MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

CONSOLIDATED FINANCIAL REPORT

30 JUNE 2022

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

Directors
Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Susan Lee Murphy AO
Lead Independent Non-Executive Director

Peter John Dempsey
Independent Non-Executive Director

Dietmar Robert Voss
Independent Non-Executive Director

Helen Jane Gillies
Independent Non-Executive Director

Enrico Buratto
Independent Non-Executive Director

Company Secretaries
Kristy Glasgow
Philip Trueman

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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 49, 152-158 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
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)
MMW Projects Pty Ltd (incorporated 27 August 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 2022.

Revenue

Monadelphous recorded sales revenue for the year of $1.93 billion[1], down 1.2 per cent on the previous financial year.

The Maintenance and Industrial Services division reported record revenue of $1.166 billion, up 19.4 per cent on the previous year. The result reflects strong demand for maintenance services across the resources and energy sectors as customers maintained high levels of production, capitalising on favourable commodity prices. The Company experienced buoyant conditions across most sectors, with increased levels of activity in the oil and gas sector, as well as in the Company's Chile and Papua New Guinea operations.

The Engineering Construction division reported revenue of $774.4 million[1], down 20.9 per cent on the previous period. As forecast in the 31 December 2021 report, following a busy first half, construction revenue declined in the second half due to a number of concurrent major resources projects completing earlier in the period, and the timing of the award and commencement of new projects. A new wave of resources projects is expected to see a ramp up in construction activity through the course of FY23.

Statutory revenue, which excludes Monadelphous' share of revenue from joint ventures, was $1.81 billion, up 3.2 per cent on the previous year.

Earnings

Earnings before interest, tax, depreciation and amortisation (EBITDA[2]) was $111.2 million[3], an increase of 2.3 per cent on the prior corresponding period, generating an EBITDA margin percentage for the period of 5.76 per cent.

Strong demand for labour within the industry, along with interstate travel restrictions in place for a significant portion of the year, hindered the efficient recruitment and mobilisation of the Company's workforce, and impacted labour costs, productivity and employee retention.

Net profit after tax for the period was $52.2 million, an increase of 11.0 per cent on the prior corresponding period, representing earnings per share of 54.9 cents.

Dividend

Monadelphous' Board of Directors declared a final dividend of 25 cents per share, taking the full year dividend to 49 cents per share fully franked, yielding 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.

Balance Sheet

The Company ended the year with a strong cash balance of $183.3 million.

During the year, the Board of Directors conducted a comprehensive review to assess the appropriateness of the Company's capital structure with the assistance of a global investment bank. Following the review, the Board concluded the Company's current capital structure was appropriate and reflects the necessary level of tolerance to accommodate business needs in the current operating environment, the changing market conditions and the medium-term outlook for the business.

[1] Includes Monadelphous' share of joint venture revenue – refer page 13 for reconciliation
[2] Non-IFRS measure
[3] Refer page 13 for reconciliation of EBITDA

The strength of Monadelphous' balance sheet provides the Company with the financial capacity required in the current economic environment and enables it to take advantage of suitable investment opportunities which may arise.

Strategic Progress

Monadelphous secured approximately $1.45 billion in new contracts and contract extensions since the beginning of the financial year across the resources, energy and infrastructure sectors, highlighting the strength of its customer relationships and reputation for high quality service delivery.

The Company was awarded approximately $400 million of new work in the Western Australian (WA) iron ore market, securing contracts with long term customers, including Rio Tinto and BHP, and continuing to advance its more recently developed customer relationships, including being awarded a strategically important five-year maintenance and shutdown services contract with Fortescue Metals Group (FMG). To better support its customers in the Pilbara region of WA, Monadelphous opened an expanded facility in Tom Price, significantly progressed the construction of a new facility in Port Hedland and approved the development of a new, larger facility in Karratha.

In the oil and gas sector, Monadelphous secured more than $500 million of new contracts and contract extensions. Major contract wins included a two-year extension to its existing maintenance, shutdown and brownfields project services contract at the Woodside-operated onshore and offshore gas production facilities, as well as a two-year extension for the provision of maintenance, turnarounds and brownfields modifications at another customer's offshore liquefied natural gas facility. In addition, the Company commenced early decommissioning work with Petrofac on the Northern Endeavour floating production, storage and offtake facility, and continued to explore further offshore decommissioning opportunities.

The Company continued to expand its business overseas securing approximately $175 million of new work since the start of the financial year.

Buildtek, the Company's Chile-based maintenance and construction services business, saw significant growth during the period, securing a number of construction and maintenance contracts with major copper producers. Buildtek was awarded a number of contracts with Codelco, the world's largest copper producer, including a three-year mine infrastructure maintenance services contract at the Chuqicamata underground mine, a five-year maintenance contract at the Radomiro Tomic mine, as well as construction work associated with the development of a new underground section of the El Teniente mine. Buildtek was also awarded its first contract with Collahuasi Mining Company to provide modifications to its maritime terminal in Punta Patache.

In Papua New Guinea, the Company was awarded further work with Newcrest at Lihir Island, providing engineering, procurement and construction (EPC) services on the Tank Refurbishment Project, as well as structural, mechanical, piping and electrical and instrumentation works on the Front End Recovery Project.

After year end, Monadelphous was awarded a contract for the construction of surface infrastructure for the Oyu Tolgoi Underground Project located in the South Gobi region of Mongolia. The Company has successfully completed several other packages of work at Oyu Tolgoi previously, having worked at Oyu Tolgoi since 2017.

During the period, Monadelphous established an unincorporated joint venture with Fagioli, a global heavy lifting company, to provide turnkey heavy lift solutions to the Australian market. The joint venture, named Alevro, provides the Company with increased capability and capacity to deliver large scale heavy lift and logistics services. Monadelphous' existing Heavy Lift business will continue to provide its current services to customers, with Alevro providing an additional delivery option to service opportunities which would benefit from the extended and complimentary capabilities of both Monadelphous and Fagioli. Monadelphous has already commenced working with Fagioli, providing services for NMT Logistics at FMG's Iron Bridge Project in the Pilbara region of WA.

Mondium, the Company's EPC joint venture with Lycopodium, successfully completed works at Rio Tinto's Western Turner Syncline Phase 2 Project, providing Mondium with a credible and proven track record in the successful delivery of large-scale EPC projects. In addition, Mondium also completed construction of the tailings retreatment plant at Talison Lithium's Greenbushes mine during the period.

Zenviron, the Company's renewable energy joint venture, continued to perform strongly, commencing activities to deliver approximately $250 million of balance-of-plant civil and electrical works at the Rye Park Wind Farm, the largest wind farm to be constructed in New South Wales (NSW). In addition, Zenviron completed its contract at the Murra Warra Stage II Wind Farm in regional Victoria and substantially completed work at the Crudine Ridge Wind Farm in NSW.

Health and Safety

Monadelphous' Total Recordable Injury Frequency Rate (TRIFR) at year end was 3.07 incidents per million hours worked. The Company's performance was impacted by the high levels of operational activity and the large number of new employees onboarded during the period.

Pleasingly, the Company's Serious Incident Frequency Rate improved by approximately 55 per cent over the course of the year as a result of Monadelphous' sustained focus on the identification, elimination and mitigation of fatal risk hazards, and the continued application of Fatal Risk Control Standards.

The Engineering Construction division launched a safety cultural program, Tinny Time, which recognises employees for positive safety behaviours and promotes these more broadly across the business, while the Maintenance and Industrial Services division implemented business unit specific actions relating to its safety behavioural framework, Delivering the Safe Way.

The Company continues to invest in, and be recognised for, its efforts in the area of safety innovation, having been named as a finalist in three industry safety innovation awards during the year.

People

Monadelphous ended the year with a total workforce (including subcontractors) of 7,977, up 2.4 per cent on the prior corresponding period, with growth experienced in the Company's Chilean and Papua New Guinean workforces being partially offset by the demobilisation of employees from a number of major construction projects completed during the year.

The retention and attraction of highly capable employees aligned with the Monadelphous values will always remain a priority, particularly considering the high demand for talent across the industry. A variety of initiatives were undertaken during the year to enhance employee retention, wellbeing and job satisfaction.

During the period, the Company undertook a substantial program of work to review Monadelphous' processes and practices, and reinforce its expectations of its workforce, in relation to the prevention of sexual harassment and sexual assault. A comprehensive review of the Company's Code of Conduct and supporting policies was carried out in respect of acceptable workplace behaviours across its operations, culminating in the implementation of the Monadelphous 'It's Up to Us' campaign. The campaign, which highlights the important role every employee at Monadelphous plays in creating a safe, respectful and inclusive work environment, is a positive and proactive step towards preventing such incidents within the Company's workplaces.

The significantly high industry activity levels experienced during the year, which were exacerbated by the interstate travel restrictions imposed to reduce the spread of COVID-19, extensively impacted the Company's ability to source and retain talent. This extremely competitive labour market is predicted to continue in the foreseeable future, with labour demands expected to increase further as a result of the large number of construction opportunities forecast for coming years, and the continued strong demand for maintenance services.

In response, the Company implemented the Monadelphous 2021 Employee Retention Plan (ER Plan) during the period. The ER Plan acts as a retention incentive for those employees whose sustained contribution is of critical strategic and operational importance to the success of the business, in a manner aligned to the creation of shareholder wealth. The Plan provides a one-off issue of Retention Rights to select employees, which vest over a three-year period subject to continued service conditions, enabling employees critical to the achievement of the Company's strategic objectives to share in the long-term performance of the Company.

A number of leadership training and development initiatives were undertaken during the period recognising the important role leaders play in the delivery of services to customers and in retaining talent. These initiatives included the Leading at Monadelphous, Emerging Leaders and Group Mentoring programs, as well as frontline leadership courses such as Leading the Safe Way. In addition, the Company launched its Red Book, a practical overview of what new managers need to know as they step into people management roles at Monadelphous.

Monadelphous' new talent acquisition and performance management system, Avature, was launched during the second half of the year. Avature will drive efficiencies in the sourcing, onboarding and re-deployment of the Company's workforce, and support the Company's talent management processes. In parallel with the implementation of Avature, the Company undertook activities to improve its attraction systems, including enhancing its employee referral programs, reinforcing its Alumni program, and reinvigorating its international sourcing strategy which was placed on hold during the period of international travel restriction.

Importantly, the Company undertook a comprehensive review of its organisational structure during the period to ensure that it is appropriately organised to achieve its strategic objectives and deliver long-term, sustainable growth. The review identified a number of structural improvements to enhance the Company's approach to growth and diversification and optimise project delivery.

Board Changes

During the year, the Company announced several changes to its Board and subcommittees. On 11 October 2021, Mr Ric Buratto, a Civil Engineer with more than 45 years of contracting experience in the resources and infrastructure sectors, was appointed as a Non-Executive Director. Mr Buratto has extensive leadership and management experience in engineering, mining and construction across a range of disciplines including earthworks, marine, civil, structural, mechanical and piping construction, as well as maintenance and shutdown execution. He brings an abundance of industry knowledge, experience and relationships, and complements the existing capabilities of the Board.

At the close of the Company's Annual General Meeting on 23 November 2021, Mr Chris Michelmore retired as a Non-Executive Director following a 14-year term with Monadelphous. Mr Michelmore was a highly valued member of the Board and its subcommittees during his time with Monadelphous and contributed significantly to the Company's continued growth and success. The Board thank Mr Michelmore for his loyalty, hard work, dedication and commitment and wish him all the best in his retirement.

