Monadelphous

ANNUAL REPORT / 2016

TOGETHER WE DELIVER

TOGETHER WE GROW

OUR PURPOSE: TO BUILD, MAINTAIN AND IMPROVE OUR CUSTOMERS' OPERATIONS THROUGH THE RELIABLE DELIVERY OF SAFE, COST EFFECTIVE AND CUSTOMER-FOCUSED SOLUTIONS.

OUR VISION

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

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

OUR COMPETITIVE ADVANTAGE

We deliver what we promise.

OUR VALUES

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

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

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

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

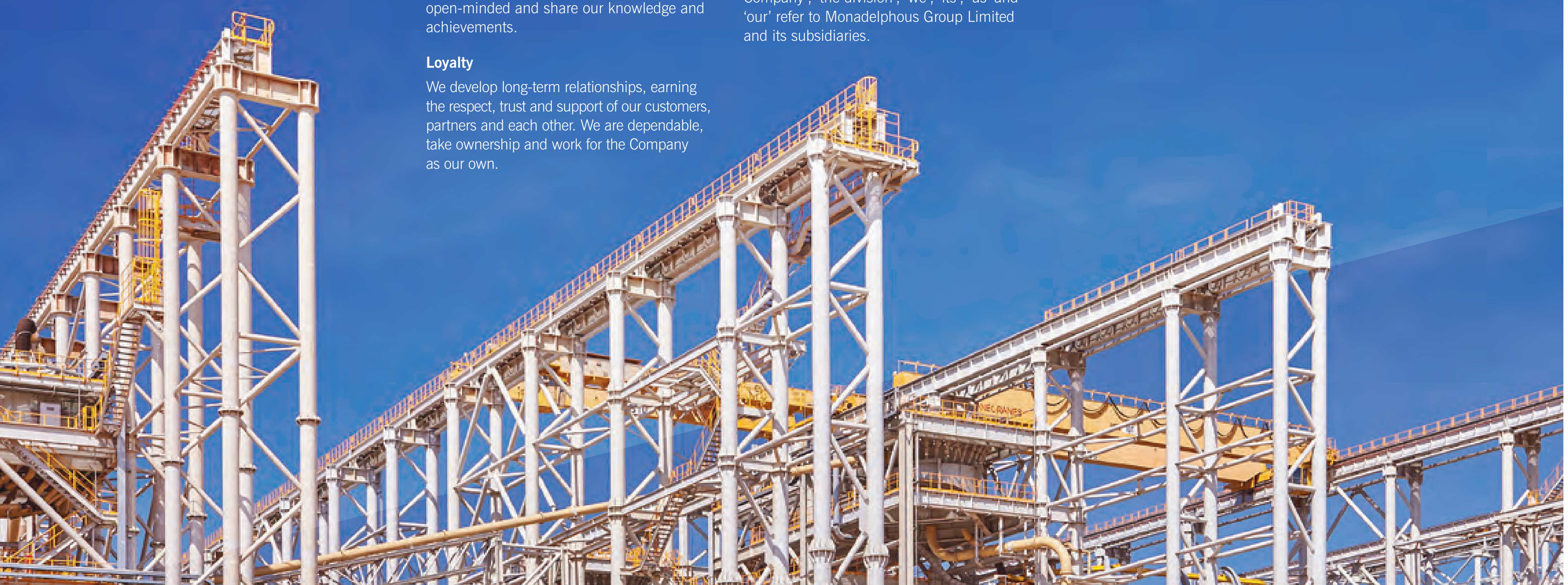
Loyalty
We develop long-term relationships, earning the respect, trust and support of our customers, partners and each other. We are dependable, take ownership and work for the Company as our own.

ABOUT THIS REPORT

The purpose of this Annual Report is to provide Monadelphous' stakeholders, including shareholders, customers, employees, suppliers and the wider community, with information about the Company's performance during the 2016 financial year.

References in this Report to 'the year', 'the reporting period' and 'the period' relate to the financial year 1 July 2015 to 30 June 2016, unless otherwise stated. All dollar figures are expressed in Australian currency, unless otherwise stated.

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



COVER IMAGES

Top Overlooking the LPG jetty head and jetty at the Inpex-led Ichthys Project Onshore LNG Facilities, Darwin, Northern Territory.

Left Middle Oil Search Limited's Central Production Facility, Southern Highlands Province, Papua New Guinea.

Right Middle Monadelphous employees working at the Inpex-led Ichthys Project Onshore LNG Facilities, Darwin, Northern Territory.

Left Bottom Monadelphous employees at the QGC plant, Curtis Island, Queensland.

Right Bottom Overlooking the Final Settlement Tank and Bio-Reactors Upgrade at Oxley Creek Sewage Treatment Plant, Rocklea, Queensland.

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ANNUAL GENERAL MEETING Shareholders are advised that the Monadelphous Group Limited 2016 Annual General Meeting (AGM) will be held at The University Club, University of Western Australia, Crawley, Western Australia, on Tuesday, 22 November 2016 at 10am (AWST).

IMAGE Line 6 structural steel installed at CITIC Pacific Mining's Sino Iron Project, Cape Preston, Western Australia.

ABOUT MONADELPHOUS

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

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

OUR HISTORY

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

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

In the late 1980s, a major restructure of the Company took place with the business refocused on maintenance and construction services in the resources industry. Monadelphous' shares were relisted on the main board of the stock exchange during the 1990 financial year and the Company established the foundation for sustained growth with a new management team.

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

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

OUR OPERATIONS

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

Engineering Construction

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

Maintenance and Industrial Services

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

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

IMAGES

Top Overlooking Line 6 production line at CITIC Pacific Mining's Sino Iron Project, Cape Preston, Western Australia.

Above Monadelphous employees walk along the Train 1 propane rack fin fan level at the QGC plant, Curtis Island, Queensland.

Left Monadelphous employees working together at the Perth head office.

OUR SERVICES AND LOCATIONS

	ENGINEERING CONSTRUCTION	COMMODITY	LOCATION
1	Ashburton Lyndhurst Irrigation Scheme – Stage 2	Water	Methven, NZ
2	Australia Pacific LNG – Wellhead Separator Skids	Oil and Gas	Surat Basin
3	Barrhill Chertsey Irrigation Scheme – Stage 2	Water	Methven, NZ
4	CITIC Pacific Mining – Sino Iron Project	Iron Ore	Cape Preston
5	JKC – Ichthys Project Onshore LNG Facilities – Onshore Gas Export Pipeline construction	Oil and Gas	Darwin
6	JKC – Ichthys Project Onshore LNG Facilities – Mechanical Works – utility and offsite	Oil and Gas	Darwin
7	Nyrstar – Port Pirie Smelter structural, mechanical and piping works	Lead	Port Pirie
8	Queensland Urban Utilities – Oxley Creek Sewage Treatment Plant	Water	Brisbane
9	South Australian Water Corporation (SA Water) – General maintenance contract	Water	Adelaide
10	Sydney Water Corporation – Network delivery management, delivery contractor panel for facilities and networks	Water	Sydney

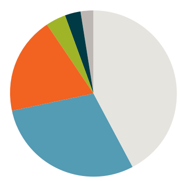
	MAINTENANCE AND INDUSTRIAL SERVICES	COMMODITY	LOCATION
1	BHP Billiton Iron Ore – Sustaining Capital Works	Iron Ore	Pilbara
2	BHP Billiton – Maintenance and Turnaround	Copper, Uranium, Gold	Olympic Dam
3	BHP Billiton Nickel West – Maintenance and Turnaround	Nickel	Kalgoorlie, Leinster, Mt Keith
4	BHP Billiton Mitsubishi Alliance Blackwater Mine – Dragline 39 Shutdowns (Mechanical and Structural)	Coal	Bowen Basin
5	Boyne Smelters – Maintenance	Aluminium	Gladstone
6	BP – Turnarounds and Capital Projects	Oil and Gas	Kwinana
7	Chevron Australia – Facilities Maintenance	Oil and Gas	Barrow Island
8	Gladstone Ports Corporation – Maintenance Management	Coal	Gladstone
9	Oil Search Limited – Field Construction Services	Oil and Gas	Southern Highlands, PNG
10	Queensland Alumina Limited – Maintenance and Turnaround	Alumina	Gladstone
11	QGC Operations Pty Ltd, a member of the Shell Group – QGC Plant	Oil and Gas	Curtis Island
12	Rio Tinto Alcan Yarwun – Maintenance	Alumina	Gladstone
13	Rio Tinto Coal – Maintenance and Turnaround	Coal	Hunter Valley
14	Rio Tinto Iron Ore – Maintenance and Turnaround	Iron Ore	Pilbara
15	Rio Tinto – Sustaining Capital Works	Iron Ore	Pilbara
16	Shell Australia – Maintenance and Turnaround services on Prelude FLNG facility	Oil and Gas	Offshore North West WA
17	South32 – Worsley Alumina Refinery	Alumina	Collie
18	Synergy – Collie Basin Coal Infrastructure (CBCI)	Power	Collie
19	Tronox KMK – Cogeneration Plant Works	Power	Kwinana
20	Whitehaven Coal Mining – Maintenance	Coal	Gunnedah
21	Woodside Energy – Maintenance and Turnarounds	Oil and Gas	Karratha
22	Woodside Energy – Karratha Gas Plant Life Extension Program	Oil and Gas	Karratha

