, RMB/A$, MNT/A$, NZ$/A$ and CLP/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 2021, the Group had no forward contracts.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2021, the Group had the following exposure to foreign currency:

Year ended 30 June 2021	**PGK AUD$'000**	**USD AUD$'000**
Financial assets		
Cash and cash equivalents	**13,008**	**15,086**
Trade and other receivables	**9,454**	**774**
Financial liabilities		
Trade and other payables	**(2,710)**	**(268)**
Net Exposure	**19,752**	**15,592**

Year ended 30 June 2020	PGK AUD$'000	USD AUD$'000
Financial assets		
Cash and cash equivalents	6,825	26,088
Trade and other receivables	6,684	11,439
Financial liabilities		
Trade and other payables	(872)	(2,218)
Net Exposure	12,637	35,309

At 30 June 2021, reasonably possible movements in PGK foreign exchange rates, based on a review of historical movements, would not have had a material impact on the Group.

At 30 June 2021, if the USD foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements relating to financial assets and liabilities denominated in USD:	**Post Tax Profit Higher/(Lower)**		**Other Comprehensive Income Higher/(Lower)**	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
+5% (2020: +5%)	**(546)**	(1,236)	**-**	-
-5% (2020: -5%)	**546**	1,236	**-**	-

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's maximum exposure to credit risk is its cash, trade and other receivables and contract assets representing $554,041,000 at 30 June 2021 (2020: $498,232,000).

Following the adoption of AASB 9, the Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period.

Except for trade receivables, contract assets and other short-term receivables (see below), expected credit losses (ECL's) are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. In making this assessment, the Group considers information that is reasonable and supportable, including historical experience and forward-looking information. Forward-looking information considered includes consideration of external sources of economic information. In particular, the Group takes into account the counterparties external credit rating (as far as available), actual or expected significant changes in the operating results of the counterparty and macroeconomic indicators when assessing significant movements in credit risk.

In the prior period, impairment losses were recognised when there was objective evidence of impairment.

Trade receivables and contract assets

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 and contract assets 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.

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

Credit risk (continued)

The Group applies a simplified approach in calculating ECLs for trade receivables and contract assets. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

A receivable is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred. Evidence that a receivable is credit-impaired includes observable data about significant financial difficulty of the debtor or a breach of contract, such as a default or past due event.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets, for which lifetime expected credit losses are recognised, using a provision matrix:

		Trade receivables					
			Days past due				
	Contract assets	**Current**	**<31 days**	**31-60 days**	**61-90 days**	**>91 days**	**Total**
	\$'000	**\$'000**	**\$'000**	**\$'000**	**\$'000**	**\$'000**	**\$'000**
30 June 2021							
Expected credit loss rate	0.5%	0.5%	0.7%	1.7%	5.0%	21.3%	
Total estimated gross carrying amount at default	**59,685**	**194,324**	**20,963**	**2,961**	**1,603**	**6,010**	**225,861**
Expected credit loss	**276**	**947**	**143**	**50**	**80**	**1,284**	**2,504**

		Trade receivables					
			Days past due				
	Contract assets	**Current**	**<31 days**	**31-60 days**	**61-90 days**	**>91 days**	**Total**
	\$'000	**\$'000**	**\$'000**	**\$'000**	**\$'000**	**\$'000**	**\$'000**
30 June 2020							
Expected credit loss rate	0.55%	0.52%	0.74%	1.60%	4.55%	23.8%	
Total estimated gross carrying amount at default	27,503	142,695	30,532	5,305	2,459	10,114	191,105
Expected credit loss	152	749	225	85	112	2,410	3,581

Other balances within trade and other receivables did not contain impaired assets and were not past due. It was expected that these other balances would be received when due.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

Credit risk (continued)

Financial instruments and cash deposits

With respect to credit risk arising from the other financial assets of the Group, which comprises cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The Group minimises its exposure to credit risk for cash and cash equivalents, by investing funds with counter parties rated A+ or higher by Standard & Poor's where possible. Term deposits typically have an original maturity of three months or less and other bank deposits are on call. These financial assets are considered to have low credit risk.