Ms Sue Murphy AO replaced Mr Michelmore as Chair of the Company's Remuneration Committee on 1 October 2021, following his resignation from the role on 30 September 2021. On 11 October 2021, Ms Murphy replaced Mr Peter Dempsey as Deputy Chair / Lead Independent Non-Executive Director of the Company.

Diversity, Community and Environment

Monadelphous is committed to positively contributing to the communities in which it operates, focusing its efforts on the key strategic areas of diversity, community and environment.

As part of Monadelphous' 2022 NAIDOC Week celebrations, the Company launched its latest Stretch Reconciliation Action Plan (RAP) for the period 2022 to 2025 following endorsement of the Plan by Reconciliation Australia. The Company's fourth RAP, and second Stretch RAP, articulates Monadelphous' pledge to take meaningful action to advance reconciliation for Aboriginal and Torres Strait Islander peoples, and is based around the core pillars of relationships, respect and opportunities.

Commitments contained in the 2022 to 2025 RAP include the provision of long-term Indigenous employment opportunities and training and development programs, as well as supporting First Nations businesses through the establishment of meaningful and mutually beneficial commercial partnerships. As part of the Plan, the Company has committed to continuing to maintain in excess of three per cent Indigenous employment across its Australian workforce and improving supplier diversity by growing spend with Indigenous-owned businesses.

Since its launch in July 2021, in excess of 20 participants have taken part in Monadelphous' Indigenous Pathways Program, delivered in partnership with Rio Tinto. The Program, which provides current and future employees with traineeships, apprenticeships and tertiary study support, aims to increase the amount of skilled and qualified Indigenous people, and create rewarding, long-term careers in the resources sector.

Monadelphous continued to contribute financial support and resources as a part of its partnership with the Polly Farmer Foundation (PFF), which aims to empower Indigenous students to complete school and progress into early career pathways. As a founding corporate sponsor of PFF's Living the Dream alumni network, Monadelphous contributed to the provision of 12 bursaries for PFF Living the Dream alumni to support their tertiary education. Company employees also presented to PFF Follow the Dream students at regional schools during the year, with Follow the Dream students from Bunbury and Katanning, both in WA, visiting Monadelphous facilities to learn about career options.

In late 2021, the Company launched its second Gender Diversity and Inclusion Plan 2021 to 2024. The Plan focuses on ensuring a safe, respectful and inclusive workplace for all, increasing female participation through early career pathways, nurturing key female talent, removing gender-based barriers to entering trade roles, and connecting women through networking and mentoring.

The Plan contains measurable targets, including achieving a minimum of 20 per cent female intake in the Company's Graduate and Vacation Programs, 30 per cent female composition of the Monadelphous Board, 90 per cent retention of key female talent and a minimum of 12 per cent female representation in the Company's key talent program. Monadelphous is pleased to confirm that all measures have been reached or exceeded during the period.

In line with its commitment to connecting women through networking and mentoring, the Company launched a new corporate partnership with the National Association of Women in Operations (NAWO). Through this partnership, Monadelphous employees are able to participate in industry events focused on facilitating networking and mentoring opportunities with industry peers.

Monadelphous extended its partnerships with the University of Western Australia's Girls in Engineering Program and the Queensland University of Technology's Gender Equity in Engineering Makes Sense Program, to aid the Company's objective of increasing female participation through early career pathways. The Company facilitated the Girl's in Engineering Karratha tour in WA, where students attended Monadelphous facilities and were afforded the opportunity of learning about a career in engineering from experienced professionals.

The Company's approach to community engagement continued to focus on delivering meaningful value through a combination of partnerships and initiatives in key operational areas, as well as employee-led community projects. During the year, the Company participated in more than 100 community initiatives across 25 locations, contributed over $370,000 in funds and supported its employees in the provision of 600 hours of voluntary work. Initiatives included donations towards the construction of family-friendly, gender diverse changerooms at the sporting precinct in Roxby Downs, South Australia (SA), sponsorship of the Yallarm STEM Camp in Gladstone, Queensland, a donation to the Queensland State Emergency Services to support flood assistance efforts, as well as the provision of financial support to approximately 40 regional sporting clubs across Australia.

Monadelphous has formalised a goal of achieving net-zero emissions by 2050, underlining its commitment to the sustainable management of the unique environments in which it works. The Company's environmental strategy is focused on decarbonising operational activities, and includes objectives supporting the transition to renewable power, 'greening' its fleet and offsetting carbon emissions. The Company's commitment to net-zero emissions by 2050 was supported by the establishment of an Environmental Strategy Steering Committing and Innovation Working Group to identify green-fuel options that advance both the Company's, and its customers', decarbonisation goals.

Monadelphous continues to monitor advances in technology applicable to its business that provide opportunities to reduce emissions. The Company will also maintain its focus on minimising potential environmental impact areas, including waste, natural environment clearing activities and the prevention of pollution. During the period, the Company supported a variety of environmental initiatives, including participating nationally in Keep Australia Beautiful Day, foreshore rehabilitation programs in Karratha, WA, and support for Arid Recovery wildlife reserve in Roxby Downs, SA.

Productivity and Innovation

Monadelphous continues to identify opportunities to improve productivity and deliver value for its customers through business-aligned innovation and technology initiatives. The Company strives to deploy proven fit-for-purpose technology to improve operational productivity and to develop a knowledge base that captures and shares innovation initiatives across the business.

Trials of robotic process automation (RPA), which aim to remove manual tasks and improve productivity by automating business processes, have resulted in the successful deployment of RPA initiatives across Monadelphous, improving task efficiency and freeing up employees to work on higher-value work.

The Company also continued to progress its digital transformation journey, maximising value from data-backed decision-making through the ongoing digitalisation of in-field data-capture processes. Monadelphous is focused on consolidating and streamlining applications to enable the delivery of high-quality customer service, on-time project delivery and improved productivity.

Monadelphous has developed the internal capability to provide sites with a tool for the rapid creation of electronic forms and digital workflows, including safety-based inspections, electronic timesheets, progress capture and asset inspections. Electronic forms and voice capture are recognised as efficient methods of delivering improvements in the accuracy and timeliness of data capture required to support service delivery.

The Company also continues to focus on standardising data capture processes and producing dynamic and interactive visualisations to support rapid decision-making and gain improved visibility of project performance.

Across its operations, employees continued to focus on improving safety and efficiency through innovation. In the south-west region of WA, the Monadelphous team designed and implemented a prefabricated, adjustable tool to enable new calciner weigh feeder belts to be easily and safely transferred into position. The unique design eliminated manual handling and the related risk of injury, and removed both cost and time from the process. Ongoing collaboration between the Company's project engineers and drone pilots has seen an increase in the use of drones to conduct safety and efficiency inspections, particularly in difficult to access locations and in support of incident investigations.

OPERATIONAL ACTIVITY

Engineering Construction

Monadelphous' Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported revenue of $774.4 million[1] for the year, down 20.9 per cent on the previous corresponding period. The result followed the successful completion of a number of large resources construction projects in the first half of the period, with lower levels of activity experienced in the second half of the year as a result of the timing of the award and commencement of new major projects. The division has secured approximately $325 million of additional work since 1 July 2021.

The Company completed a number of packages of work at BHP's South Flank Project during the year, including structural, mechanical, piping and electrical and instrumentation work associated with the Project's inflow and outflow infrastructure.

Monadelphous successfully delivered one of the largest shutdown campaigns ever undertaken at BHP's Olympic Dam mine in Roxby Downs, SA, which comprised major deconstruction and reconstruction activities to improve the integrity of critical plant and infrastructure. In addition, the Company executed the Port Availability Improvement Project for BHP in the Pilbara, WA, under its existing WA Iron Ore Panel Agreement, which included 20 shutdowns over the course of the project.

The Company also delivered a number of packages of work for Rio Tinto during the period, including at the West Angelas Deposits C & D Project, as well as the provision of multidisciplinary services at the Gudai-Darri iron ore project and shutdown works at the Western Turner Syncline Phase 2 project.

Monadelphous completed structural, mechanical and piping work associated with the pyromet plant at the Kemerton lithium hydroxide plant in the south-west of WA for MARBL Lithium Joint Venture. On the back of a strong performance, the Company was also awarded electrical and instrumentation work at the project.

Subsequent to year end, the Company also secured a contract with Talison Lithium Australia for the construction of a range of facilities forming the mine services area at Talison Lithium's Greenbushes mine site in the south-west of WA, with work expected to be completed in the first half of 2023.

In New South Wales, a multidisciplinary construction services contract was secured with Tronox Mining Australia in Broken Hill, with work expected to be completed in the second half of 2022.

In addition to providing heavy lift services to FMG under a long-term services contract at the Solomon and Eliwana mine sites in WA, the Company also provided specialist services and equipment to Woodside, BHP and Rio Tinto under existing construction and maintenance contracts, and continued to upgrade its heavy lift fleet in support of customers.

And finally, SinoStruct, the Company's fabrication business, secured a new four-year agreement to continue supplying wellheads to Australia Pacific LNG (APLNG) and, post year end, was awarded a contract to fabricate over 2,000 tonnes of structural steel for a construction project in Ashburton, in the Pilbara region of WA.

[1] Includes Monadelphous' share of joint venture revenue – refer page 13 for reconciliation

Maintenance and Industrial Services

Monadelphous' Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustaining capital works and turnarounds, reported full year revenue of $1.166 billion, up 19.4 per cent on the previous year. Pleasingly, the division has secured approximately $1.125 billion in new contracts and contract extensions since the beginning of the 2022 financial year.

The Company delivered a significant volume of maintenance, shutdown and project works during the year across its contracts in the iron ore sector in the Pilbara region of Western Australia.

Rio Tinto awarded Monadelphous several packages of work during the period, including a contract for work associated with the Marandoo Dewatering Sump Project. The Company was also awarded new contracts under its existing Sustaining Capital Projects Panel Agreement at Cape Lambert and East Intercourse Island and, after year end, a multidisciplinary construction contract for new conveyor facilities at the Tom Price mine site and upgrades to conveyor facilities at the Marandoo mine site. In addition, the Company commenced the construction of new hawser rails and upgrades to the existing dolphins at Cape Lambert wharf and successfully executed a conveyor gravity take up program of works across several mine sites, as well as a marine project at Parker Point wharf.

BHP extended the Company's existing general maintenance services contract across its Pilbara-based operations for a further 12-month period, with Monadelphous also being awarded two additional packages of work at BHP's Nelson Point and Jimblebar mine sites under the WA Iron Ore (WAIO) Site Engineering Panel Agreement. The Company also significantly progressed an extension to the haul road at the Jimblebar mine, as well as completing a light vehicle workshop fit out at Mining Area C and undertaking bridge bearing replacement work on BHP's Pilbara rail network.

Monadelphous continued to diversify its customer-base, securing a five-year maintenance and shutdown services contract across FMG's Pilbara operations, in addition to a contract to construct a pipeline, access road and transfer pond infrastructure at the Roy Hill mine site.

The Company performed a number of major turnarounds for customers under its existing onshore and offshore oil and gas maintenance contracts, continued to plan for a program of major turnarounds scheduled across Woodside, INPEX, Origin and Santos facilities over coming years and built on its industrial services capability in the sector, including increasing the provision of fabric maintenance and rope access services to customers. In Queensland, Monadelphous secured a three-year contract with Origin to provide turnaround and shutdown support services at APLNG's coal seam gas upstream facilities.