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

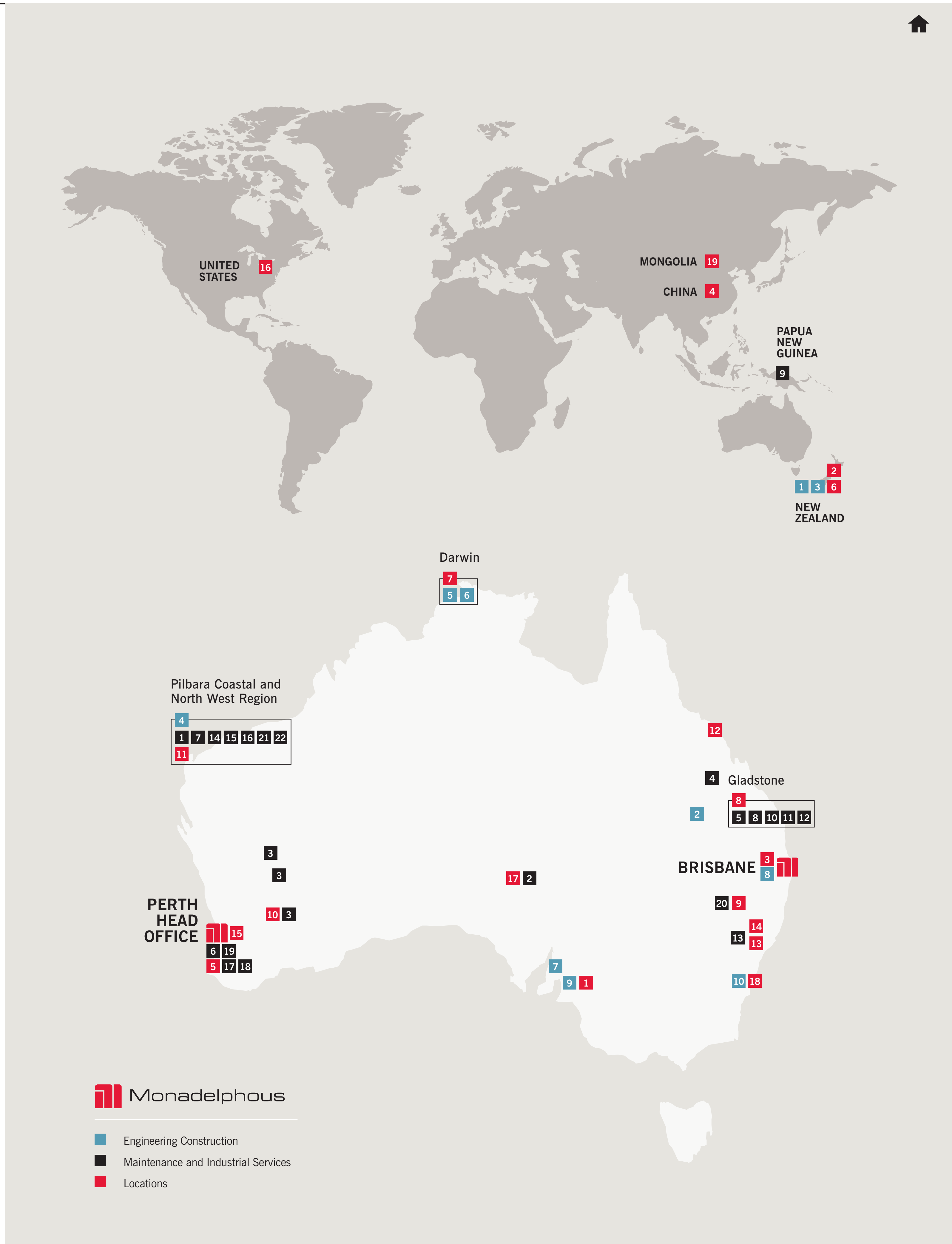
	LOCATIONS
1	Adelaide
2	Auckland, New Zealand
3	Brisbane
4	Beijing, China
5	Bunbury
6	Christchurch, New Zealand
7	Darwin
8	Gladstone
9	Gunnedah
10	Kalgoorlie
11	Karratha
12	Mackay
13	Mt Thorley
14	Muswellbrook
15	Perth
16	Pittsburgh, United States
17	Roxby Downs
18	Sydney
19	Ulaanbaatar, Mongolia

Work in Western Australia continued to dominate the Company's revenue in 2016, followed by the Northern Territory.

GEOGRAPHY



WA	42.3%
NT	29.6%
QLD	18.9%
Overseas	3.7%
NSW	3.1%
SA	2.4%



2015/16 HIGHLIGHTS

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

2015

Jul 2015 Awarded Australia Pacific LNG wellhead separator skid supply contract

Record safety performance achieved with total case injury frequency rate (TCIFR) of 2.45

Nov 2015 Secured Shell Prelude FLNG maintenance contract

Nov 2015 Launched innovation management platform, known as MProve

Dec 2015 MGJV secured contract for Woodside-operated Karratha Gas Plant Life Extension Program

2016

Jan 2016 Monaro LLC opened its office in the United States

Apr 2016 SinoStruct secured its first US supply contract

OVER $1 BILLION IN NEW CONTRACT AWARDS AND EXTENSIONS

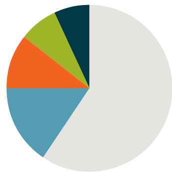
PERFORMANCE AT A GLANCE

Sales revenue for the year was $1.36 billion. This result reflected lower demand for engineering construction as customers in the resources and energy sectors continued to reduce capital expenditure and minimise operating costs.

IMAGE

Overlooking CITIC Pacific Mining's Sino Iron Project, Cape Preston, Western Australia.

END CUSTOMER



Oil and Gas	59.6%
Iron Ore	15.4%
Other Minerals	10.8%
Coal	7.4%
Infrastructure	6.8%

SUMMARY OF 2016 PERFORMANCE

A satisfactory financial result was achieved in challenging business conditions. A number of major construction contracts were completed during the period and competition was high for a limited pipeline of new work. The Company achieved another record safety performance and secured several new long-term maintenance contracts. Project execution and delivery was strong and a continued focus was maintained on productivity improvement and further cost reduction.

Financial

- Sales revenue of $1.36 billion
- NPAT of $67.0 million, EBITDA of $113.6 million
- EPS of 71.8 cents, DPS of 60.0 cents fully franked
- Cashflow from operations of $78.0 million; conversion rate of 83 per cent

Operations

- Slowing construction activity
- $1.1 billion of new contracts and contract extensions
- Continued diversification into new services and markets
- Well-placed to secure new maintenance opportunities

Markets and Growth

- Secured three new long-term LNG service contracts
- Strengthened presence in the infrastructure market
- Secured first contract in the United States
- Actively pursued new alliances and partnerships

Safety and Wellbeing

- Record low-incident safety performance
- TCIFR improvement of 22 per cent to 2.45 incidents per million man-hours worked
- Developed and implemented safety innovations that increased productivity

People and Culture

- 4,438 people at year-end
- Consolidated support and service functions
- Maintained high key talent retention rates

The financial information contained in this section should be read in conjunction with the Financial Statements and accompanying notes. Financial Statements are prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards Board and other relevant standards, as outlined on page 60.

SALES REVENUE ($M)

2016	**1,364.7**
2015	1,865.0
2014	2,329.6
2013	2,614.1
2012	1,897.5

NET CASH AT 30 JUNE ($M)

2016	**186.0**
2015	186.6
2014	180.8
2013	140.2
2012	152.9

EBITDA ($M)

2016	**113.6**
2015	168.0
2014	231.6
2013	251.6
2012	219.9

EARNINGS PER SHARE* (C)

2016	**71.8**
2015	113.9
2014	159.1
2013	173.0
2012	155.2

NET PROFIT AFTER TAX* ($M)

2016	**67.0**
2015	105.8
2014	146.5
2013	156.3
2012	137.3

DIVIDENDS PER SHARE (C)

2016	**60.0**
2015	92.0
2014	123.0
2013	137.0
2012	125.0

OPERATING CASH FLOW ($M)

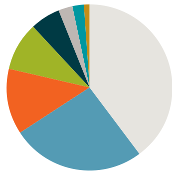
2016	**78.0**
2015	117.8
2014	117.6
2013	113.2
2012	138.6

EMPLOYEE NUMBERS

2016	**4,438**
2015	4,536
2014	5,321
2013	7,067
2012	5,812

*Attributable to equity holders of Monadelphous Group

SERVICE MARKET



SMP*	39.9%
SMP* & E&I**	26.0%
O&M***	12.8%
Pipelines	9.4%
Water	5.9%
Fabrication	2.7%
Marine	2.3%
E&I**	1.0%

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

MARKETS AND GROWTH STRATEGY

We aim to maximise growth and returns from our core markets of resources and energy, to broaden our services in those core markets, to expand our presence in infrastructure and to extend core services to overseas locations.