Write off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Liquidity risk

Financing facilities available	**2021 $'000**	2020 $'000
At balance date the following financing facilities had been negotiated and were available		
Total facilities:		
- Bank guarantee and performance bonds	**440,000**	490,000
- Revolving credit	**102,648**	96,112
	542,648	586,112
Facilities used at balance date:		
- Bank guarantee and performance bonds	**218,331**	229,388
- Revolving credit	**39,927**	45,849
	258,258	275,237
Facilities unused at balance date:		
- Bank guarantee and performance bonds	**221,669**	260,612
- Revolving credit	**62,721**	50,263
	284,390	310,875

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

Liquidity risk (continued)

Nature of bank guarantees and performance bonds

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

Nature of revolving credit

The revolving credit includes hire purchase/leasing facilities. Refer to note 14 and 15 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 has financing facilities in the form of hire purchase liabilities, secured loans and a receivable facility. The liquidity of the group is managed by the Group's Finance and Accounting department.

The table below reflects all contractually fixed pay-offs, repayments and interest resulting from financial liabilities as of 30 June 2021.

Maturity analysis of financial liabilities:

Year ended 30 June 2021	6 months or less $'000	6 months to 1 year $'000	1 year to 5 years $'000	5 years or more $'000	Total Contractual Cash Flows $'000	Total Carrying Amount $'000
Financial liabilities						
Trade and other payables	**168,117**	**-**	**-**	**-**	**168,117**	**168,117**
Hire purchase liability	**7,680**	**7,283**	**25,727**	**-**	**40,690**	**39,027**
Other lease liabilities	**4,761**	**4,644**	**33,250**	**21,245**	**63,900**	**57,661**
Bank loans	**608**	**302**	**-**	**-**	**910**	**900**
Other financial liability	**-**	**-**	**10,644**		**10,644**	**10,151**
Net maturity	**181,166**	**12,229**	**69,621**	**21,245**	**284,261**	**275,856**

Year ended 30 June 2020	6 months or less $'000	6 months to 1 year $'000	1 year to 5 years $'000	Total Contractual Cash Flows $'000	Total Carrying Amount $'000
Financial liabilities					
Trade and other payables	165,752	-	-	165,752	165,752
Hire purchase liability	6,640	7,129	31,213	44,982	42,326
Other lease liabilities	4,100	3,842	45,646	53,588	46,043
Bank loans	911	904	2,220	4,035	3,523
Other financial liability	-	-	4,848	4,848	4,480
Net maturity	177,403	11,875	83,927	273,205	262,124

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.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

Liquidity risk (continued)

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.

Listed equity investments measured at fair value through other comprehensive income. The carrying amount is equal to the fair value calculated using quoted prices in active markets (level 1 – see below).

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 2021 or 30 June 2020.

25. COMMITMENTS AND CONTINGENCIES

Capital commitments

The consolidated group has capital commitments of $8,988,277 at 30 June 2021 (2020: $1,436,867).

Guarantees

	2021 $'000	2020 $'000
Guarantees given to various clients for satisfactory contract performance	**218,331**	229,388

Monadelphous Group Limited and all controlled entities marked # in note 22 have entered into a deed of cross guarantee. Refer to note 32 for details.

Contingent Liabilities

On 31 July 2020, Monadelphous was notified that Rio Tinto had filed a Writ of Summons in the Supreme Court of Western Australia against one of Monadelphous' wholly owned subsidiaries, Monadelphous Engineering Associates. The claim was made by Robe River Mining Co Pty Ltd and Pilbara Iron Pty Ltd (on behalf of the Robe River joint venture) in respect of a fire incident which occurred at Rio Tinto's iron ore processing facility at Cape Lambert, Western Australia on 10 January 2019.

On 16 April 2021, Monadelphous announced that a confidential settlement had been reached in respect of this matter, with the settlement being covered by the proceeds of insurance. The parties consider the matter has been concluded.

The Group is subject to various other 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 based on information currently available there is no material exposure to the Group arising from these various actual and pending claims.

26. SUBSEQUENT EVENTS

Dividends declared

On 23 August 2021, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is $19,932,509 which represents a fully franked final dividend of 21 cents per share. This dividend has not been provided for in the 30 June 2021 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

27. PARENT ENTITY INFORMATION

Information relating to Monadelphous Group Limited parent entity

	Notes	2021 $'000	2020 $'000
Current assets		**127,283**	173,899
Total assets		**929,001**	2,597,568
Current liabilities		**(670,348)**	(2,335,491)
Total liabilities		**(728,926)**	(2,405,409)
Net assets		**200,075**	192,159
Contributed equity		**132,608**	131,307
Share-based payment reserve		**35,335**	32,690
Fair value reserve for financial asset at FVOCI		**1,137**	867
Retained earnings		**30,995**	27,295
Total equity		**200,075**	192,159
Profit after tax		**38,727**	43,311
Total comprehensive income of the parent entity		**38,727**	43,276

Contingent liabilities

	Notes	2021 $'000	2020 $'000
Guarantees	25	**218,331**	229,388

Guarantees entered into by the Group are via the parent entity. Details are contained in note 25.