During the year, Monadelphous acquired fabrication business RTW Steel Fabrication and Construction, complementing its service offering in the south-west of WA and further broadening its customer base in the region.

Additional contracts secured since the beginning of the financial year included:

- a 12-month extension to its existing contract with BHP Mitsubishi Alliance for the provision of dragline shutdown and maintenance services to its operations in the Bowen Basin, Queensland;
- appointment to a panel to provide coating and concrete repair services at various Water Corporation sites and locations across WA for a term of five years;
- a 12-month extension for the supply of shutdown and major mechanical services at South32's Worsley Alumina Refinery in Collie, WA;
- a three-year extension for the operation and maintenance of Tronox's cogeneration power station in Kwinana, WA;
- a three-year contract to continue to provide operation and maintenance services at Synergy's Muja Power Station in Collie, WA;
- a 12-month extension to its existing mechanical and electrical maintenance, shutdown and project services contract across BHP's Nickel West operations in the Goldfields region of WA; and

- a three-year general mechanical maintenance services contract with Queensland Alumina Limited at its operations in Gladstone, Queensland.

Other significant contract activity undertaken during the period included:

- refurbishment of cells and rotating equipment at BHP's Nelson Point Car Dumper 1;
- 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, South Australia;
- general mechanical and maintenance services for Incitec Pivot Limited in Queensland;
- general track maintenance and renewals services, resurfacing services and rail workshop services for Rio Tinto on its privately-owned rail network in the Pilbara, WA; and
- dragline shutdowns in the Hunter Valley, NSW, for Glencore, BHP and Yancoal.

Markets and Outlook

The outlook for Monadelphous' core markets continues to be strong.

The resources sector in Australia and in the Company's overseas locations will continue to provide a large number of significant opportunities across a broad range of commodity markets.

The outlook for the Australian iron ore industry is expected to remain buoyant with capital and operating expenditures required to sustain iron ore production levels continuing to drive strong demand for the Company's services.

High levels of global demand for battery metals are driving significant investment in lithium, copper, nickel and rare earths which will provide numerous prospects in the coming years. These markets, along with the gold sector, will present ongoing opportunities for Monadelphous in Australia, South America, Mongolia and Papua New Guinea.

Conditions in the oil and gas sector are also buoyant with construction opportunities from the development of new LNG projects currently in the pipeline, and demand for oil and gas maintenance services expected to remain strong.

Australia's transition towards clean energy will continue to strengthen and provide opportunities in the renewable energy sector. An increasing pipeline of new wind farms coming to market in the next few years will provide opportunities for Zenviron, both in the electricity market as well as in the private sector, as industrial operators move rapidly to meet their decarbonisation objectives. Rapid development of the hydrogen sector is also expected to provide opportunities in coming years.

More broadly, buoyant conditions and aging assets across all resources and energy sectors will continue to drive strong demand for maintenance services.

The shortage of skilled labour will be the most significant challenge for the Company's operations, especially in Australia. The Company is also mindful of the challenges posed by heightening supply chain risks and an escalating cost environment.

With capacity constrained, the Company will be taking a strategic and targeted approach to new work opportunities, engaging and collaborating earlier with customers and focusing on earnings quality.

The Company will continue to focus on employee attraction, training and development and making Monadelphous a great place to work. With travel restrictions lifted, the Company has also recently re-engaged its international labour sourcing strategy.

Supported by its strong balance sheet, the Company will continue to assess acquisition opportunities to achieve ongoing service and customer market diversification and support long-term sustainable growth.

As highlighted in the 31 December 2021 interim results, following a ramp down in construction activity as a number of large-scale projects completed in the first half of FY22, a new wave of construction projects, currently in the tendering phase, is expected to see activity ramp up over the 22/23 financial year and into following years. Revenue for FY23 will be dependent on the timing of awards and commencement of these projects, and will likely be skewed to the second half.

The Company's reputation as a leader in its markets and as an employer of choice, together with its ever-broadening services and geographical footprint, places it in a strong position to capitalise on the many opportunities and deal with the challenging environment that lies ahead.

In conclusion, I would like to take this opportunity to thank our loyal and talented team for their continued commitment and dedication. I would also like to extend my appreciation to our shareholders, customers and other stakeholders for their ongoing support during these interesting times.

John Rubino
Monadelphous Chairman
22 August 2022

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

	2022 $'000	2021 $'000	2020 $'000	2019 $'000	2018 $'000
Revenue	**1,810,390**	1,754,242	1,488,749	1,479,737	1,737,632
Total revenue from contracts with customers including joint ventures	**1,930,040**	1,953,180	1,650,768	1,608,277	1,783,999
EBITDA	**111,201**	108,696	92,077	106,791	119,046
Profit before income tax expense	**73,511**	70,372	55,086	83,426	102,845
Income tax expense	**21,227**	21,906	17,860	31,313	30,570
Profit after income tax expense attributable to equity holders of the parent	**52,219**	47,060	36,483	50,565	71,479
Basic earnings per share	**54.90c**	49.70c	38.65c	53.72c	76.11c
Interim dividends per share (fully franked)	**24.00c**	24.00c	22.00c	25.00c	30.00c
Final dividends per share (fully franked)	**25.00c**	21.00c	13.00c	23.00c	32.00c
Net tangible asset backing per share	**427.54**	413.31c	402.43c	413.93c	415.86c
Total equity and reserves attributable to equity holders of the parent	**412,184**	395,572	384,433	393,436	394,481
Depreciation	**33,097**	32,476	30,570	19,490	17,222
Debt to equity ratio	**14.3%**	10.1%	11.9%	9.7%	5.3%
Return on equity	**12.7%**	11.9%	9.5%	12.9%	18.1%
EBITDA margin	**5.8%**	5.6%	5.6%	6.6%	6.7%

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)

	2022 $'000	2021 $'000
Total revenue from contracts with customers including joint ventures	**1,930,040**	1,953,180
Share of revenue from joint ventures [1]	**(120,589)**	(199,442)
Statutory revenue from contracts with customers	**1,809,451**	1,753,738

[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):

	2022 $'000	**2021 $'000**
Profit before income tax	**73,511**	70,372
Interest expense on loans and hire purchase finance charges	**1,841**	1,476
Interest expense on other lease liabilities	**1,511**	1,598
Interest revenue	**(740)**	(414)
Depreciation of owned and hire purchase assets	**24,523**	23,542
Depreciation of right of use assets	**8,574**	8,934
Amortisation expense	**-**	445
Share of interest, depreciation, amortisation and tax of joint ventures [2]	**1,981**	2,743
EBITDA	**111,201**	108,696

[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 2022.

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 56 years experience in the construction and engineering services industry
Robert Velletri	*Managing Director* Appointed 26 August 1992 Mechanical Engineer, Member of Engineers Australia Appointed as Managing Director on 30 May 2003 43 years experience in the construction and engineering services industry
Susan Lee Murphy AO	*Lead Independent Non-Executive Director* Appointed 11 June 2019 Civil Engineer, Honorary Fellow of Engineers Australia 43 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
Peter John Dempsey	*Independent Non-Executive Director* Appointed 30 May 2003 Civil Engineer, Fellow of Engineers Australia, Member of the Australian Institute of Company Directors 50 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
Dietmar Robert Voss	*Independent Non-Executive Director* Appointed 10 March 2014 Chemical Engineer, Member of the Australian Institute of Company Directors 48 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 26 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entities, Yancoal Australia Limited (ASX: YAL) – appointed 30 January 2018 Aurelia Metals Limited (ASX:AMI) – appointed 21 January 2021
Enrico Buratto	*Independent Non-Executive Director* Appointed 11 October 2021 Civil Engineer, Fellow of Engineers Australia 47 years experience in the construction and engineering services industry
Christopher Percival Michelmore	*Independent Non-Executive Director* Appointed 1 October 2007, Retired 23 November 2021 Civil Engineer, Fellow of Engineers Australia 50 years experience in the construction and engineering services industry

COMPANY SECRETARIES

Philip Trueman	*Company Secretary and Chief Financial Officer* Appointed 21 December 2007 Chartered Accountant, Member of Chartered Accountants Australia and New Zealand 22 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 17 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	2,139,321	Nil	600,000
P. J. Dempsey	78,000	Nil	Nil
D. R. Voss	72,630	Nil	Nil
H. J. Gillies	9,260	Nil	Nil
S. L. Murphy	8,000	Nil	Nil
E. P. Burrato	Nil	Nil	Nil

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	54.90
Diluted Earnings Per Share	54.54

DIVIDENDS

	Cents	$'000
Final dividends declared		
▪ on ordinary shares	25.00	23,834
Dividends paid during the year:		
Current year interim		
▪ on ordinary shares	24.00	22,829
Final for 2021		
▪ on ordinary shares	21.00	19,933

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 7,541 employees as of 30 June 2022 (2021: 7,559 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

	2022 **$'000**	2021 $'000
Revenue from contracts with customers	**1,809,451**	1,753,738
Profit after income tax expense attributable to equity holders of the parent	**52,219**	47,060

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 22 August 2022, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2022 financial year. The total amount of the dividend is $23,834,482 which represents a fully franked final dividend of 25 cents per share. This dividend has not been provided for in the 30 June 2022 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 1,086,800 retention rights and 5,640,000 options on issue as follows:

- 362,202 retention rights to take up one ordinary share in Monadelphous Group Limited. The retention rights have a vesting date 20 December 2022
- 362,202 retention rights to take up one ordinary share in Monadelphous Group Limited. The retention rights have a vesting date 20 December 2023
- 362,396 retention rights to take up one ordinary share in Monadelphous Group Limited. The retention rights have a vesting date 22 December 2024
- 2,047,500 options to take up one ordinary share in Monadelphous Group Limited. The options have a vesting date 1 September 2022
- 2,047,500 options to take up one ordinary share in Monadelphous Group Limited. The options have a vesting date 1 September 2023
- 1,545,000 options to take up one ordinary share in Monadelphous Group Limited. The options have a vesting date 1 September 2024

Retention rights and options holders do not have any right, by virtue of the retention 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 performance rights

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

On 1 July 2022, 75,224 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 2022 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
S. L. Murphy	Deputy Chair and Lead Independent Non-Executive Director
P. J. Dempsey	Independent Non-Executive Director
C. P. Michelmore	Independent Non-Executive Director – Retired 23 November 2021
D. R. Voss	Independent Non-Executive Director
H. J. Gillies	Independent Non-Executive Director
E. P. Buratto	Independent Non-Executive Director – Appointed 11 October 2021

(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 recognised remuneration research organisations 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, Employee Retention 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.

The significantly high industry activity levels experienced during the year, which were exacerbated by the interstate travel restrictions imposed to reduce the spread of COVID-19, extensively impacted the Company's ability to source and retain talent. This extremely competitive labour market is predicted to continue in the foreseeable future, with labour demands expected to increase further as a result of the large number of construction opportunities forecast for coming years, and the continued strong demand for maintenance services. The predicted shortfall of skilled labour will be a major capacity constraint for the industry and for Monadelphous, and will significantly challenge the company's ability to retain people, as well as to attract new employees.

In response, the Company implemented the Monadelphous 2021 Employee Retention Plan (ER Plan) during the period. The ER Plan acts as a retention incentive for those employees whose sustained contribution is of critical strategic and operational importance to the success of the business, in a manner aligned to the creation of shareholder wealth.