MAXIMISE OUR POSITION IN CORE MARKETS

PROGRESS

- New oil and gas maintenance contracts secured, several renewed
- Awarded facilities maintenance services contract associated with the Barrow Island assets operated by Chevron Australia
- Successful execution and delivery of existing contracts

PRIORITIES

- Maintain cost competitiveness
- Drive innovation program
- Retain and grow existing contracts through relationships and innovative service solutions

ENTER NEW SERVICES MARKETS

PROGRESS

- Secured Shell Australia's Prelude FLNG services
- Irrigation contract secured through Monadelphous Water Infrastructure
- Broadened maintenance services with access solutions, surface treatment, dewatering and industrial pipelines capability
- Entered the renewable energy market

PRIORITIES

- Establish engineer, procure and construct (EPC) solutions for resources sector
- Expand presence in new infrastructure sectors
- Secure opportunities in the renewable energy market
- Expand industrial services

EXPAND CORE SERVICES IN OVERSEAS MARKETS

PROGRESS

- Monaro LLC established in the United States (US)
- SinoStruct secured first US order
- Active bidding in Mongolia

PRIORITIES

- Grow New Zealand water infrastructure business
- Monaro to secure and execute construction projects
- Convert overseas supply opportunities for SinoStruct
- Secure package on Oyu Tolgoi

IMAGES

Top A Monadelphous employee erecting scaffold for jetty maintenance at the Gorgon Project, Barrow Island, Western Australia.

Middle Monadelphous Rope Access Technicians conducting hopper lining repairs at CITIC Pacific Mining's Sino Iron Project, Cape Preston, Western Australia.

Bottom Pipe laying activities underway for Ashburton Lyndhurst Irrigation Scheme (ALIS), South Island, New Zealand.

CHAIRMAN'S REPORT

In spite of challenging operating conditions, the Company made solid progress on its market growth and diversification strategy, ending the year in a strong financial position.

It is with pleasure that I present the 2016 Monadelphous Group Limited Annual Report. The Company performed well during the period despite a challenging operating environment.

Sales revenue for the year was $1.36 billion, down 26.8 per cent on the previous corresponding period, as demand for engineering construction work continued to decline. Customers in the resources and energy sectors continued to reduce capital expenditure and minimise operating costs.

Net profit after tax attributable to equity holders of the parent (NPAT) was $67 million. Margins remained under pressure with falling construction activity, a surplus capacity of service providers and a continued focus by customers on cost savings. Earnings before interest, tax, depreciation and amortisation (EBITDA) was $113.6 million.

Earnings per share (EPS) was 71.8 cents. The Board of Directors is pleased to announce a final dividend of 32 cents per share fully franked. This takes the full-year dividend to 60 cents per share fully franked. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the final dividend.

The Company's balance sheet remained strong with a net cash position of $186 million at 30 June, and cash flow from operations of $78 million for the year.

Monadelphous achieved another record safety performance, reinforcing its reputation as an industry leader in health and safety management.

The total workforce decreased to 4,438, with a noticeable shift in employment numbers from construction to maintenance. Monadelphous' commitment to Indigenous engagement continued. A number of successful outcomes were achieved in the period, including improved retention rates and a stronger emphasis on Indigenous subcontracting and supply chain involvement.

During the year, Monadelphous successfully capitalised on a number of opportunities in core markets and progressed its strategy to expand into infrastructure and extend core services to overseas markets. More than $800 million of new contracts awarded during the year were in oil and gas, highlighting the success of the Company's long-term strategy to position itself as a leading construction and maintenance provider to the energy sector.

Industrial services were extended to include a number of alternative access solutions and services associated with mine pit dewatering, tailings and slurry transfer. The Maintenance and Industrial Services division also strengthened its position in the upstream coal seam gas market, securing panel service contracts for sustaining capital works.

In newer markets, the award of an additional irrigation contract during the year reinforces our infrastructure service expansion, and continues to provide additional opportunities, particularly in the growing New Zealand market. Infrastructure services is a key growth area for Monadelphous, driven by geographic and service expansion opportunities in our existing water infrastructure business and diversification into new sectors within the infrastructure sector.

The Company reached another milestone with the establishment of Zenviron, a joint venture with renewable energy specialist ZEM Energy. Zenviron will provide engineering, procurement and construction services to the renewable energy sector in Australia and New Zealand.

Overseas, Monadelphous finalised a partnership agreement with Mascaro Construction, a Pittsburgh-based civil contractor, to establish Monaro LLC, in the United States (US). The joint venture company opened an office in January 2016 and was recently awarded its first contract. Whilst activity in the US energy sector has declined due to low commodity prices, Monaro is well-positioned to pursue future opportunities in its target market.

Monadelphous remains committed to advancing its markets and growth strategy and diversification of revenue sources. This will be achieved by leveraging its multidisciplinary services and capabilities, broadening the range of industrial services provided to customers and entering new markets both domestically and overseas.

In this challenging environment, the Company remains focused on productivity and initiatives to protect margins and improve sustainability.

Importantly, a strong balance sheet provides Monadelphous with substantial capacity to pursue investment opportunities to advance its long-term market growth strategy.

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

John Rubino
Chairman

MANAGING DIRECTOR'S REPORT

Monadelphous' strong track record, diverse capability and broad market coverage has enabled it to successfully capitalise on a number of strategic opportunities during the year.

New contracts and contract extensions valued at approximately $1.1 billion were secured during the year across a broad range of industries, building upon our long-term relationships with key customers in our core markets.

Major contracts secured included a long-term maintenance and modification services contract associated with Shell Australia's Prelude Floating Liquefied Natural Gas (FLNG) Project, a new three-year facilities maintenance services contract associated with the Barrow Island assets operated by Chevron Australia, and a new contract in joint venture with Giovenco Industries for services on the Woodside-operated Karratha Gas Plant Life Extension Program. The contract with Shell Australia is of significant strategic importance to Monadelphous and positions the Company as a major service provider of FLNG services.

A 22 per cent improvement in the record total case injury frequency rate (TCIFR) to 2.45 incidents per million man-hours worked was achieved during the period. The lost time injury frequency rate (LTIFR) was steady at 0.09 incidents per million man-hours worked, with only one incident recorded in the 12 months. Our emphasis on supervisor safety leadership, culture and behaviour remained a priority and underpins the Company's continuous improvement in this area.

Monadelphous continued to face the challenges posed by ongoing weak market conditions in the resources and energy sectors. Investment in resources and oil and gas in Australia declined as customers reduced capital expenditure and focused on minimising operating costs and improving the functional efficiency of existing assets.

Monadelphous worked closely with customers to deliver productivity improvements within their operations. Weaker resource prices over the past few years has led to severe cost pressures for many customers.

Group revenues were impacted by the decline in engineering construction activity, project delays and a significantly reduced pipeline of new major project work. Moderate increases in maintenance service activity levels were offset by reduced pricing in a highly competitive environment.

Key initiatives implemented during the year included the consolidation and centralisation of a number of service and support functions, alignment of the business structure to current market conditions, subleasing of surplus premises, negotiation of improved supply arrangements, disposal of excess plant and equipment and improvements to project management methodologies and innovative project delivery practices.

During the year a review was also undertaken of the Company's organisational structure to ensure alignment with strategy and better position Monadelphous to deliver its strategic vision for growth and diversification. An evaluation of the Company's support structure also commenced with the aim of improving the efficiency in delivery of business and project services and supporting a more global business.

There was a slight decrease in the Company's total workforce at 30 June 2016, reflecting increased numbers of employees in Maintenance and Industrial Services, offset by reductions within our construction workforce.

The Monadelphous Registered Training Organisation continued to service Monadelphous' employee pre-mobilisation requirements for both Australia and Papua New Guinea, delivering more than 1,650 courses during the year.

Learning and development initiatives were enhanced with the establishment of a new leadership program in collaboration with the University of Western Australia and the Australian Institute of Management. The program for senior leaders is designed to enhance capability and ensure sustainability through leadership, self-awareness and innovative thinking.

The highly sought after Graduate Development Program received more than 1,300 applications for the 2016 intake, across Australia and New Zealand. The program continues to provide valuable new talent for the business.

ENGINEERING CONSTRUCTION

The Engineering Construction division reported sales revenue of $757.6 million.

Slowing demand for construction work by customers in the resources and energy sectors and the completion of a number of major projects, continued to impact sales revenues. Construction activity declined due to project delays and a significantly reduced pipeline of new work as customers delayed expansion plans and shelved new major investment decisions. The division remained focused on new markets and overseas opportunities.

Construction activity at the Inpex-led Ichthys Project Onshore LNG Facilities in Darwin was a major highlight of the year. The utility and offsite area works contract reached a peak manning level in excess of 900 employees during the period and has an excellent safety record. Works have been successfully executed and were approximately 60 per cent complete at year end. The project is expected to reach practical completion during the 2017 financial year.

Key contracts successfully completed during the year included the CITIC Pacific Mining Sino Iron Project in Western Australia and two coal seam gas projects for Australia Pacific LNG in Queensland.