Capital commitments

The parent entity has capital commitments of $nil at 30 June 2021 (2020: $nil).

28. SHARE BASED PAYMENT EXPENSE

The share-based payment expense for the year ended 30 June 2021 was $2,537,803 (2020: $2,186,390) for the consolidated entity.

Performance Rights

No performance rights were granted during the year ended 30 June 2021.

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

	2021		2020	
	Number of Performance Rights	**Weighted Average Exercise Price $**	Number of Options	Weighted Average Exercise Price $
Balance at the beginning of the year	406,142	nil	248,407	nil
Issued during the year	**-**	**nil**	265,438	nil
Exercised during the year	**(161,250)**	**nil**	(82,771)	nil
Forfeited during the year	**(8,699)**	**nil**	(24,932)	nil
Balance at the end of the year	**236,193**	**nil**	406,142	nil
Exercisable during the next year	**155,556**	**nil**	161,250	nil

Options

In November 2020, 300,000 options, which had been offered to the Company's Managing Director in October 2019, were approved to be granted at the Company's Annual General Meeting at an exercise price of $14.84. The exercise price of the options granted under the Employee Option Plan was calculated as the average closing market price of the shares for the five trading days prior to the invitation date to apply for the options of 14 October 2019. The fair value of each option issued during the year was estimated on the date of grant using a Binomial option-pricing model.

In November 2020, a total of 2,950,000 options were granted by Monadelphous Group Limited under the Employee Option Plan at an exercise price of $9.30. A further 300,000 options have been offered to the Company's Managing Director, with the issue of these options being subject to shareholder approval. The exercise price of the options granted under the Employee Option Plan was calculated as the average closing market price of the shares for the five trading days prior to the invitation date to apply for the options of 5 November 2020. The fair value of each option issued during the year was estimated on the date of grant using a Binomial option-pricing model.

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

Dividend yield	3.66%
Volatility	40.0%
Risk-free interest rate	0.09% - 0.16%
Expected life of option	25% - 2 years 25% - 3 years 50% - 4 years

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

28. SHARE BASED PAYMENT EXPENSE (continued)

The resulting weighted average fair values for options outstanding at 30 June 2021 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option at Grant Date
585,000	14/10/2019	14/09/2023	$1.84
585,000	14/10/2019	14/09/2023	$2.10
1,170,000	14/10/2019	14/09/2023	$2.27
75,000	24/11/2020	14/09/2023	$1.84
75,000	24/11/2020	14/09/2023	$2.10
150,000	24/11/2020	14/09/2023	$2.27
737,500	05/11/2020	14/09/2024	$1.77
737,500	05/11/2020	14/09/2024	$2.04
1,475,000	05/11/2020	14/09/2024	$2.23

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

	2021		2020	
	Number of Options	**Weighted Average Exercise Price $**	Number of Options	Weighted Average Exercise Price $
Balance at the beginning of the year	2,400,000	14.84	-	-
Granted during the year	**3,250,000**	**9.81**	2,450,000	14.84
Forfeited during the year	**(60,000)**	**14.84**	(50,000)	14.84
Balance at the end of the year	**5,590,000**	**11.92**	2,400,000	14.84
Exercisable during the next year	**660,000**	**14.84**	-	-

No options were exercised during the period.

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 Combined Reward Plan and the Monadelphous Group Limited Employee Option Plan.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined by an external valuer. 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.

28. SHARE BASED PAYMENT EXPENSE (continued)

Recognition and measurement (continued)

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.