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.

REMUNERATION REPORT (Audited) (continued)

Remuneration element	*Individual components*	*Purpose*	*Link to performance*
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.
Variable Remuneration – 2021 Employee Retention Plan	Comprises a one-off issue of Retention Rights granted in the form of Performance Rights subject to the Monadelphous Group Limited Performance Rights Plan rules.	Specifically developed to mitigate the effects of the extremely tight labour market. To retain and recognise key employees whose contribution is of critical strategic and operational importance to Monadelphous, enabling them to share in the long term performance of the Company in a manner which is aligned to the creation of shareholder wealth.	Vesting of awards is dependent on continuity of employment.

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 29 and 30 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.

REMUNERATION REPORT (Audited) (continued)

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 29 and 30 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 year ended 30 June 2021, the Board determined that no award would be made under the CR Plan.

For the year ended 30 June 2022, awards comprised of a 25 per cent cash payment, which was paid in July 2022, with 75 per cent of the award to be offered in the form of performance rights in or around October 2022. The number of performance rights to be offered will be calculated using the arithmetic average of the ten-day daily volume weighted average market price of the Company's ordinary shares commencing on the second trading day after the record date in respect of the FY22 final dividend. This calculation is the same as that used to determine the undiscounted share price for the Dividend Reinvestment Plan.

It is intended that the Performance Rights component will vest into shares in equal instalments, on 1 July 2023, 1 July 2024 and 1 July 2025, subject to the employee remaining in the employ of the Company at those particular dates. It is intended that one share be issued for each vested Performance Right, with the resulting shares being restricted from disposal until the opening of the Monadelphous share trading window following the release of the 30 June 2025 financial results, in or around August 2025.

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.

REMUNERATION REPORT (Audited) (continued)

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 2022, 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.

Subsequent to year end, based on the financial performance of the Company for the year ended 30 June 2022, the Board determined that an award would be made under the CR Plan with approximately 150 employees eligible for an award of Performance Rights.

REMUNERATION REPORT (Audited) (continued)

Group and Divisional performance for the year ended 30 June 2022 was as follows:

	Earnings Performance		Other				
	EPS	Divisional contribution	Working capital management	Safety	People	Customer satisfaction	Strategic Progress
Group	▲		●	▬	●	●	●
Engineering Construction		▲	●	▲	●	●	●
Maintenance & Industrial Services		●	▬	▬	●	●	●

Between target and maximum	▲
On target	●
Between threshold and target	▬

The following table sets out the awards under the CR Plan for each executive for the financial years ended 30 June 2022 and 30 June 2021:

Executive	**2022 Total Award $**	2021 Total Award $	**2022 % of Maximum Opportunity Earned**	2021 % of Maximum Opportunity Earned
R. Velletri	**509,600**	-	**78%**	-
P. Trueman	**207,700**	-	**81%**	-
D. Foti	**291,100**	-	**77%**	-
Z. Bebic	**250,800**	-	**74%**	-

Tables 1 and 2 on pages 29 and 30 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 2022 and 30 June 2021.

The Performance Right component of the award relating to the year ended 30 June 2022, which is to be offered in or around October 2022, will be amortised over three years. It is estimated, based on the share price at 30 June 2022, that approximately 95,000 Performance Rights will be offered to Key Management Personnel under the terms of the CR Plan for the year ended 30 June 2022 (2021: nil Performance Rights).

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.

On 1 July 2022, 75,224 Performance Rights representing the third tranche of the award under the terms of the CR Plan for the year ended 30 June 2019 vested and were exercised into Monadelphous Group Limited ordinary shares.

REMUNERATION REPORT (Audited) (continued)

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

<u>Monadelphous Group Limited Employee Option Plan</u>

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.

In November 2020, the Company offered 300,000 options to the Managing Director, subject to shareholder approval, 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. The timing of the proposed grant did not allow for a resolution to be tabled at the 2020 Annual General meeting. As a result, shareholder approval was sought and obtained at the Company's 2021 Annual General Meeting on 23 November 2021, and the options were issued to the Managing Director on the same date.

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.

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 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.

REMUNERATION REPORT (Audited) (continued)

In respect of the 2019 award of options, the EPS performance hurdle was not met for the first 25 per cent of options to be exercised during the window period commencing 1 September 2021. In accordance with the terms of the offer, these options have been rolled over to be re-tested in the next window period commencing 1 September 2022.

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.

Variable remuneration – 2021 Employee Retention Plan

Objective

The significantly high industry activity levels experienced during the year, which were exacerbated by the interstate travel restrictions imposed to reduce the spread of COVID-19, extensively impacted the Company's ability to source and retain talent. This extremely competitive labour market is predicted to continue in the foreseeable future, with labour demands expected to increase further as a result of the large number of construction opportunities forecast for coming years, and the continued strong demand for maintenance services. The predicted shortfall of skilled labour will be a major capacity constraint for the industry and for Monadelphous, and will significantly challenge the company's ability to retain people, as well as to attract new employees.

In response, the Company implemented the Monadelphous 2021 Employee Retention Plan (ER Plan) during the period. The ER Plan acts as a retention incentive for those employees whose sustained contribution is of critical strategic and operational importance to the success of the business, in a manner aligned to the creation of shareholder wealth.

Structure

The ER Plan provides a one-off issue of Retention Rights to key employees and is subject to continued service vesting conditions and disposal restrictions. It enables employees critical to the achievement of the Company's strategic objectives to share in the long-term performance of the Company.

The Retention Rights were allocated under the terms of the Monadelphous Group Limited Employee Retention Plan and granted in the form of Performance Rights subject the Monadelphous Group Limited Performance Rights Plan rules.

On 20 December 2021, 1,115,200 Retention Rights were issued under the terms of the ER Plan. 92,600 Retention Rights were issued to Key Management Personnel. A further 43,600 Retention Rights were offered to the Company's Managing Director, Rob Velletri, with the issue being subject to shareholder approval at the Company's Annual General Meeting in November 2022.

The Retention Rights vest into shares in equal instalments one, two and three years subsequent to the date of issue (i.e. 20 December 2022, 20 December 2023 and 20 December 2024) subject to the employee remaining in the employ of the Company at those particular dates, with one share issued for each Retention Right that vests. Any shares acquired upon vest of Retention Rights are restricted from disposal until the earlier of: three years from the date of grant (i.e. 20 December 2024), subject to that date being within a Monadelphous share trading window, and if not, when the next share trading window opens (which is expected to be in February 2025); and the date on which the employee ceases to be employed by the Company.

REMUNERATION REPORT (Audited) (continued)

Unvested Retention Rights remain subject to Monadelphous' clawback policy. The Board has the discretion as to the circumstances that would result in a clawback of unvested Retention 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 Retention Rights.

The 2021 ER Plan Retention Right award is being amortised over three years.

Tables 1 and 2 on pages 29 and 30 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 2022 and 30 June 2021.

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.

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.

The table below summarises Board and Committee fees payable to non-executive directors for the financial year ended 30 June 2022 (inclusive of superannuation):

Board / Committee Chair Fees	$
Non-executive Director fee	123,000
Board Deputy Chair, Lead Independent Non-executive Director & Chair of Remuneration Committee additional fee	20,000
Chair of Audit Committee additional fee	15,000

Note, the Nomination Committee is chaired by the Executive Chairman and there is no additional fee.

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.

REMUNERATION REPORT (Audited) (continued)

The remuneration of non-executive directors for the year ended 30 June 2022 is detailed in Table 1 on page 29 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:

	2022 **$'000**	2021 $'000	2020 $'000	2019 $'000	2018 $'000
Profit after income tax expense attributable to equity holders of the parent	**52,219**	47,060	36,483	50,565	71,479
Basic earnings per share	**54.90c**	49.70c	38.65c	53.72c	76.11c
Share Price as at 30 June	**$9.95**	$10.45	$10.82	$18.81	$15.06

A review of the Company's performance and returns to shareholders over the last five years has been provided on page 12 of this report.

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2022

	Short Term Benefits				**Post Employment**	**Long Term Benefits**	**Share-Based Payments** [3]	**Total**	**Total Perform-ance Related**	**Total Rights and Options Related**
	Salary & Fees $	Leave [1] $	Non-Monetary [2] $	Cash Award $	Super-annuation $	Leave $	Rights and Options $	$	%	%
Non- Executive Directors										
S. L. Murphy	125,629	-	-	-	12,563	-	-	138,192	-	-
P. J. Dempsey	116,713	-	-	-	11,671	-	-	128,384	-	-
C. P. Michelmore[5]	49,651	-	-	-	4,965	-	-	54,616	-	-
D. R. Voss	111,818	-	-	-	11,182	-	-	123,000	-	-
H. J. Gillies	128,832	-	-	-	9,168	-	-	138,000	-	-
E. P. Buratto[4]	79,563	-	-	-	7,956	-	-	87,519	-	-
Subtotal Non-Executive Directors	**612,206**	**-**	**-**	**-**	**57,505**	**-**	**-**	**669,711**	**-**	**-**
Executive Directors										
C. G. B. Rubino	412,000	2,279	-	-	23,568	8,768	-	446,615	-	-
R. Velletri	1,038,576	(18,926)	12,592	127,400	23,568	43,353	311,066	1,537,629	28.52	20.23
Subtotal Executive Directors	**1,450,576**	**(16,647)**	**12,592**	**127,400**	**47,136**	**52,121**	**311,066**	**1,984,244**	**22.10**	**15.68**
Other Key Management Personnel										
D. Foti	803,918	(21,980)	6,060	72,775	23,568	28,364	241,528	1,154,233	27.23	20.92
Z. Bebic	716,738	82,001	11,302	62,700	23,568	37,213	241,678	1,175,200	25.90	20.56
P. Trueman	538,743	7,349	10,012	51,925	23,568	17,272	195,603	844,472	29.31	23.16
Subtotal Other Key Management Personnel	**2,059,399**	**67,370**	**27,374**	**187,400**	**70,704**	**82,849**	**678,809**	**3,173,905**	**27.29**	**21.39**
Total	**4,122,181**	**50,723**	**39,966**	**314,800**	**175,345**	**134,970**	**989,875**	**5,827,860**	**22.39**	**16.99**

[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 2019 awards under the CR Plan, 2019 and 2020 awards under the Options Plan and 2021 awards under the ER Plan.
[4] Ric Buratto was appointed as Director on 11 October 2021.
[5] Chris Michelmore retired as Director on 23 November 2021.

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel (continued)

Table 2: 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 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	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 3: Performance Rights: Granted during the year ended 30 June 2022

No Performance Rights were granted during the year ended 30 June 2022.

Table 4: Options: Granted during the year ended 30 June 2022

	Terms and conditions for each Grant						
	Granted Number	**Grant Date**	**Fair value per option at grant date**	**Exercise price per option**	**Expiry date**	**First exercise date**	**Last exercise date**
Executive Directors							
R. Velletri[1]	300,000	23/11/2021	1.71	$9.30	14/9/2024	1/9/2022	14/9/2024
Total	**300,000**						

[1] In November 2020, the Company offered 300,000 options to the Company's Managing Director, Rob Velletri, subject to shareholder approval. The timing of the proposed grant did not allow for a resolution to be tabled at the 2020 Annual General meeting. As a result, shareholder approval was sought and obtained at the Company's 2021 Annual General Meeting in November 2021.