Other contracts completed included two large pipeline construction contracts by the transmission pipelines business. The first was the construction of a gas export pipeline at the Inpex-led Ichthys Project Onshore

LNG Facilities in Darwin and the second was a petroleum pipeline and stations for Rio Tinto at Cape Lambert in Western Australia.

New contracts valued at approximately $100 million were secured, including a supply contract with Australia Pacific LNG for wellhead separator skids, an irrigation scheme contract with Barrhill Chertsey Irrigation and a construction contract with Nyrstar at its Port Pirie Smelter in South Australia.

Newly established US company, Monaro, opened an office in Pittsburgh in January 2016, targeting construction projects in the energy, power, petrochemical and heavy industrial sectors in the Marcellus shale region. Monaro was awarded its first project toward the end of the period.

Our China-based fabrication business, SinoStruct, entered the North American market, securing four contracts to fabricate and supply ammonia injection skids for multiple projects in the North East region of the US.

MAINTENANCE AND INDUSTRIAL SERVICES

The Maintenance and Industrial Services division reported sales revenue of $608.4 million for the year.

The result reflected an upturn in maintenance activity levels over the period, although sales revenues were offset by reduced pricing driven by lower unit costs. Customers continue to focus on cost savings, innovation and efficient brownfields production as a number of new production plants transition to operation.

Oil and gas revenues were marginally down on the previous year as a result of fewer shutdowns. Strong growth in maintenance and dragline shutdown activity in the division's East Coast operations softened the impact of lower oil and gas activity. A number of minor planned shutdowns were successfully completed at the QGC plant on Curtis Island.

Other major activity undertaken during the year included facilities maintenance at the Barrow Island assets operated by Chevron Australia, and a major shutdown at the Woodside-operated Karratha Gas Plant. In Papua New Guinea (PNG), Monadelphous continued to provide project services to Oil Search Limited.

In 2015/16, the division secured more than $1 billion in new contracts and contract extensions, underpinning the Company's leading position in the maintenance and industrial services market. A majority of the new awards are long-term contracts and build on the Company's valued relationships with key customers.

New work secured included a long-term contract associated with Shell Australia's Prelude FLNG project and a new contract in joint venture with Giovenco Industries for services on the Woodside-operated Karratha Gas Plant Life Extension Program.

Subsequent to the year end, the Company secured a five-year contract to continue the provision of maintenance and industrial services support to BHP Billiton's Olympic Dam copper-uranium operation at Roxby Downs in South Australia.

OUTLOOK

Resource and energy market conditions are forecast to remain challenging over the medium-term against the backdrop of a prolonged downturn in the commodity price cycle. Customers are expected to maintain their focus on improving productivity and reducing operating costs. Opportunities for new major construction contracts are likely to remain at low levels.

The outlook for maintenance and industrial services continues to be positive as new operations come on stream, particularly in the onshore and offshore oil and gas sector. More broadly, higher levels of production and an increasing number of aging assets in the resources sector will drive higher volumes of sustaining capital and support services.

Monadelphous has developed a leadership position in this services market and is well placed to capitalise on a growing number of opportunities.

In the resources sector, the Company will focus on expanding its range of services, progressing the development of its engineer, procure and construct (EPC) capability and broadening industrial services.

In infrastructure markets, the Company's position will continue to grow in water infrastructure both in Australia and New Zealand and the recently established renewable energy business Zenviron provides it with another platform for growth.

The Company will continue to progress its overseas expansion strategy. It has identified a number of potential opportunities for projects in PNG and Mongolia and will continue to develop its newly established position in the US market. Opportunities to provide China-based fabrication services to international customers will also be pursued.

Rob Velletri
Managing Director

COMPANY PERFORMANCE

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

	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Revenue	**1,368,849**	1,869,505	2,332,960	2,617,459	1,904,984
EBITDA	**113,630**	167,975	221,242	251,591	203,660
Profit before income tax expense	**95,610**	147,041	205,203	221,159	194,456
Income tax expense	**28,702**	41,216	58,693	64,845	57,121
Profit after income tax expense attributable to equity holders of the parent	**67,014**	105,825	146,510	156,314	137,335
Basic earnings per share	**71.77c**	113.91c	159.05c	173.03c	155.24c
Interim dividends per share (fully franked)	**28.00c**	46.00c	60.00c	62.00c	50.00c
Final dividends per share (fully franked)	**32.00c**	46.00c	63.00c	75.00c	75.00c
Net tangible asset backing per share	**390.64c**	391.75c	387.22c	333.45c	270.34c
Total equity and reserves attributable to equity holders of the parent	**368,995**	368,098	362,665	308,034	245,642
Depreciation	**21,094**	22,932	25,656	28,726	26,541
Debt to equity ratio	**4.8%**	6.3%	10.2%	17.9%	20.6%
Return on equity	**18.2%**	28.7%	40.4%	50.7%	55.9%
EBITDA margin	**8.3%**	9.0%	9.9%	9.6%	11.6%

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

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

	2016 $'000	2015 $'000
Profit before income tax	**95,610**	147,041
Interest expense	**1,025**	1,701
Interest revenue	**(4,164)**	(4,478)
Depreciation expense	**21,094**	22,932
Amortisation expense	**65**	779
EBITDA	**113,630**	167,975

BOARD OF DIRECTORS

JOHN RUBINO

Chairman

John was appointed to the Board on 18 January 1991. John was the founder of United Construction which later became diversified services company UGL. Initially serving as Managing Director and Chairman of Monadelphous Group Limited, John resigned as Managing Director on 30 May 2003 and continued as Chairman. John has 50 years of experience in the construction and engineering services industry.

ROB VELLETRI

Managing Director

Rob was appointed to the Board on 26 August 1992 and commenced as Managing Director on 30 May 2003. He joined Monadelphous in 1989 as General Manager after serving a 10 year career in engineering and management roles at Alcoa. Rob is a mechanical engineer with more than 35 years of experience in the construction and engineering services industry and is a corporate member of the Institution of Engineers Australia.

PETER DEMPSEY

Lead Independent Non-Executive Director

Peter was appointed to the Board on 30 May 2003. During his 30 year career at Baulderstone, now part of the multi-national group Lendlease, Peter held several management positions prior to serving as Managing Director for five years. He is a civil engineer with more than 40 years of experience in the construction and engineering services industry throughout Australia, Papua New Guinea, Indonesia and Vietnam. Peter is a Fellow of the Institution of Engineers Australia and member of the Australian Institute of Company Directors.

CHRIS MICHELMORE

Independent Non-Executive Director

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

DIETMAR VOSS

Independent Non-Executive Director

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

HELEN GILLIES

Independent Non-Executive Director

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

ENGINEERING CONSTRUCTION

ENGINEERING CONSTRUCTION

The Engineering Construction division, which provides large-scale multidisciplinary project management and construction services, continued to strengthen its position in the water infrastructure market and successfully completed a number of projects in the coal seam gas (CSG), resources and energy sectors during the period.

The division reported sales revenue of $757.6 million, reflecting a lower demand for construction work as conditions in resources and energy markets continued to deteriorate.

A further tightening of capital investment by customers, combined with delays to new projects seeking final investment decision, increased the backlog of projects at the feasibility stage and led to a slim pipeline of new work. New contracts to the value of $100 million were secured during the year, including contract wins in water infrastructure, pipelines, energy and fabrication.

Safety performance was outstanding, with a 50 per cent improvement in total case injury frequency rate (TCIFR) and no lost time injuries. The successful dissemination of the Monadelphous safety culture into the newly integrated water infrastructure business, contributed to a significant improvement in divisional safety performance. Completion rates of the Safety Leadership for Frontline Supervisor Program remained above 95 per cent, reflecting a sustained focus on safety leadership. The Monadelphous team working on the Sino Iron Project was nominated for the WA Chamber of Minerals and Energy Industry Awards for their innovation in preventing falling objects during the installation of gridmesh.

In support of the Company's market and growth strategy, a team was established to investigate opportunities to provide core services to new geographic markets, as well as existing customers in new markets and non-traditional opportunities. The division continued to streamline its project management systems to deliver improved productivity in project delivery.

The Company's China-based fabrication business, SinoStruct, focused on developing opportunities to provide services to customers and partners both internationally and domestically, and was awarded its first supply contract in the United States (US) and Africa. The US market entry is a key element of the Company's strategy to deliver core services internationally and a major step in developing a position in the North American energy market.

Further strategic partnerships for the delivery of global projects are well progressed with the Company pursuing an opportunity to provide engineering services to the resources sector under an engineer, procure and construct (EPC) model.

The Company also announced its entry into the renewable energy market, through its incorporated joint venture Zenviron. The joint venture with energy specialists ZEM Energy will provide EPC services to the renewables sector in Australia and New Zealand.

RESOURCES

Weaker commodity prices in the resources sector and the reduction in capital expenditure levels led to lower engineering construction activity. Work was successfully completed on the CITIC Pacific Mining Sino Iron Project, at Cape Preston in Western Australia (WA). The two-year contract comprised structural, mechanical, piping and commissioning works within Concentrator Lines 3 to 6. More than 500 people were involved at peak manning with 20,000 tonnes of stick-steel installed.