29. AUDITORS' REMUNERATION

	2021	2020
	$	$
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	**342,221**	280,374
- Other services in relation to the entity and any other entity in the consolidated entity		
- tax compliance	**49,350**	88,459
- other agreed upon procedure services where there is discretion as to whether the service is provided by the auditor of another firm	**122,567**	-
Total fees to Ernst & Young (Australia)	**514,138**	368,833
Amounts received or due and receivable by overseas member firms of Ernst & Young for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated entity	**11,202**	9,318
- Other services in relation to the entity and any other entity in the consolidated entity		
- tax compliance	**18,457**	12,873
Total fees to overseas member firms of Ernst & Young	**29,659**	22,191
Total auditor's remuneration	**543,797**	391,024

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.

30. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	2021 $	2020 $
Short term benefits	**3,833,031**	3,962,862
Post-employment	**159,270**	157,587
Long term benefits	**13,845**	80,500
Share-based payments	**615,010**	445,541
Total compensation	**4,621,156**	4,646,490

Zenviron

The group had sales to the joint venture during the year totalling $4,110,085 (2020: $8,285,352)

Mondium

At 30 June 2021, an amount totalling $6,000,000 (2020: $nil) had been loaned to Mondium Pty Ltd. The loan is included in the statement of financial position within non-current other receivables.

The group had sales to the joint venture during the year totalling $102,607,792 (2020: $14,040,100).

31. OPERATING SEGMENTS

Revenue is derived by the consolidated entity from the provision of engineering services to the resources, energy and infrastructure industry sector. For the year ended 30 June 2021, the Engineering Construction division contributed revenue of $979.0 million (2020: $615.9 million) and the Maintenance and Industrial Services division contributed revenue of $976.9 million (2020: $1,049.8 million). Included in these amounts is $2.8 million (2020: $14.9 million) of inter-entity revenue and $199.4 million (2020: $163.4 million) of revenue of joint ventures, which is eliminated on consolidation. The operating divisions are exposed to similar risks and rewards from operations, and are only segmented to facilitate appropriate management structures.

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

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

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

The Group has a number of customers to which it provides services. The largest customer represented 36% (2020: 28%) of the Group's revenue. One other customer individually contributed 11% of the Group's revenue. There are multiple contracts with these customers, across a number of their subsidiaries, divisions within those subsidiaries and locations.

Geographical Information

	2021 $'000	2020 $'000
Revenue from external customers		
Australia	**1,631,457**	1,324,475
New Zealand	**5,183**	20,328
Chile	**55,998**	30,339
Mongolia	**13,679**	46,490
Other overseas locations	**47,421**	65,761
	1,753,738	1,487,393

32. 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:

	2021 $'000	2020 $'000
Consolidated Income Statement and Comprehensive Income		
Profit before income tax	**49,299**	30,667
Income tax expense	**(17,448)**	(9,673)
Net profit after tax for the period	**31,851**	20,994
Reconciliation of Retained Earnings		
Retained earnings at the beginning of the period	201,544	223,005
Dividends paid	**(35,027)**	(42,455)
Net profit after tax for the period	**31,851**	20,994
Retained earnings at the end of the period	**198,368**	201,544
Consolidated Statement of Financial Position		
ASSETS		
Current assets		
Cash and cash equivalents	**115,082**	169,005
Trade and other receivables	**287,623**	316,057
Contract assets	**59,685**	16,287
Total current assets	**462,390**	501,349
Non-current assets		
Investments in subsidiaries	**17,345**	17,179
Property, plant and equipment	**152,549**	150,415
Deferred tax assets	**20,723**	22,144
Intangible assets and goodwill	**3,120**	3,400
Other non-current assets	**3,259**	2,872
Total non-current assets	**196,996**	196,010
TOTAL ASSETS	**659,386**	697,359
LIABILITIES		
Current liabilities		
Trade and other payables	**124,531**	198,277
Interest bearing loans and borrowings	**900**	1,200
Lease liabilities	**20,584**	17,189
Income tax payable	**21,466**	438
Provisions	**44,683**	41,775
Total current liabilities	**212,164**	258,879
Non-current liabilities		
Interest bearing loans and borrowings	**-**	900
Lease liabilities	**73,899**	67,477
Provisions	**5,874**	3,695
Total non-current liabilities	**79,773**	72,072
TOTAL LIABILITIES	**291,937**	330,951
NET ASSETS	**367,449**	366,408
EQUITY		
Contributed equity	**132,608**	131,307
Reserves	**36,473**	33,557
Retained earnings	**198,368**	201,544
TOTAL EQUITY	**367,449**	366,408

33. OTHER ACCOUNTING STANDARDS

Other accounting policies

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

With the exception of trade receivables, that do not have a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under AASB 15.