Table 5: Retention Rights: Granted during the year ended 30 June 2022

	Terms and conditions for each Grant						
	Granted Number	**Grant Date**	**Fair value per right at grant date**	**Exercise price per right**	**Expiry date**	**First exercise date**	**Last exercise date**
Executive Directors							
R. Velletri[1]	-	-	-	-	-	-	-
Other Key Management Personnel							
D. Foti	32,700	20/12/2021	8.17	Nil	20/12/2024	20/12/2022	20/12/2024
Z. Bebic	32,700	20/12/2021	8.17	Nil	20/12/2024	20/12/2022	20/12/2024
P. Trueman	27,200	20/12/2021	8.17	Nil	20/12/2024	20/12/2022	20/12/2024
Total	**92,600**						

[1] 43,600 Retention Rights were offered to the Company's Managing Director, Rob Velletri, on 20 December 2021 under the terms of the ER Plan, with the issue being subject to shareholder approval at the Company's Annual General Meeting in November 2022.

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel (continued)

Table 6: Shares issued on exercise of performance rights during the year ended 30 June 2022

	Performance Rights Vested	Performance Rights Exercised	Shares Issued	Paid per Share $
Directors				
R. Velletri ^	13,108	13,108	13,108	Nil
Executives				
D. Foti ^	7,357	7,357	7,357	Nil
Z. Bebic ^	7,194	7,194	7,194	Nil
P. Trueman ^	5,480	5,480	5,480	Nil
Total	33,139	33,139	33,139	

^ On 1 July 2021, the date of exercise of the above performance rights, the closing share price was $10.12.

Additional disclosures relating to rights, options and shares

Table 7: Performance rights holdings of Key Management Personnel

Performance Rights held in Monadelphous Group Limited	Balance at Beginning of Period 1 July 2021	Granted as Remuneration	Rights Exercised and Lapsed	Net Change Other	Balance at End of Period 30 June 2022
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	19,545	-	(13,108)	-	6,437
S. L. Murphy	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
D. R. Voss	-	-	-	-	-
H. J. Gillies	-	-	-	-	-
E. P. Buratto	-	-	-	-	-
Executives					
D. Foti	10,714	-	(7,357)	-	3,357
Z. Bebic	10,595	-	(7,194)	-	3,401
P. Trueman	8,048	-	(5,480)	-	2,568
Total	48,902	-	(33,139)	-	15,763

REMUNERATION REPORT (Audited) (continued)

Additional disclosures relating to rights, options and shares (continued)

Table 8: Options holdings of Key Management Personnel

Options held in Monadelphous Group Limited	**Balance at Beginning of Period 1 July 2021**	**Granted as Remuneration**	**Options Exercised and Lapsed**	**Net Change Other**	**Balance at End of Period 30 June 2022**
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	300,000	300,000	-	-	600,000
S. L. Murphy	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
D. R. Voss	-	-	-	-	-
H. J. Gillies	-	-	-	-	-
E. P. Buratto	-	-	-	-	-
Executives					
D. Foti	400,000	-	-	-	400,000
Z. Bebic	400,000	-	-	-	400,000
P. Trueman	320,000	-	-	-	320,000
Total	1,420,000	300,000	-	-	1,720,000

Table 9: Retention rights holdings of Key Management Personnel

Retention Rights held in Monadelphous Group Limited	**Balance at Beginning of Period 1 July 2021**	**Granted as Remuneration**	**Rights Exercised and Lapsed**	**Net Change Other**	**Balance at End of Period 30 June 2022**
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri[1]	-	-	-	-	-
S. L. Murphy	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
C. P. Michelmore	-	-	-	-	-
D. R. Voss	-	-	-	-	-
H. J. Gillies	-	-	-	-	-
E. P. Buratto	-	-	-	-	-
Executives					
D. Foti	-	32,700	-	-	32,700
Z. Bebic	-	32,700	-	-	32,700
P. Trueman	-	27,200	-	-	27,200
Total	-	92,600	-	-	92,600

[1] 43,600 Retention Rights were offered to the Company's Managing Director, Rob Velletri, on 20 December 2021 under the terms of the ER Plan, with the issue being subject to shareholder approval at the Company's Annual General Meeting in November 2022.

REMUNERATION REPORT (Audited) (continued)

Additional disclosures relating to rights, options and shares (continued)

Table 10: Shareholdings of Key Management Personnel

Shares held in Monadelphous Group Limited	Balance at Beginning of Period 1 July 2021	Granted as Remuneration	On Exercise of Performance Rights	Net Change Other	Balance at End of Period 30 June 2022
Directors					
C. G. B. Rubino	1,022,653	-	-	-	1,022,653
R. Velletri	2,119,776	-	13,108	-	2,132,884
S. L. Murphy	-	-	-	8,000	8,000
P. J. Dempsey	78,000	-	-	-	78,000
C. P. Michelmore[1]	50,000	-	-	(50,000)	-
D. R. Voss	32,910	-	-	39,720	72,630
H. J. Gillies	8,865	-	-	395	9,260
E. P. Buratto[2]	-	-	-	-	-
Executives					
D. Foti	65,673	-	7,357	-	73,030
Z. Bebic	10,987	-	7,194	-	18,181
P. Trueman	8,389	-	5,480	(8,734)	5,135
Total	3,397,253	-	33,139	(10,619)	3,419,773

[1] Retired as a Non-Executive Director on 23 November 2021.
[2] Appointed as a Non-Executive Director on 11 October 2021.

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.

		Meetings of Committees		
	Directors' Meetings	Audit	Remuneration	Nomination
Number of meetings held:	14	6	3	2
Number of meetings attended:				
C. G. B. Rubino	14	-	-	2
R. Velletri	14	-	-	-
P. J. Dempsey	14	6	-	2
C. P. Michelmore[1]	6	-	-	1
D. R. Voss	14	6	3	2
H. J. Gillies	13	6	3	2
S. L. Murphy	14	6	3	2
E. Buratto[2]	10	-	-	-

[1] Retired as a Non-Executive Director on 23 November 2021 and attended all meetings he was eligible to attend.
[2] Appointed as a Non-Executive Director on 11 October 2021 and attended all meetings he was eligible to attend.

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)	S. L. Murphy (c)	C. G. B. Rubino (c)
P. J. Dempsey	D. R. Voss	C. P. Michelmore – retired 23 November 2021
D. R. Voss	H. J. Gillies	P. J. Dempsey
S. L. Murphy	C. P. Michelmore – resigned as committee chair on 30 September 2021, retired 23 November 2021	H. J. Gillies
E. P. Buratto – appointed to committee on 14 June 2022	E. P. Buratto – appointed to committee on 14 June 2022	D. R. Voss
		S. L. Murphy
		E. P. Buratto – appointed to committee on 14 June 2022

Note: (c) Designates the chair of the committee. S. L. Murphy was appointed chair of the remuneration committee from 1 October 2021, replacing C. P. Michelmore.

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 38.

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	37,710
	37,710

Signed in accordance with a resolution of the directors.

C. G. B. Rubino
Chairman
Perth, 22 August 2022

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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 2022, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene 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
22 August 2022

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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 2022, the consolidated income statement, 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 2022 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 the 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 this matter. 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 matter below, provide the basis for our audit opinion on the accompanying financial report.

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 the financial report as follows:

- *General Information- Key Judgements And Estimates - Revenue*
- *Note 1 - Revenue and Other Income*, and
- *Note 7 - Contract Assets.*

How our audit addressed the key audit matter

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

We assessed the operating effectiveness of controls over revenue recognised in the financial report, including controls relating to:

- Contract reviews performed by the Group that included estimating total costs, the 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 2022, 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 work under the contracts
- For projects with known disputes, we sighted claim documentation, met with the Group's internal or external 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 2022 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report, company performance and chairman's report that are to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will 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 on the other information obtained prior to the date of this auditor's report, 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.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- 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 2022.

In our opinion, the Remuneration Report of Monadelphous Group Limited for the year ended 30 June 2022, 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

D S Lewsen
Partner
Perth
22 August 2022

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 2022 and of its performance for the year ended on that date; and

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

(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 51.

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 2022.

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, 22 August 2022

	Notes	2022 $'000	2021 $'000
Continuing Operations			
REVENUE	1	**1,810,390**	1,754,242
Cost of services rendered		**(1,686,937)**	(1,641,572)
GROSS PROFIT		**123,453**	112,670
Other income	1	**8,496**	11,195
Business development and tender expenses		**(16,959)**	(16,845)
Occupancy expenses		**(3,640)**	(3,935)
Administrative expenses		**(35,139)**	(32,645)
Finance costs	2	**(3,352)**	(3,074)
Share of profit from joint ventures	11	**652**	3,006
PROFIT BEFORE INCOME TAX		**73,511**	70,372
Income tax expense	3	**(21,227)**	(21,906)
PROFIT AFTER INCOME TAX		**52,284**	48,466
ATTRIBUTABLE TO			
EQUITY HOLDERS OF THE PARENT		**52,219**	47,060
NON-CONTROLLING INTERESTS		**65**	1,406
		52,284	48,466
Basic earnings per share (cents per share)	4	**54.90**	49.70
Diluted earnings per share (cents per share)	4	**54.54**	49.45

	2022 $'000	2021 $'000
NET PROFIT FOR THE YEAR	**52,284**	48,466
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	**(1,181)**	(796)
Items that will not be reclassified subsequently to profit or loss:		
Net gain on equity instruments designated at fair value through other comprehensive income	**181**	386
Income tax effect	**(54)**	(116)
	127	270
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(1,054)**	(526)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**51,230**	47,940
ATTRIBUTABLE TO		
EQUITY HOLDERS OF THE PARENT	**51,165**	46,534
NON-CONTROLLING INTERESTS	**65**	1,406
	51,230	47,940

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	**2022 $'000**	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**183,329**	175,708
Trade and other receivables	6	**371,987**	318,648
Contract assets	7	**23,773**	59,685
Inventories	8	**3,220**	3,600
Total current assets		**582,309**	557,641
Non-current assets			
Property, plant and equipment	9	**161,904**	162,891
Intangible assets and goodwill	10	**4,902**	3,917
Investment in joint venture	11	**11,181**	11,904
Deferred tax assets	3	**27,625**	31,455
Other receivables	6	**-**	6,000
Other non-current assets	12	**3,440**	3,259
Total non-current assets		**209,052**	219,426
TOTAL ASSETS		**791,361**	777,067
LIABILITIES			
Current liabilities			
Trade and other payables	13	**168,686**	168,117
Interest bearing loans and borrowings	14	**10,901**	900
Lease liabilities	15	**25,967**	21,978
Income tax payable	3	**14,753**	22,093
Provisions	16	**77,220**	77,016
Total current liabilities		**297,527**	290,104
Non-current liabilities			
Interest bearing loans and borrowings	14	**771**	-
Lease liabilities	15	**71,841**	74,710
Provisions	16	**5,832**	6,521
Other financial liability	17	**3,206**	10,151
Total non-current liabilities		**81,650**	91,382
TOTAL LIABILITIES		**379,177**	381,486
NET ASSETS		**412,184**	395,581
EQUITY			
Contributed equity	20	**136,096**	132,608
Reserves	21	**34,534**	30,867
Retained earnings	21	**241,554**	232,097
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**412,184**	395,572
Non-controlling interests		**-**	9
TOTAL EQUITY		**412,184**	395,581