IMAGES

Above Monadelphous employees working on the Oxley Creek STP Flood Resilience Project, Rocklea, Queensland.

Left top Overlooking Line 6 production line at CITIC Pacific Mining's Sino Iron Project, Cape Preston, Western Australia.

Left middle Monadelphous employees on Pond 3's intake structure at Ashburton Lyndhurst Irrigation Scheme (ALIS), South Island, New Zealand.

Left bottom Caterpillar 587 sidebooms relocating gas export pipeline 'string' at the Inpex-led Ichthys Project Onshore LNG Facilities, Darwin, Northern Territory.

OUR PROGRESS

Established presence in the US.

SinoStruct secured first overseas supply contract.

Established renewable energy business and well-positioned to secure new work.

ENGINEERING CONSTRUCTION

In South Australia, Monadelphous commenced with the installation of structural, mechanical and piping works at Nyrstar's Port Pirie smelter. Critical project activities started to ramp up in the third quarter of 2016.

In support of the Company's growth strategy to deliver services under an EPC delivery model, the division continued providing significant early contractor involvement services on several proposed large-scale projects in the feasibility stage.

ENERGY

Construction activity progressed on Monadelphous' largest ever construction contract at the Inpex-led Ichthys Project Onshore LNG Facilities in Darwin, Northern Territory. During the period, the contract reached peak manning of more than 900 employees and maintained a strong safety performance.

Subsequent to the reporting period, the division was awarded an electrical package valued at $35 million at Inpex's Ichthys Project Onshore LNG Facilities.

Work was also completed on two large construction contracts for Australia Pacific LNG at the Roma and Durham Downs projects in Queensland. Both projects achieved an impeccable safety performance and zero recordable environmental incidents.

TRANSMISSION PIPELINES

Monadelphous KT specialises in the construction of cross-country pipelines and facilities. Following two years of rapid growth, activity levels declined as larger projects reached completion and the demand for pipeline infrastructure weakened.

Works on the Gas Export Pipeline for the Inpex-led Ichthys Project Onshore LNG Facilities were completed during the year, along with the design, supply, manufacture, construction and commissioning of Cape Lambert Petroleum Pipeline and Stations for Rio Tinto.

In July 2016, Monadelphous KT was awarded another contract for the design, construction and commissioning of a liquid fuel supply system for Rio Tinto at its Cape Lambert Port Facility, located 40km north east of Karratha in WA. The contract follows the successful completion of petroleum pipeline installations at West Angelas and Cape Lambert.

WATER INFRASTRUCTURE

The water infrastructure business recorded solid growth during 2015/16, completing a number of projects including the design, construction and commissioning of an irrigation scheme for Barrhill Chertsey Irrigation in Methven, New Zealand. Construction of the Ashburton Lyndhurst Irrigation Scheme Stage 2 project continued with a target completion date of December 2016.

The design, supply, construction and commissioning of the Oxley Creek Sewage Treatment Plant Stages 1-4 for Queensland Urban Utilities in Brisbane, Queensland, was also completed during the year. Affected by flooding in 2011, a part of the plant was rendered inoperable. Monadelphous was engaged to return the plant to full operating capacity. Re-commissioning and hand over to Queensland Urban Utilities took place in March 2016.

Works were undertaken on the construction of the Western Downs Regional Council Chinchilla Potable Water Treatment Plant Upgrade Stage 1 in Chinchilla, Queensland.

The outlook for the infrastructure sector is encouraging, with the water infrastructure business in a strong position to secure opportunities in both Australia and New Zealand.

FABRICATION SERVICES

SinoStruct continued to focus heavily on global business development activities, making progress with projects for customers in Australia and overseas. Contracts included the fabrication and supply of wellhead separator skids for Australia Pacific LNG, with over 600 wellhead separators and pressure skid modules and associated connection pipe spooling to be delivered over three years. More than 1,800 tonnes of fabricated structural steel was supplied for B2 Gold's Fekola Project in Mali, Africa, as well as the fabrication and assembly of conveyor modules for AGL Energy.

In April 2016, SinoStruct entered the North American market, securing four separate contracts to fabricate and supply nine ammonia injection skids for multiple projects in the North-East region of the US.

The supply agreements provide an exciting opportunity for SinoStruct to build relationships with customers in the region and exposes the business to potential new customers in the North American energy market.

US OPERATIONS

In August 2015, Monadelphous finalised a partnership agreement with Mascaro Construction, a Pittsburgh-based civil contractor, to establish Monaro LLC. Monaro is a general contractor that targets construction projects in the energy, power, petrochemical and heavy industrial sectors in the Marcellus shale region.

Monaro opened its office early in 2016 and continues to actively recruit in the local market. The Company was awarded its first project in May 2016 for the fabrication and installation of ash handling piping.

IMAGES

Above One of five robotic welding cells commissioned at SinoStruct in China, which is used to manufacture parts for the oil and gas sector in Australia and the US.

Right Monadelphous employees working at CITIC Pacific Mining's Sino Iron Project, Cape Preston, Western Australia.

OUTLOOK

Major resources and oil and gas customers are forecasting further reductions to capital expenditure. The division is focused on growing its revenue base by providing services outside traditional core areas, and diversifying into new markets, including pursuing overseas opportunities, particularly in New Zealand and the US. Productivity and cost reduction also remain at the forefront of the division's initiatives.

In the coming year, the division will continue its efforts to expand its offering to customers in the resources market, through an EPC execution and delivery model. The division will extend its core services with the diversification of its heavy lift offering into a self-sufficient business. A dedicated heavy lift team will provide specialist rigging and large scale lifting and transport services.

With infrastructure services a key growth area for the division, continued efforts to expand services and diversify into new sectors, such as the renewable energy sector, will remain a focus for the Company.

The division continues to actively bid for work package opportunities on the recently announced Rio Tinto Oyu Tolgoi project expansion through its Mongolian office. The office also provides engineering and support service to our global operations.

CASE STUDY

SINO IRON PROJECT

Customer – CITIC Pacific Mining

Location – Cape Preston, Western Australia

The Sino Iron Project is a world class, large scale, fully integrated magnetite iron ore project, with an anticipated production life of more than 25 years and a current nameplate capacity of 24 million tonnes per annum of magnetite product. Monadelphous was awarded a two-year contract for the structural, mechanical, piping, installation and commissioning works within Concentrator Lines 3 to 6, installing 20,000 tonnes of stick-steel, 40km of piping and four ball mills in approximately 16 months.

MAINTENANCE AND INDUSTRIAL SERVICES

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustainable capital works and turnarounds, strengthened its position as a market leader, securing more than $1 billion in new contracts and contract extensions during the period.

The division reported revenue of $608.4 million, down slightly on the previous period. An increase in maintenance activity levels was offset by reduced pricing to customers resulting from cost reduction and productivity programs.

A highlight in the period was the award of a major long-term maintenance and modification services contract associated with Shell Australia's Prelude Floating Liquefied Natural Gas (FLNG) project. The contract, with an initial seven-year term with a further two two-year extension options, positions the Company as a major service provider in the provision of FLNG services.

The creation of a dewatering and industrial pipelines team, and the acquisition of Evo Access, a leading provider of multi-disciplinary rope access services to the energy and resources markets, helped broaden the industrial service capabilities of the division.

The division recorded a total case injury frequency rate (TCIFR) of 2.82 per million man-hours, and continued to invest in a variety of safety initiatives and programs to drive improvement. Safety interactions approached 40,000 during the period, the highest number on record. In addition, improved health, safety and environment audit scores were achieved for the sixth consecutive year. The division's commitment to safety continued to be recognised by its customers, with two safety awards received during the period.

The division continued to work closely with its customers to drive productivity and realise cost efficiencies. To support this focus, an innovation management platform, known as MProve, was developed and launched. The platform is used to capture ideas, measure the progress of actions and report the value attributed to each action implemented.

In addition, a progressive work packaging solution was developed to improve productivity by accelerating the production of work packs and assisting in their execution. The solution provides a comprehensive platform to compile and manage project work packs in a controlled, agile and visual environment. A key component of the solution is the incorporation of 3D model intelligence to assist in visualising work pack execution prior to deploying personnel to site.

Workforce numbers grew during the financial year, reflecting an increase in activity levels within maintenance services. Talent retention remained a priority, with a continued focus on succession planning for business-critical roles, in particular to ensure the business is prepared for growth and diversification. Staff retention rates remained high.

ENERGY

While the fall in the oil price continued to affect the energy sector, the division's focus on cost reduction and productivity improvement measures ensured it remained market competitive, securing over $800 million in new oil and gas contracts and extensions.

New contracts awarded during the period included a three-year facilities maintenance services contract for the operation and maintenance of support facilities and utilities associated with the Barrow Island assets operated by Chevron Australia, a three-year capital works and maintenance contract for BP at its Kwinana Refinery and a two-year contract for services on the

IMAGES

Above A Monadelphous boilermaker fabricating a valve pit flange for BHP Billiton's Olympic Dam borefield water supply pipeline, Roxby Downs, South Australia.

Left top Monadelphous employees walk along the Train 1 propane rack fin fan level at the QGC plant, Curtis Island, Queensland.