Financial assets at amortised cost
The Group measures financial assets at amortised cost where the objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

Financial assets at fair value
For financial assets at fair value, gains and losses will either be reported in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instruments at fair value through OCI.

Gains and losses on financial assets designated at fair value through OCI are not recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Impairment of financial assets
The Group recognises an allowance for ECLs for trade receivables, contract assets and other debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses and recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

33. OTHER ACCOUNTING STANDARDS (continued)

Other accounting policies (continued)

Definition of default
The Group considers a financial asset to be in default when contractual payments are 90 days past due or when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Write off policy
A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Goods and services tax (GST)

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

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

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

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

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

New and amended Accounting Standards and Interpretations

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 2020.

Other revised Standards and Interpretations which apply from 1 July 2020 did not have any material effect on the financial position or performance of the Group.

33. OTHER ACCOUNTING STANDARDS (continued)

New accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective (including those below) have not been adopted by the Group for the annual reporting period ended 30 June 2021.

Reference	Summary	Application date of standard	Application date for Group
AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark*	The objective of the amendments is to minimise financial reporting consequences of a change in benchmark interest rates that Australian Accounting Standards may otherwise require, such as the derecognition or remeasurement of financial instruments, and the discontinuation of hedge accounting. Provided that the interest rate will be substantially similar before and after the replacement, the amendments: ► Require changes to future cash flows that are directly required by the IBOR reform to be treated as if they were changes to a floating interest rate. Applying this expedient would not affect the carrying amount of the financial instrument. It also relieves entities of the need to assess whether modification or derecognition accounting applies under AASB 9 and AASB 139. ► Require changes to lease payments that are directly required by the IBOR reform to be accounted for as a remeasurement of lease liability using the original discount rate with a corresponding adjustment to the right-of-use asset. This expedient exempts entities from remeasuring the lease liability using a new discount rate under AASB 16.	1 January 2021	1 July 2021
AASB 2020-3 Amendments to AASB 3 – Reference to the Conceptual Framework	The IASB's assessment of applying the revised definitions of assets and liabilities in the Conceptual Framework to business combinations showed that the problem of day 2 gains or losses would be significant only for liabilities that an acquirer accounts for after the acquisition date by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. The Board updated IFRS 3 in May 2020 for the revised definitions of an asset and a liability and excluded the application of the Conceptual Framework to liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21.	1 January 2022	1 July 2022
AASB 2020-3 Amendments to AASB 137 – Onerous Contracts – Cost of Fulfilling a Contract	AASB 137 defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Unavoidable cost is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. AASB 137 does not specify which costs to include in determining the cost of fulfilling a contract. Consequently, AASB 137 was amended to clarify that when assessing whether a contract is onerous, the cost of fulfilling the contract comprises all costs that relate directly to the contract, which includes both the: ► Incremental costs of fulfilling that contract (e.g., materials and labour); and ► An allocation of other costs that relate directly to fulfilling contracts (e.g., depreciation of property, plant and equipment) An entity shall apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Comparative information is not restated. Instead, the cumulative effect of initially applying the amendments is recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	1 January 2022	1 July 2022

33. OTHER ACCOUNTING STANDARDS (continued)

New accounting standards and interpretations issued but not yet effective (continued)

Reference	Summary	Application date of standard	Application date for Group
AASB 2020-3 Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use	Under AASB 116 Property, Plant and Equipment, net proceeds from selling items produced while constructing an item of property, plant and equipment are deducted from the cost of the asset. The IASB's research indicated practical diversity in interpreting this requirement. As a result, AASB 116 was amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment, the proceeds from selling items produced before that asset is available for use. An entity is also required to measure production costs of the sold items by applying AASB 112 Inventories. Proceeds from selling any such items, and the cost of those items, are recognised in profit or loss in accordance with applicable standards. These amendments are applied retrospectively, but only to items of property, plant and equipment that are 'ready to use' on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments — 'ready to use' meaning the asset is in the location and condition necessary to be capable of operating in the manner intended by management.	1 January 2022	1 July 2022
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture	1 January 2022	1 July 2022
AASB 2020-1 Amendments to AASs – Classification of Liabilities as current or non-current	A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current. Specifically: ► The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. ► Management intention or expectation does not affect classification of liabilities. ► In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.	1 January 2023	1 July 2023