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	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 2021	132,608	37,337	(1,956)	232,097	9	1,137	(5,651)	395,581
Other comprehensive income	**-**	**-**	**(1,181)**	**-**	**-**	**127**	**-**	**(1,054)**
Profit for the period	**-**	**-**	**-**	**52,219**	**65**	**-**	**-**	**52,284**
Total comprehensive income for the period	**-**	**-**	**(1,181)**	**52,219**	**65**	**127**	**-**	**51,230**
Transactions with owners in their capacity as owners								
Reclassification of non controlling interest to liabilities (Note 17)	**-**	**-**	**-**	**-**	**82**	**-**	**(82)**	**-**
Remeasurement of financial liability	**-**	**-**	**-**	**-**	**-**	**-**	**(626)**	**(626)**
Share-based payments	**-**	**5,234**	**-**	**-**	**-**	**-**	**-**	**5,234**
Adjustment to deferred tax asset recognised on employee share trust	**-**	**195**	**-**	**-**	**-**	**-**	**-**	**195**
Dividend reinvestment plan	**3,488**	**-**	**-**	**-**	**-**	**-**	**-**	**3,488**
Dividends paid	**-**	**-**	**-**	**(42,762)**	**(156)**	**-**	**-**	**(42,918)**
At 30 June 2022	**136,096**	**42,766**	**(3,137)**	**241,554**	**-**	**1,264**	**(6,359)**	**412,184**

	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 (Note 17)	-	-	-	-	(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

	Notes	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**1,957,889**	1,786,360
Payments to suppliers and employees (inclusive of GST)		**(1,872,101)**	(1,756,244)
Interest received		**740**	414
Finance costs paid		**(3,352)**	(3,074)
Other income		**4,162**	3,252
Income tax paid		**(24,040)**	(6,813)
Dividends received		**1,573**	2,840
NET CASH FLOWS FROM OPERATING ACTIVITIES	5	**64,871**	26,735
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**8,246**	11,206
Purchase of property, plant and equipment		**(9,118)**	(8,191)
Repayment/(payment) of loans from/(to) joint ventures		**6,000**	(6,000)
Payment of financial liability		**(7,571)**	-
Acquisition of intangible assets		**(738)**	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(3,181)**	(2,985)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(39,430)**	(33,726)
Proceeds/(repayment) of borrowings		**10,771**	(2,085)
Payment of principal portion of hire purchase liabilities		**(18,038)**	(13,017)
Payment of principal portion of other lease liabilities		**(7,892)**	(5,501)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(54,589)**	(54,329)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**7,101**	(30,579)
Net foreign exchange differences		**520**	(2,005)
Cash and cash equivalents at beginning of period		**175,708**	208,292
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	**183,329**	175,708

GENERAL INFORMATION

The consolidated financial report of Monadelphous Group Limited (the Group) and its subsidiaries for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of directors on 22 August 2022.

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 2021 (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 2022. 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, are Australian dollars (A$).

For each entity, the Group determines the functional currency and items included are measured using the functional currency.

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 9 and 10 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

	2022 $'000	2021 $'000
Revenue from contracts with customers		
Services revenue	**1,166,004**	976,921
Construction revenue	**643,447**	776,817
	1,809,451	1,753,738
Finance revenue	**740**	414
Dividends received	**199**	90
	1,810,390	1,754,242
Net gains on disposal of property, plant and equipment	**4,334**	7,943
Other income	**4,162**	3,252
	8,496	11,195
Disaggregation of revenue from contracts with customers by end customer industry:		
Iron ore	**789,344**	1,034,104
Other minerals	**632,068**	489,621
Oil and gas	**425,353**	349,449
Infrastructure	**83,275**	80,006
	1,930,040	1,953,180
Less share of revenue from joint ventures accounted for using the equity method	**(120,589)**	(199,442)
	1,809,451	1,753,738
The following amounts are included in revenue from contracts with customers:		
Revenue recognised as a contract liability in the prior period	**22,617**	61,322
Revenue from performance obligations satisfied in prior periods	**3,457**	11,978

Unsatisfied Performance Obligations

Transaction price expected to be recognised in future years for unsatisfied performance obligations at 30 June 2022:

	2022 $'000	2021 $'000
Services revenue	**1,075,326**	1,176,689
Construction revenue	**62,912**	177,331
Total	**1,138,238**	1,354,020

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 (2021: 1 to 5 years)
Construction	1 to 2 years (2021: 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

	2022 $'000	2021 $'000
Finance costs		
Finance charges	**1,841**	1,476
Interest on other lease liabilities	**1,511**	1,598
	3,352	3,074
Depreciation and amortisation		
Depreciation expense of owned property, plant and equipment	**13,158**	14,000
Depreciation expense of right of use hire purchase assets	**11,365**	9,542
Depreciation expense of right of use assets	**8,574**	8,934
Amortisation of intangible assets	**-**	280
Amortisation of deferred contract fulfilment costs	**-**	165
	33,097	32,921
Employee benefits expense		
Employee benefits expense	**954,265**	895,104
Defined contribution superannuation expense	**67,561**	60,310
	1,021,826	955,414
Lease payments and other expenses		
Expense relating to short-term leases and low value leases (included in cost of sales)	**1,749**	1,464

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

	2022 $'000	2021 $'000
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax charge	**16,580**	24,518
Adjustments in respect of previous years	**173**	211
Deferred income tax		
Temporary differences	**4,446**	(2,133)
Adjustments in respect of previous years	**28**	(690)
Income tax expense reported in the income statement	**21,227**	21,906
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	**54**	116
	54	116
Amounts credited directly to equity		
Share-based payment	**(195)**	11
Income tax expense reported in equity	**(195)**	11
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	**73,511**	70,372
Income tax rate of 30% (2021: 30%)	**22,053**	21,112
- Share-based payment expense	**413**	289
- Other	**(1,239)**	505
Aggregate income tax expense	**21,227**	21,906

3. INCOME TAX (continued)

Recognised deferred tax assets and liabilities

	2022 $'000 Current Income Tax	**2022 $'000 Deferred Income Tax**	2021 $'000 Current Income Tax	2021 $'000 Deferred Income Tax
Opening balance	(22,093)	31,455	(3,766)	28,650
Charged to income	**(16,753)**	**(4,474)**	(24,729)	2,823
Charged to equity	**-**	**141**	-	(127)
Other / payments	**24,093**	**503**	6,402	109
Closing balance	**(14,753)**	**27,625**	(22,093)	31,455
Amounts recognised on the consolidated statement of financial position:				
Deferred tax assets		**27,625**		31,455
		27,625		31,455

	2022 $'000	2021 $'000
Deferred income tax at 30 June relates to the following:		
Deferred tax assets		
Employee provisions	**26,087**	26,172
Provisions for doubtful debts	**659**	748
Other provisions	**882**	1,530
Lease liabilities	**13,877**	16,117
Tax losses	**2,979**	156
Other	**3,148**	3,485
Gross deferred tax assets	**47,632**	48,208
Set-off of deferred tax liabilities	**(20,007)**	(16,753)
Net deferred tax assets	**27,625**	31,455
Deferred tax liabilities		
Accelerated depreciation	**(7,723)**	(3,276)
Right of use assets	**(10,853)**	(12,990)
Other	**(1,431)**	(487)
Gross deferred tax liabilities	**(20,007)**	(16,753)
Set-off against deferred tax assets	**20,007**	16,753
Net deferred tax liabilities	**-**	-

Unrecognised temporary differences

At 30 June 2022, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries (2021: no unrecognised temporary differences).

3. INCOME TAX (continued)

Tax consolidation

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

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

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

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

Recognition and measurement

Current taxes

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

Deferred taxes

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

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

	2022 $'000	2021 $'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	**52,219**	47,060
Earnings used in calculation of basic and diluted earnings per share	**52,219**	47,060
	Number	Number
Number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**95,107,986**	94,692,124
Effect of dilutive securities		
Performance rights and options	**637,870**	476,763
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**95,745,856**	95,168,887

Conversions, calls, subscriptions or issues after 30 June 2022:

On 1 July 2022, 75,224 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

	2022 $'000	2021 $'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	**183,329**	167,663
Short term deposits	**-**	8,045
	183,329	175,708

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

	2022 $'000	2021 $'000
Net profit	**52,284**	48,466
Adjustments for		
Depreciation of non-current assets	**33,097**	32,476
Amortisation of intangible assets and fulfilment costs	**-**	445
Net profit on sale of property, plant and equipment	**(4,334)**	(7,943)
Share-based payment expense	**5,234**	2,538
Share of profits from joint ventures	**(652)**	(3,006)
Dividends from joint ventures	**1,375**	2,750
Other	**(1,454)**	748
Changes in assets and liabilities		
(Increase)/decrease in receivables	**(53,339)**	(56,211)
Decrease/(increase) in inventories	**380**	1,186
Decrease/(increase) in contract assets	**35,912**	(32,306)
Decrease/(increase) in deferred tax assets	**4,098**	(2,932)
Increase/(decrease) in payables	**569**	2,365
(Decrease)/increase in provisions	**(959)**	19,832
(Decrease)/increase in income tax payable	**(7,340)**	18,327
Net cash flows from operating activities	**64,871**	26,735

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 $26,128,243 (2021: $9,710,911).

Reconciliation of liabilities arising from financing activities

	2021 $'000	Cash flows $'000	Non-cash changes new leases/ terminations $'000	Other $'000	2022 $'000
Hire purchase liabilities	39,027	**(18,038)**	**26,128**	**(15)**	**47,102**
Other lease liabilities	57,661	**(7,892)**	**937**	**-**	**50,706**
Loan	900	**10,771**	**-**	**1**	**11,672**
	97,588	**(15,159)**	**27,065**	**(14)**	**109,480**

5. CASH AND CASH EQUIVALENTS (continued)

	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

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	**2022 $'000**	2021 $'000
CURRENT			
Trade receivables		**284,776**	225,861
Less allowance account for expected credit losses		**(2,226)**	(2,504)
		282,550	223,357
Other debtors		**90,007**	96,181
Less allowance account for expected credit losses		**(570)**	(890)
		89,437	95,291
		371,987	318,648
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:

	2022	2021
Balance at the beginning of the year	2,504	3,581
Release in ECL	**(278)**	(1,077)
Balance at the end of the year	**2,226**	2,504

Recognition and measurement

Trade receivables

Refer to accounting policies of financial assets in note 33.

6. TRADE AND OTHER RECEIVABLES (continued)

Other debtors

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

7. CONTRACT ASSETS

	2022 $'000	2021 $'000
CURRENT		
Contract assets	**23,773**	59,685

Contract assets are net of expected credit losses of $154,818 (2021: $275,803).

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.