Left middle A Monadelphous employee works on a turbine at the QGC plant, Curtis Island, Queensland.

Left bottom Oil Search Limited's Central Production Facility, Southern Highlands Province, Papua New Guinea.

OUR PROGRESS

More than $800 million in new oil and gas contracts and extensions secured.

Shell Prelude FLNG contract strategically positions the Company as major provider of FLNG services.

MAINTENANCE AND INDUSTRIAL SERVICES

Woodside-operated Karratha Gas Plant Life Extension Program, in the Pilbara region of Western Australia, through MGJV, a joint venture between Monadelphous and Giovenco Industries.

The division's new services contract associated with Shell Australia's FLNG project has an estimated value of $200 million and includes the provision of maintenance, brownfield modifications and shutdown services to the LNG process plant, support utilities, hull and non-process infrastructure including accommodation and control rooms, as well as the delivery of fabrication services from Darwin in support of offshore operations.

A 12-month extension was secured for the Woodside-operated Karratha Gas Plant, for the provision of maintenance and shutdown services, and the Pluto LNG Plant, for work associated with its onshore and offshore facilities.

In Papua New Guinea, Monadelphous continued to provide project services to Oil Search Limited, including fabrication and installation of new and redesigned facility and wellhead related piping and structural steel, instrument and electrical installations, cranage, rigging and scaffolding.

Activity on the long-term contract for the QGC plant continued to ramp up including the supply of labour, plant and equipment for the delivery of maintenance, shutdown and projects services. A number of successful shutdowns for the facility were carried out during the year.

The Company's ongoing contract with Origin Energy for sustaining capital works continued with approximately ten minor facility upgrade projects executed over the period.

RESOURCES

Commodity prices in the resource sector remained subdued, driving customers to continue to focus on reducing costs and improving the operating efficiency of existing assets.

In WA, the division secured a three-year contract, with a one-year extension option, for the provision of labour for maintenance and shutdown services for South32 at its Worsley Alumina Refinery in Collie.
In Queensland, three new contracts were secured, including a three-year contract to provide project, maintenance and shutdown works for Queensland Alumina Limited in Gladstone, the execution of major shutdown works for Dragline 39 at BHP Billiton Mitsubishi Alliance (BMA) Blackwater Mine and subsequently a two-year contract with BMA to provide maintenance works for major dragline shutdowns throughout the Bowen Basin.

The division was also awarded a five-year contract extension for BHP Billiton's Olympic Dam operation in South Australia, where Monadelphous has been working for more than 20 years, and a 12-month contract extension for the Collie Basin Coal Infrastructure contract with Synergy.

Additional activity during the period included shutdown and maintenance services for Rio Tinto's coastal and inland operations in the Pilbara, WA, and BHP Billiton's Nickel West operations in the Goldfields, WA.

IMAGES

Above Monadelphous technicians lift a turbine into its lifting cradle at the QGC plant, Curtis Island, Queensland.

Right A Monadelphous employee overseeing maintenance works on the Potable Water Tanks at the Gorgon Project, Barrow Island, Western Australia.

Commodity prices in the resource sector remained subdued, driving customers to continue to focus on reducing costs and improving the operating efficiency of existing assets.

OUTLOOK

Whilst business conditions continue to be challenging, maintenance and industrial services prospects remain positive, with the Company well positioned to capitalise on opportunities currently in the tender phase. In particular, the division will work towards becoming the partner of choice in the provision of FLNG maintenance and modifications services following the award of Shell Australia's Prelude FLNG services contract.

The division's strategy and innovation team established and progressed plans and initiatives to broaden the Company's service offering and expand into new markets. The team continues to support productivity and efficiency gains across the division's operations and support services teams.

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

CASE STUDY

BARROW ISLAND

Customer – Chevron Australia

Location – Barrow Island, Western Australia

Barrow Island is the largest onshore oil field in Australia, producing more than 320 million barrels of oil since discovery in 1964. The island is also the location of the Chevron Australia-operated Gorgon Project, a liquefied natural gas and domestic gas development. In August 2015, Monadelphous secured a new three-year facilities maintenance services contract associated with the Barrow Island assets operated by Chevron Australia. The contract is for the operation and maintenance of support facilities and associated utilities, and includes water and wastewater treatment plants, power generation and distribution systems, as well as the management and maintenance of various buildings, vehicles, plant and equipment. The division has been working at Barrow Island since June 2001.

SUSTAINABILITY

Monadelphous is committed to the long-term sustainability of its business through strong financial performance, robust relationships with its stakeholders and an in-depth understanding of how its activities may impact the communities and environments in which it operates. Monadelphous has continued to work closely with customers to identify productivity improvements within their operations.

The Company's unique culture is underpinned by its people and their collective knowledge, capabilities, values and experience. A long-term approach to the management of highly valued stakeholder relationships is supported by the Company's promise to consistently deliver high quality work and innovative solutions.

Identifying business improvement opportunities is particularly relevant in the current environment with the continued slowdown in market conditions. The Company continues to deliver productivity improvements for both its own and its customers' businesses. Monadelphous employees have been actively encouraged to think innovatively, identify ways of reducing costs, drive productivity and improve efficiency.

The Maintenance and Industrial Services division launched an Innovation Charter and a Continuous Improvement and Innovation Plan. The documents describe how the division will ensure it has the skills, processes and tools available to continue to innovate, and to demonstrate the value that is being delivered to its customers.

MProve, a custom-built innovation management platform which allows employees to record, measure and share improvement initiatives generated across operations, is an important facet of the Continuous Improvement and Innovation Plan. Together with dedicated resources to foster an innovative culture and facilitate the investment, development and implementation of ideas, MProve has seen an acceleration of safety and productivity improvement thinking, that has resulted in a reduction of costs.

A progressive work packaging solution to improve productivity by supporting the development and implementation of work packs was also implemented during the year. The use of 3D modelling has improved productivity, with personnel only deployed to site following extensive planning.

The organisational support structure to deliver project and business services continues to be evaluated as the Company transitions to a more global business.

PEOPLE

At Monadelphous, it is recognised that our people continue to be the greatest asset in the Company's journey towards long-term success. The number of employees at the end of June was 4,438, a reflection of reduced construction activity, offset by increasing levels of maintenance services. Monadelphous remains focused on attracting and retaining the right people who are highly competent, live our values and actively contribute to the long-term success of the business.

Learning and Development

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

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

Leading at Monadelphous

Our leadership program, in collaboration with the University of Western Australia and the Australian Institute of Management, is designed to support and develop the Company's senior leaders. The program

IMAGES

Above Monadelphous engineering employees reviewing a project layout drawing.

Left top View from the LPG storage area, overlooking the LNG / LPG jetties at the Inpex-led Ichthys Project Onshore LNG Facilities, Darwin, Northern Territory.

Left middle Monadelphous employees installing new cyclone cluster units at CITIC Pacific Mining's Sino Iron Project, Cape Preston, Western Australia.

Left bottom Pond 3 at Ashburton Lyndhurst Irrigation Scheme (ALIS), South Island, New Zealand.

OUR PROGRESS

Key talent retention remains strong.

Record safety performance achieved, underpinned by the Company's safety leadership and culture.

SUSTAINABILITY

aims to enhance capability and ensure business sustainability through leadership self-awareness and innovative thinking. The program will draw on the Company's business challenges with findings reported to the Executive Management Team.

Frontline Management Program

Designed for managers, leading hands, supervisors and superintendents, this program continues to ensure our operations remain safe, cost efficient and highly productive through ongoing training. In excess of 170 participants formalised their training, taking part in an accredited Certificate IV in Frontline Management.

Emerging Leaders Program

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

Graduate Development Program

A highly sought after program with more than 1,300 applications received for the 2016 intake across Australia and New Zealand, from which 11 new graduates were recruited. During the period, 16 employees successfully completed the program, and at the end of the reporting period, 32 employees remain enrolled in the program.

Apprenticeship Program

Forty people enrolled in the Company's well-established Apprenticeship Program during the year, including three Papua New Guinea (PNG) nationals, in the disciplines of mechanical fitting, boilermaking/welding and electrical and instrumentation. In addition to these mainstream apprenticeships, Monadelphous continued to offer school-based, Indigenous, adult and fast-track apprenticeships.

Employee Development Centre

Our Registered Training Organisation, based in Bibra Lake, Western Australia, continued to service our employee pre-mobilisation requirements, for both Australia and PNG, delivering more than 1,650 applicable courses throughout the year. The high standard of training and assessment is highly regarded by peak industry bodies and customers.

DIVERSITY

Monadelphous is committed to ensuring its workforce is reflective of the communities in which it operates, inclusive of people with diverse cultures, backgrounds and skill sets, believing this diversity enriches our breadth of knowledge, capability and experience. In addition, the Company believes in the principle of equal opportunity in employment for all people, regardless of any personal attributes such as gender, sexual preference, marital status, pregnancy, family responsibilities, ethnicity, political or religious belief, cultural background, disability and age.

Indigenous Engagement

In support of Monadelphous' commitment to providing full, fair and reasonable engagement opportunities for Aboriginal and Torres Strait Islander people, the Company continued to operate in accordance with its Reconciliation Action Plan (RAP), which was launched in 2014.

Monadelphous' RAP brings together our wide range of Indigenous engagement initiatives in employment, training and partnerships, and formalises our commitment to continue to build our contribution to a sustainable future for Indigenous Australians. It is focused around the core areas of relationship development, respect and the provision of meaningful opportunities.

Throughout the year, the Company maintained a stable proportion of Indigenous employees across its workforce, including a representation of more than four per cent of the Mechanical Works – utilities and offsite areas (MEC-2) Package on the Inpex-led Ichthys Project Onshore LNG Facilities in Darwin, Northern Territory (NT), and five and a half per cent on the Facilities Management contract on Barrow Island, WA. In addition, the Company enlisted its second Indigenous engineering cadet.

Gender Equality

The Company submitted its 2015/16 Workplace Gender Equality Report, a copy of which can be found on the Workplace Gender Equality Agency's website and on Monadelphous' website.

In addition, the Company continues to progress its measurable objectives on gender diversity to enhance female participation in the workforce. These are detailed in the Monadelphous Corporate Governance Statement, which is available on the Company's website.

SAFETY

Driven by our safety directive, The Safe Way is the Only Way, Monadelphous improved its safety performance again this year, delivering a 22 per cent record performance improvement on last year's results.

The 12-month total case injury frequency rate (TCIFR) achieved at the end of the year was 2.45 incidents per million man-hours worked. In addition, the lost time injury frequency rate (LTIFR) was 0.09 with just one incident recorded during the year.

The Company's improved safety record can be attributed to its focus on improving risk controls, ongoing training and compliance auditing. System improvements have been matched with an ongoing focus on culture and behaviour to support alignment and compliance with systems and controls. In-house safety psychologists are providing culture and leadership assessment services, as well as coaching and development programs to ensure our teams are embracing our values.

A renewed focus on innovation has led to a solid year in the development and implementation of value adding improvements for our customers in the area of safety. In particular, new safety innovations can often be linked to productivity improvements, where the focus is to reduce exposure time to hazards and the solution also results in reduced hours expended.

Monadelphous' high standard of safety continued to be recognised by its customers. The Engineering Construction division was awarded a Gold Standard Award for Subcontractor of the Year for 2015 for its involvement in Ichthys MEC-2 project in Darwin. The Maintenance and Industrial Services division received an award for the Best Contractor Health and Safety Performance at the Santos 2015 Directors' EHS Awards for work completed on the GLNG Meridian Interconnect Project for Santos GLNG.

ENVIRONMENT

Monadelphous respects the sites and communities in which it operates and is committed to environmental protection through the identification and mitigation of risks and impacts to the environment and community heritage. Pleasingly, our historical record of zero serious environmental incidents was extended this year. This is particularly noteworthy given some of the sensitive environments in which we operate, such as Barrow Island, which is a Class A Nature Reserve.

IMAGE

Monadelphous employees completing their daily post pre-start ritual of chanting the Company's safety ethos, 'The Safe Way is the Only Way', Papua New Guinea.

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

Reportable scope 1 and 2 carbon emissions (CO_2e) remain significantly below legislative thresholds at 13,800 tonnes. The Company's total emissions in 2015/16 were 35,400 tonnes down 27.7 per cent on the previous year.

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

COMMUNITY

Monadelphous continues to invest in the communities in which it operates through ongoing partnerships, donations and sponsorships. Employees are actively encouraged to participate in community events and organisations that add value to the communities in which they live and work.

The Company continues to value long-term, collaborative partnerships with educational institutions and industry bodies, in particular those that support its future employment pipeline. With this in mind, our partnerships with Engineers Australia in both WA and Queensland, as well as the University of Western Australia and Curtin University continue.

During the year, employees were involved in fundraising activities for the Cancer Council's Biggest Morning Tea, RUOK Day and Movember.

Monadelphous continued its support of NAIDOC Week, hosting events at worksites in July 2015 and sponsoring related activities in Karratha, WA, and in Darwin, NT. The Company also maintained its support of Reconciliation Week, sponsoring the Department of Aboriginal Affairs Reconciliation Week Street Banner Project. In addition, the Company sponsored the Chinchilla State Primary School Parents and Citizens Association's major annual fundraiser and the Rotary Club of Roxby District's Curdimurka Park upgrade project.

GOVERNANCE

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

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

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

FINANCIAL REPORT CONTENTS

IMAGE
Ashburton Lyndhurst Irrigation Scheme (ALIS) Stage 2, PRV Station 1, South Island, New Zealand.

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2016.

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 50 years experience in the construction and engineering services industry Also a director of one other publicly listed entity, Tech Mpire Limited (formerly Fortunis Resources Limited) (ASX: TMP) – appointed 20 March 2012, resigned 29 June 2015
Robert Velletri Managing Director	Appointed 26 August 1992 Mechanical Engineer, Corporate Member of Engineers Australia Appointed as Managing Director on 30 May 2003 37 years experience in the construction and engineering services industry
Peter John Dempsey Lead Independent Non-Executive Director	Appointed 30 May 2003 Civil Engineer, Fellow of Engineers Australia 44 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entity, Service Stream Limited (ASX: SSM) – appointed 1 November 2010
Christopher Percival Michelmore Independent Non-Executive Director	Appointed 1 October 2007 Civil Engineer, Fellow of Engineers Australia 44 years experience in the construction and engineering services industry
Dietmar Robert Voss Independent Non-Executive Director	Appointed 10 March 2014 Chemical Engineer 42 years experience in the oil and gas, and mining and minerals industries

COMPANY SECRETARIES

Philip Trueman Company Secretary and Chief Financial Officer	Appointed 21 December 2007 Chartered Accountant, Member of Chartered Accountants Australia and New Zealand and the South African Institute of Chartered Accountants 16 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 11 years experience in the construction and engineering services industry

DIRECTORS' REPORT

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

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

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

EARNINGS PER SHARE	Cents
Basic Earnings Per Share	71.77
Diluted Earnings Per Share	71.77

DIVIDENDS	Cents	$'000
Final dividends declared		
– on ordinary shares	32.00	29,981
Dividends paid during the year:		
Current year interim		
– on ordinary shares	28.00	26,175
Final for 2015		
– on ordinary shares	46.00	42,869

CORPORATE INFORMATION

Corporate structure

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

The registered office of Monadelphous Group Limited is located at:

59 Albany Highway
Victoria Park
Western Australia 6100

DIRECTORS' REPORT

CORPORATE INFORMATION (continued)

Nature of operations and principal activities

Engineering Services

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

Services provided include:

- Fabrication, modularisation, offsite pre-assembly, procurement and installation of structural steel, tankage, mechanical and process equipment, piping, demolition and remediation works
- Multi-disciplined construction services
- Plant commissioning
- Electrical and instrumentation services
- Process and non-process maintenance services
- Front-end scoping, shutdown planning, management and execution
- Water and waste water asset construction and maintenance
- Irrigation services
- Construction of transmission pipelines and facilities
- Operation and maintenance of power and water assets
- Heavy lift and specialist transport
- Access solutions
- Dewatering services

General

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

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

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

Employees

The consolidated entity employed 4,438 employees as of 30 June 2016 (2015: 4,536 employees).

OPERATING AND FINANCIAL REVIEW

Review

A review of operations of the consolidated entity during the financial year, the results of those operations, the changes in the state of affairs and the likely developments in the operations of the consolidated entity are set out in the Operating and Financial Review section of the Annual Report.

Operating results for the year

	2016 $'000	2015 $'000
Revenue from services	**1,364,685**	1,865,027
Profit after income tax expense attributable to equity holders of the parent	**67,014**	105,825

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIRECTORS' REPORT

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Contract awards

On 20 July 2016, Monadelphous announced it had been awarded new contracts for customers in the resources, energy and infrastructure markets, with a combined value of approximately $140 million. The contracts included:

– Support to BHP Billiton's Olympic Dam copper-uranium operation at Roxby Downs in South Australia for a further five years. Monadelphous has been providing maintenance and industrial services support at Olympic Dam for more than 25 years;

– A contract for the design, construction and commissioning of a liquid fuel supply system for Rio Tinto Iron Ore at its Cape Lambert Port Facility near Karratha, in Western Australia. The contract follows the successful completion of petroleum pipeline installations at its West Angelas and Cape Lambert facilities;

– A contract for the design and construction of a potable water treatment plant for the Western Downs Regional Council in Chinchilla, Queensland; and

– Electrical and instrumentation works for the product loading jetty with JKC Australia LNG Pty Ltd at the Ichthys Project Onshore LNG Facilities in Darwin in the Northern Territory.

Zenviron

On 26 July 2016, Monadelphous announced it had reached an agreement with renewable energy specialist, ZEM Energy Pty Ltd, to form a new incorporated joint venture, Zenviron Pty Ltd (Zenviron). Zenviron has been selected as preferred tenderer for the provision of the Balance of Plant associated with CWP Renewables' Sapphire Wind Farm.