8. INVENTORIES

	2022 $'000	2021 $'000
Raw materials and consumables	**3,220**	3,600

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 2022							
Net carrying amount at 1 July 2021	14,811	15,395	37,456	48,674	46,173	382	162,891
Additions	**-**	**154**	**6,752**	**26,128**	**937**	**-**	**33,971**
Additions from business combination	**515**	**855**	**842**	**-**	**-**	**-**	**2,212**
Assets transferred	**-**	**-**	**5,981**	**(5,981)**	**-**	**-**	**-**
Disposals	-	**-**	**(3,804)**	**(108)**	**(54)**	**(12)**	**(3,978)**
Depreciation charge	-	**(847)**	**(12,311)**	**(11,365)**	**(8,270)**	**(304)**	**(33,097)**
Exchange differences	-	**34**	**(363)**	**(69)**	**294**	**9**	**(95)**
Net carrying amount at 30 June 2022	**15,326**	**15,591**	**34,553**	**57,279**	**39,080**	**75**	**161,904**
At 30 June 2022							
Gross carrying amount – at cost	**15,326**	**28,822**	**149,918**	**79,628**	**59,305**	**1,399**	**334,398**
Accumulated depreciation	**-**	**(13,231)**	**(115,365)**	**(22,349)**	**(20,225)**	**(1,324)**	**(172,494)**
Net carrying amount	**15,326**	**15,591**	**34,553**	**57,279**	**39,080**	**75**	**161,904**

9. PROPERTY, PLANT AND EQUIPMENT (continued)

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

				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)

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 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 2022			
At 1 July 2021	-	3,917	3,917
Amortisation	-	-	-
On business combination	-	**1,085**	**1,085**
Exchange differences	-	**(100)**	**(100)**
At 30 June 2022	-	**4,902**	**4,902**
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

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 RTW 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. 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. On 12 July 2021, the Group acquired RTW business for a purchase price consideration of $2,950,000 which resulted in goodwill of $1,085,057.

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. INVESTMENT 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. INVESTMENT IN JOINT VENTURES (continued)

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

	2022 $'000	2021 $'000
Group's share of net assets of joint ventures	**11,181**	11,904
Group's share of profit after tax from continuing operations	**652**	3,006
Group's share of profit and total comprehensive income	**652**	3,006

Commitments and contingent liabilities relating to Joint Ventures

The Group's share of insurance bond guarantees issued by Joint Ventures at 30 June 2022 was $45,604,100 (2021: $52,716,995).

Joint ventures had no capital commitments at 30 June 2022 (2021: $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.

12. OTHER NON-CURRENT ASSETS

	2022 $'000	2021 $'000
Other non-current assets	**3,440**	3,259

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

	2022 $'000	2021 $'000
CURRENT		
Trade payables	**123,451**	119,652
Contract liabilities	**12,539**	22,617
Sundry creditors and accruals	**32,696**	25,848
	168,686	168,117

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

	2022 $'000	2021 $'000
CURRENT		
Loan – secured	**10,901**	900
NON-CURRENT		
Loan – secured	**771**	-

Terms and conditions

Interest bearing loans and borrowings includes property loans and a $8,900,000 working capital facility secured against Buildtek's trade receivables.

Defaults and breaches

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

14. INTEREST BEARING LOANS AND BORROWINGS (continued)

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

	2022 $'000	2021 $'000
CURRENT		
Hire purchase lease liabilities	**17,922**	14,091
Other lease liabilities	**8,045**	7,887
	25,967	21,978
NON-CURRENT		
Hire purchase lease liabilities	**29,180**	24,936
Other lease liabilities	**42,661**	49,774
	71,841	74,710
Carrying amount at the beginning of the financial year	96,688	88,369
Additions	**27,065**	26,895
Accretion of interest	**3,288**	2,987
Payments	**(29,218)**	(20,965)
Other	**(15)**	(598)
Carrying amount at the end of the financial year	**97,808**	96,688

Terms and conditions

Hire purchase agreements have an average term of three years. The average discount rate implicit in the hire purchase liability is 2.8% (2021: 2.9%).

Other lease liabilities have an average term of 1.3 years. The average discount rate implicit in the other lease liability is 4.6% (2021: 3.8%).

The Group has total cash outflows for leases during 30 June 2022 of $11,152,000 (2021: $8,486,075)

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

15. LEASE LIABILITIES (continued)

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 lease 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.

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.

15. LEASE LIABILITIES (continued)

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

	2022 $'000	2021 $'000
CURRENT		
Employee benefits	**60,952**	63,555
Workers' compensation	**13,036**	11,938
Other	**3,232**	1,523
	77,220	77,016
NON-CURRENT		
Employee benefits – long service leave	**5,832**	5,145
Other	**-**	1,376
	5,832	6,521

Movements in provisions

	2022	2021
Workers compensation		
Carrying amount at the beginning of the year	**11,938**	9,349
Additional provision	**11,951**	11,285
Amounts utilised during the year	**(10,853)**	(8,696)
Carrying amount at the end of the financial year	**13,036**	11,938

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 obligations.

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.

16. PROVISIONS (continued)

Employee benefits

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

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

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

Workers' compensation

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

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"). The Group had an option (put/call) to acquire 25% of the share capital of Buildtek and MAQ Rent from the Minority Interest owner.

On 20 August 2021, the Group exercised its option to purchase an additional 15% of the share capital of Buildtek and MAQ Rent increasing its share to 90%.

The Group retained its option to acquire the remaining 10% of the shares on issue of Buildtek and MAQ Rent in three years' time. Similarly, the existing holders of the remaining 10% 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.

17. OTHER FINANCIAL LIABILITY (continued)

The financial liability was initially measured at fair value, being the present value of the estimated amount payable at the end of the option period. The amount payable will be determined based on a multiple of the average annual earnings for the three years ending 31 December 2025.

At 30 June 2022, the financial liability associated with the option held by the minority shareholders was $3,206,357 (2021: $10,150,590).

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 2022, the Group is in a net cash position of $124,555,000 (2021: $135,781,000) and has a debt to equity ratio of 14.3% (2021: 10.1%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2022, management paid dividends of $42,762,000 (2021: $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

	2022 $'000	2021 $'000
Declared and paid during the year		
Current year interim		
Interim franked dividend for 2022 (24 cents per share) (2021: 24 cents per share)	**22,829**	22,724
Previous year final		
Final franked dividend for 2021 (21 cents per share) (2020: 13 cents per share)	**19,933**	12,303
Unrecognised amounts		
Current year final		
Final franked dividend for 2022 (25 cents per share) (2021: 21 cents per share)	**23,834**	19,933
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	**39,101**	44,961
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	**(10,215)**	(8,543)
	28,886	36,418

19. DIVIDENDS PAID AND PROPOSED (continued)

Tax rates

The tax rate at which paid dividends have been franked is 30% (2021: 30%). Dividends payable will be franked at the rate of 30% (2021: 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.

20. CONTRIBUTED EQUITY

	2022 $'000	2021 $'000
Ordinary shares – Issued and fully paid	**136,096**	132,608

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.

	2022		2021	
	Number of Shares	**$'000**	Number of Shares	$'000
Beginning of the financial year	94,761,152	132,608	94,489,833	132,576
Transfer from reserved shares	-	-	-	(1,269)
Dividend reinvestment plan	**345,997**	**3,488**	119,673	1,301
Exercise of performance rights	**155,556**	**-**	151,646	-
End of the financial year	**95,262,705**	**136,096**	94,761,152	132,608

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.

21. RESERVES AND RETAINED EARNINGS

	2022 $'000	2021 $'000
Foreign currency translation reserve	**(3,137)**	(1,956)
Share-based payment reserve	**42,766**	37,337
Fair value reserve for financial assets	**1,264**	1,137
Equity reserve	**(6,359)**	(5,651)
	34,534	30,867
Retained earnings	**241,554**	232,097

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 10% (2021: 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 2022	2021
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[2]	Australia	**100**	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 RTW Pty Ltd*	Australia	**100**	-
MMW Projects Pty Ltd*	Australia	**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**	100
Monadelphous Singapore Pte Ltd	Singapore	**100**	100
Monadelphous Mongolia LLC	Mongolia	**100**	100
Monadelphous Inc.	USA	**100**	100
Monadelphous Marcellus LLC[1]	USA	**-**	100
Monadelphous Engineering NZ Pty Ltd	New Zealand	**100**	100
Monadelphous Chile SpA	Chile	**100**	100
MAQ Rent SpA (Note 17)	Chile	**90**	75
Buildtek SpA (Note 17)	Chile	**90**	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.
[1] Deregistered during the year
[2] Remaining 30% acquired during the year

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 (2021: none).

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 2022 %	2021 %
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

During the period, Monadelphous established an unincorporated joint venture, Alevro, to provide turnkey heavy lift solutions.

Commitments and contingent liabilities relating to joint operations

There were no capital commitments or contingent liabilities relating to the joint operations at 30 June 2022 (2021: $nil).

Impairment

There were no assets employed in the joint operations during the year ended 30 June 2022 (2021: $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	2022 $'000	2021 $'000
Financial assets/liabilities			
Cash and cash equivalents	5	**183,329**	175,708
Loan – secured	14	**(10,013)**	(900)
Net exposure		**173,316**	174,808

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 2022, 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 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 2022, the Group had no forward contracts (2021: nil).

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 2022, the Group had the following exposure to foreign currency:

Year ended 30 June 2022	**PGK AUD$'000**	**USD AUD$'000**
Financial assets		
Cash and cash equivalents	**28,666**	**5,844**
Trade and other receivables	**18,404**	**7,512**
Financial liabilities		
Trade and other payables	**(3,189)**	**(623)**
Net Exposure	**43,881**	**12,733**

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

At 30 June 2022, reasonably possible movements in USD foreign exchange rates, based on a review of historical movements, would not have had a material impact on the Group (2021: no material impact).

At 30 June 2022, if the PGK foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements relating to financial assets and liabilities denominated in PGK:	**Post Tax Profit Higher/(Lower)**		**Other Comprehensive Income Higher/(Lower)**	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
+5% (2021: +5%)	**(1,535)**	**(446)**	**-**	-
-5% (2021: -5%)	**1,535**	**446**	**-**	-

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 $579,089,000 at 30 June 2022 (2021: $554,041,000).

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.

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 2022							
Expected credit loss rate	0.6%	0.6%	0.6%	0.6%	0.6%	17.0%	
Total estimated gross carrying amount at default	**23,928**	**236,840**	**36,095**	**4,927**	**3,335**	**3,579**	**284,776**
Expected credit loss	**155**	**1,349**	**218**	**30**	**21**	**608**	**2,226**

		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

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	**2022 $'000**	2021 $'000
At balance date the following financing facilities had been negotiated and were available		
Total facilities:		
- Bank guarantee and performance bonds	**390,000**	440,000
- Revolving credit	**121,230**	102,648
	511,230	542,648
Facilities used at balance date:		
- Bank guarantee and performance bonds	**140,370**	218,331
- Revolving credit	**58,774**	39,927
	199,144	258,258
Facilities unused at balance date:		
- Bank guarantee and performance bonds	**249,630**	221,669
- Revolving credit	**62,456**	62,721
	312,086	284,390

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 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 2022.

Maturity analysis of financial liabilities:

Year ended 30 June 2022	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	**168,686**	**-**	**-**	**-**	**168,686**	**168,686**
Hire purchase liability	**9,019**	**10,256**	**30,202**	**-**	**49,477**	**47,102**
Other lease liabilities	**4,898**	**4,434**	**30,576**	**15,546**	**55,454**	**50,706**
Bank loans	**184**	**10,801**	**794**	**-**	**11,779**	**11,672**
Other financial liability	**-**	**-**	**3,577**	**-**	**3,577**	**3,206**
Net maturity	**182,787**	**25,491**	**65,149**	**15,546**	**288,973**	**281,372**

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

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 2022 or 30 June 2021.

25. COMMITMENTS AND CONTINGENCIES

Capital commitments

The consolidated group has capital commitments of $5,066,769 at 30 June 2022 (2021: $8,988,277).

Guarantees

	2022 **$'000**	2021 $'000
Guarantees given to various clients for satisfactory contract performance	**140,370**	218,331

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

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

26. SUBSEQUENT EVENTS

Dividends declared

On 22 August 2022, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2022 financial year. The total amount of the dividend is $23,834,482 which represents a fully franked final dividend of 25 cents per share. This dividend has not been provided for in the 30 June 2022 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

27. PARENT ENTITY INFORMATION

	Notes	**2022 $'000**	2021 $'000
Information relating to Monadelphous Group Limited parent entity			
Current assets		**121,851**	127,283
Total assets		**253,369**	929,001
Current liabilities		**-**	(670,348)
Total liabilities		**(30,293)**	(728,926)
Net assets		**223,076**	200,075
Contributed equity		**136,096**	132,608
Share-based payment reserve		**41,578**	35,335
Fair value reserve for financial asset at FVOCI		**1,264**	1,137
Retained earnings		**44,138**	30,995
Total equity		**223,076**	200,075
Profit after tax		**49,714**	38,727
Total comprehensive income of the parent entity		**50,218**	38,727
Contingent liabilities			
Guarantees	25	**140,370**	218,331

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 2022 (2021: $nil).

28. SHARE BASED PAYMENT EXPENSE

The share-based payment expense for the year ended 30 June 2022 was $5,234,640 (2021: $2,537,803) for the consolidated entity.

Performance Rights

No performance rights were granted during the year ended 30 June 2022 and 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.

	2022		2021	
	Number of Performance Rights	**Weighted Average Exercise Price $**	Number of Performance Rights	Weighted Average Exercise Price $
Balance at the beginning of the year	**236,193**	**nil**	406,142	nil
Issued during the year	**-**	**nil**	-	nil
Exercised during the year	**(155,556)**	**nil**	(161,250)	nil
Forfeited during the year	**(5,413)**	**nil**	(8,699)	nil
Balance at the end of the year	**75,224**	**nil**	236,193	nil
Exercisable during the next year	**75,224**	**nil**	155,556	nil

Retention Rights

On 20 December 2021, 1,115,200 retention rights were granted by Monadelphous Group Limited under the 2021 Monadelphous Employee Retention Plan. The retention rights were issued in the form of performance rights and vest into shares in equal instalments, one, two and three years subsequent to award, subject to the employee remaining in the employment of the company at those particular dates.

A further 43,600 retention rights have been offered to the Group's Managing Director, Robert Velletri, with the issue being subject to shareholder approval at the 2022 Annual General Meeting.

The fair value of each retention right issued during the period was estimated on the date of grant using a discounted cash flow calculation. The weighted average fair value of retention rights granted in the period was $8.17.

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

	2022		2021	
	Number of Retention Rights	**Weighted Average Exercise Price $**	Number of Retention Rights	Weighted Average Exercise Price $
Balance at the beginning of the year	**-**	**nil**	-	nil
Issued during the year	**1,115,200**	**nil**	-	nil
Exercised during the year	**-**	**nil**	-	nil
Forfeited during the year	**(28,400)**	**nil**	-	nil
Balance at the end of the year	**1,086,800**	**nil**	-	nil
Exercisable during the next year	**362,202**	**nil**	-	nil

28. SHARE BASED PAYMENT EXPENSE (continued)

Options

In November 2021, 300,000 options, which had been offered to the Company's Managing Director in November 2020, were approved to be granted at the Company's Annual General Meeting at an exercise price of $9.30. 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	5.44%
Volatility	44.0%
Risk-free interest rate	0.21% - 0.95%
Expected life of option	25% - 1 years 25% - 2 years 50% - 3 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.

The resulting weighted average fair values for options outstanding at 30 June 2022 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option at Grant Date
562,500	14/10/2019	14/09/2023	$1.84
562,500	14/10/2019	14/09/2023	$2.10
1,125,000	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
697,500	05/11/2020	14/09/2024	$1.77
697,500	05/11/2020	14/09/2024	$2.04
1,395,000	05/11/2020	14/09/2024	$2.23
75,000	23/11/2021	14/09/2024	$1.23
75,000	23/11/2021	14/09/2024	$1.69
150,000	23/11/2021	14/09/2024	$1.96

28. SHARE BASED PAYMENT EXPENSE (continued)

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

	2022		2021	
	Number of Options	**Weighted Average Exercise Price $**	Number of Options	Weighted Average Exercise Price $
Balance at the beginning of the year	**5,590,000**	**11.92**	2,400,000	14.84
Granted during the year	**300,000**	**9.30**	3,250,000	9.81
Forfeited during the year	**(250,000)**	**11.29**	(60,000)	14.84
Balance at the end of the year	**5,640,000**	**11.80**	5,590,000	11.92
Exercisable during the next year	**2,047,500**	**11.43**	660,000	14.84

No options were exercised during the period. As a result of the EPS performance hurdle not being met, the first tranche of the 2019 award of options did not vest and have been rolled over to be re-tested in the next window period commencing 1 September 2022.

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, the 2021 Monadelphous Group Limited Employee Retention 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.

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. AUDITOR'S REMUNERATION

	2022 **$**	2021 $
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	**375,282**	342,221
• Other services in relation to the entity and any other entity in the consolidated entity		
• tax compliance	**28,200**	49,350
• 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)	**403,482**	514,138
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	**9,174**	11,202
• Other services in relation to the entity and any other entity in the consolidated entity		
• tax compliance	**9,510**	18,457
Total fees to overseas member firms of Ernst & Young	**18,684**	29,659
Total auditor's remuneration	**422,166**	543,797

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

	2022	2021
	$	$
Short term benefits	**4,527,670**	3,833,031
Post-employment	**175,345**	159,270
Long term benefits	**134,970**	13,845
Share-based payments	**989,875**	615,010
Total compensation	**5,827,860**	4,621,156

Zenviron

The Group had sales to the joint venture during the year totalling $3,413,805 (2021: $4,110,085)

Mondium

There were no loans receivable from Mondium at 30 June 2022 (2021: $6,000,000).

The Group had sales to the joint venture during the year totalling $94,357,476 (2021: $102,607,792).

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 2022, the Engineering Construction division contributed revenue of $774.4 million (2021: $979.0 million) and the Maintenance and Industrial Services division contributed revenue of $1,166.0 million (2021: $976.9 million). Included in these amounts is $10.3 million (2021: $2.8 million) of inter-entity revenue and $120.6 million (2021: $199.4 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 26% (2021: 36%) of the Group's revenue. One other customer individually contributed 23% (2021: 11%) of the Group's revenue. There are multiple contracts with these customers, across a number of their subsidiaries and divisions within those subsidiaries and locations.

Geographical Information

	2022 $'000	2021 $'000
Revenue from external customers		
Australia	**1,624,561**	1,631,457
Chile	**97,727**	55,998
Papua New Guinea	**83,289**	47,421
Other overseas locations	**3,874**	18,862
	1,809,451	1,753,738
Total non-current assets		
Australia	**186,759**	207,696
Chile	**14,854**	6,600
Papua New Guinea	**6,647**	3,957
Other overseas locations	**792**	1,173
	209,052	219,426

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:

	2022 $'000	2021 $'000
Consolidated Income Statement and Comprehensive Income		
Profit before income tax	**72,234**	49,299
Income tax expense	**(20,546)**	(17,448)
Net profit after tax for the period	**51,688**	31,851
Reconciliation of Retained Earnings		
Retained earnings at the beginning of the period	198,368	201,544
Dividends paid	**(42,762)**	(35,027)
Net profit after tax for the period	**51,688**	31,851
Retained earnings at the end of the period	**207,294**	198,368
Consolidated Statement of Financial Position		
ASSETS		
Current assets		
Cash and cash equivalents	**118,863**	115,082
Trade and other receivables	**278,894**	287,623
Contract assets	**25,648**	59,685
Total current assets	**423,405**	462,390
Non-current assets		
Investments in subsidiaries	**18,948**	17,345
Property, plant and equipment	**140,191**	152,549
Deferred tax assets	**15,629**	20,723
Intangible assets and goodwill	**3,440**	3,120
Other non-current assets	**4,203**	3,259
Total non-current assets	**182,411**	196,996
TOTAL ASSETS	**605,816**	659,386
LIABILITIES		
Current liabilities		
Trade and other payables	**67,593**	124,531
Interest bearing loans and borrowings	**-**	900
Lease liabilities	**21,708**	20,584
Income tax payable	**15,154**	21,466
Provisions	**46,311**	44,683
Total current liabilities	**150,766**	212,164
Non-current liabilities		
Interest bearing loans and borrowings	**771**	-
Lease liabilities	**64,530**	73,899
Provisions	**5,056**	5,874
Total non-current liabilities	**70,357**	79,773
TOTAL LIABILITIES	**221,123**	291,937
NET ASSETS	**384,693**	367,449
EQUITY		
Contributed equity	**136,096**	132,608
Reserves	**41,303**	36,473
Retained earnings	**207,294**	198,368
TOTAL EQUITY	**384,693**	367,449

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 has adopted all new and amended Australian Standards and Interpretations mandatory for reporting periods beginning on or before 1 July 2021.

Revised Standards and Interpretations which apply from 1 July 2021 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 2022.

Reference	Summary	Application date of standard	Application date for Group
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
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

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 Amendment to AASB 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	Under AASB 9, an existing financial liability that has been modified or exchanged is considered extinguished when the contractual terms of the new liabilities are substantially different, measured by the '10 per cent' test. That is, when the present value of the cash flows under the new terms, including any fees paid or received, is at least 10 per cent different from the present value of the remaining cash flows of the original financial liability. The amendment to AASB 9 clarifies that fees included in the 10 per cent test are limited to fees paid or received between the borrower and the lender, including amounts paid or received by them on the other's behalf. When assessing the significance of any difference between the new and old contractual terms, only the changes in contractual cash flows between the lender and borrower are relevant. Consequently, fees incurred on the modification or exchange of a financial liability paid to third parties are excluded from the 10 per cent test.	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 2025	1 July 2025
AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	AASB 112 Income Taxes requires entities to account for income tax consequences when economic transactions take place, and not at the time when income tax payments or recoveries are made. Accounting for such tax consequences, means entities need to consider the differences between tax rules and accounting standards. These differences could either be: • Permanent – e.g., when tax rules do not allow a certain expense to ever be deducted Or • Temporary – e.g., when tax rules treat an item of income as taxable in a period later than when included in the accounting profit Deferred taxes representing amounts of income tax payable or recoverable in the future must be recognised on temporary differences unless prohibited by AASB 112 in certain circumstances. One of these circumstances, known as the initial recognition exception, applies when a transaction affects neither accounting profit nor taxable profit, and is not a business combination. Views differ about applying this exception to transactions that, on initial recognition, create both an asset and liability (and could give rise to equal amounts of taxable and deductible temporary differences) such as: • Recognising a right-of-use asset and a lease liability when commencing a lease • Recognising decommissioning, restoration and similar liabilities with corresponding amounts included in the cost of the related asset Some entities have previously recognised deferred tax consequences for these types of transactions, having concluded that they did not qualify for the initial recognition exception. The amendments to AASB 112 clarify that the exception would not normally apply. That is, the scope of this exception has been narrowed such that it no longer applies to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments apply from the beginning of the earliest comparative period presented to: • All transactions occurring on or after that date • Deferred tax balances, arising from leases and decommissioning, restoration and similar liabilities, existing at that date The cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.	1 January 2023	1 July 2023

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 2020-1 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