Legal dispute with Wiggins Island Coal Export Terminal (WICET)

In July 2016, Monadelphous announced that MMM, an unincorporated joint operation in which one of its subsidiaries holds a 50% interest, reached agreement with Wiggins Island Coal Export Terminal Pty Ltd to resolve all claims relating to contracts performed on the Wiggins Island Coal Export Terminal Project in Gladstone, Queensland. The terms of this agreement are confidential and remain subject to third party approvals.

AnaeCo Limited

In August 2016, Monadelphous entered into a binding agreement with Xiaoqing Environmental Protection Technology Company (XEPTC) that will result in XEPTC buying part of a convertible loan owed to Monadelphous by AnaeCo, with the remaining balance of the loan being converted to equity in AnaeCo. The transaction remains subject to AnaeCo shareholder approval. It is expected that Monadelphous will hold 30% of AnaeCo's issued share capital on conversion.

Dividends declared

On 22 August 2016, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividend is $29,980,868 which represents a fully franked final dividend of 32 cents per share. This dividend has not been provided for in the 30 June 2016 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Refer to the Operating and Financial Review section of the Annual Report for information regarding the likely developments and future results.

DIRECTORS' REPORT

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 365,000 unissued ordinary shares under options as follows:

– 305,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $19.70. The options expire 14 September 2016.

– 60,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $17.05. The options expire between 14 September 2016 and 14 September 2017.

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

Shares issued as a result of the exercise of options

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

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

The total amount of insurance contract premiums paid during the financial year was $302,350 (2015: $258,545).

INDEMNIFICATION OF AUDITORS

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

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

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

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2016 outlines the Key Management Personnel remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

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

Details of Key Management Personnel

(i) Directors

C. G. B. Rubino	Chairman
R. Velletri	Managing Director
P. J. Dempsey	Lead Independent Non-Executive Director
C. P. Michelmore	Independent Non-Executive Director
D. R. Voss	Independent Non-Executive Director

(ii) Executives

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

Remuneration Philosophy

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

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

Remuneration Committee

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

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

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

Remuneration Structure

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

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Non-executive director remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors based on their experience, contributions to the Company and the prevailing market conditions. The most recent determination was at the Annual General Meeting held on 20 November 2014 when shareholders approved an aggregate remuneration of $600,000 in the 'not to exceed sum' paid to non-executive directors.

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

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

The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

The remuneration of non-executive directors for the year ending 30 June 2016 is detailed in Table 1 on page 42 of this report.

Executive remuneration

Objective

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

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

Structure

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

Remuneration consists of a fixed remuneration element, and variable remuneration elements in the form of Short Term Incentives (STI) and Long Term Incentives (LTI).

As disclosed in the 2015 Financial Statements, Monadelphous undertook a review of its STI and LTI programs, to identify the most appropriate incentive plan, for both KMP and other employees, that is best aligned to the creation of shareholder wealth.

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

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

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Executive remuneration (continued)

Fixed remuneration

Objective

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

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

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

Structure

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

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

Variable remuneration – Short term incentive (STI)

Objective

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

Structure

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

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

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

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

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

The overall performance rating for the Company was not at a level to result in the award of the STI for the 2015 or 2016 financial year. No amounts were paid or are payable in relation to Key Management Personnel.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Executive remuneration (continued)

Variable remuneration – Long term incentive (LTI)

Objective

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

Structure

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

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

No Directors or Key Management Personnel received options during the year ended 30 June 2016. 445,000 options were forfeited by Key Management Personnel during the year. All executives are eligible to participate in the Monadelphous Group Limited Employee Option Plan.

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

25% 2 years after the options were issued

25% 3 years after the options were issued

50% 4 years after the options were issued

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

<u>Simplified combined incentive plan</u>

Proposed awards under the simplified combined incentive plan will be comprised of cash and performance rights (effectively zero priced options). The plan rewards past performance of both the Company and the employee, continues to act as a retention mechanism and motivates the employee to grow the Company through long term share ownership, thereby aligning the incentive model with the interests of shareholders in an optimal manner. Service period and disposal restrictions will be incorporated within the plan to ensure employee retention and long term share ownership. In order to drive shareholder value any rewards provided under this plan would be based on the performance of the Company and will be comparable to the current STI and LTI plans. No awards were issued under the simplified combined incentive plan during the year ended 30 June 2016.

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

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

Hedging of equity awards

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

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

Employment contracts

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

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Company performance

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

	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Profit after income tax expense attributable to equity holders of the parent	**67,014**	105,825	146,510	156,314	137,335
Basic earnings per share	**71.77c**	113.91c	159.05c	173.03c	155.24c
Share price as at 30 June	**$7.46**	$9.37	$15.71	$16.14	$21.86

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

The Remuneration Committee of the Board of Directors has determined that market conditions and the performance of the Company have not justified amendments to the remuneration levels of the business over recent years. Apart from one inflationary increase in 2014, there has not been a companywide staff remuneration increase since 2012. Furthermore, no awards have been issued under either the Company's Short or Long Term Incentive schemes since 2013. The discipline shown by the Company, and commitment shown by our staff, has ensured the Group's underlying cost structures have adapted to the current environment, and ensured business sustainability.

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2016

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

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Management Personnel (continued)

Table 2: Remuneration for the year ended 30 June 2015

	Short Term Benefits			Post Employment		Long Term Benefits		Share-Based Payments			
	Salary & Fees $	Non Monetary $	Cash STI $	Super-annuation $	Retirement Benefits $	Leave $	Total excluding Share Based Payments $	Options LTI $	Total $	Total Performance Related %	Total Options Related %
Non-Executive Directors											
P. J. Dempsey	124,201	4,446	–	11,799	–	–	140,446	–	140,446	–	–
C. P. Michelmore	107,777	3,858	–	4,848	–	–	116,483	–	116,483	–	–
D. R. Voss	106,604	3,817	–	10,127	–	–	120,548	–	120,548	–	–
Subtotal Non-Executive Directors	**338,582**	**12,121**	**–**	**26,774**	–	–	**377,477**	–	**377,477**	**–**	**–**
Executive Directors											
C. G. B. Rubino	418,717	14,740	–	18,783	–	10,894	463,134	–	463,134	–	–
R. Velletri	964,275	40,778	–	18,783	–	31,103	1,054,939	(539,655)	515,284	(104.73)	(104.73)
Subtotal Executive Directors	**1,382,992**	**55,518**	**–**	**37,566**	**–**	**41,997**	**1,518,073**	**(539,655)**	**978,418**	**(55.16)**	**(55.16)**
Other Key Management Personnel											
D. Foti	700,303	29,430	–	18,783	–	26,388	774,904	(290,387)	484,517	(59.93)	(59.93)
A. Erdash*	472,540	21,197	–	14,449	–	8,548	516,734	(174,232)	342,502	(50.87)	(50.87)
Z. Bebic	518,505	22,038	–	18,783	–	26,468	585,794	(174,232)	411,562	(42.33)	(42.33)
P. Trueman^	224,371	9,547	–	10,837	–	10,787	255,542	–	255,542	–	–
Subtotal Other Key Management Personnel	**1,915,719**	**82,212**	**–**	**62,852**	**–**	**72,191**	**2,132,974**	**(638,851)**	**1,494,123**	**(42.76)**	**(42.76)**
Total	**3,637,293**	**149,851**	**–**	**127,192**	**–**	**114,188**	**4,028,524**	**(1,178,506)**	**2,850,018**	**(41.35)**	**(41.35)**

* A. Erdash ceased to meet the definition of Key Management Personnel on 21 November 2014 following his resignation from the Company. Remuneration receivable for the period up to the date of resignation is disclosed in Table 2.

^ P. Trueman met the definition of Key Management Personnel from 21 November 2014 following his appointment as Chief Financial Officer. Remuneration in Table 2 is remuneration from the date of his appointment.

Table 3: Compensation options: Granted during the years ended 30 June 2016 and 30 June 2015

During the years ended 30 June 2016 and 30 June 2015, no options were granted as equity compensation benefits to Key Management Personnel.

Table 4: Shares issued on exercise of compensation options during the year ended 30 June 2016

During the year ended 30 June 2016, no shares were issued on exercise of compensation options by Key Management Personnel.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Management Personnel (continued)

Additional disclosures relating to options and shares

Table 5: Option holdings of Key Management Personnel

Options held in Monadelphous Group Limited	Balance at Beginning of Period 1 July 2015	Granted as Remuneration	Options Vested and Lapsed #	Net Change Other	Balance at End of Period 30 June 2016
Directors					
C. G. B. Rubino	–	–	–	–	–
R. Velletri	200,000	–	(200,000)	–	–
P. J. Dempsey	–	–	–	–	–
C. P. Michelmore	–	–	–	–	–
D. R. Voss	–	–	–	–	–
Executives					
D. Foti	125,000	–	(125,000)	–	–
Z. Bebic	75,000	–	(75,000)	–	–
P. Trueman	45,000	–	(45,000)	–	–
Total	445,000	–	(445,000)	–	–

#During the year ended 30 June 2016, 445,000 compensation options held by Key Management Personnel vested but were not exercised. These options lapsed on 30 September 2015. The value of options lapsed during the year was $nil.

Table 6: Shareholdings of Key Management Personnel

Shares held in Monadelphous Group Limited	Balance at Beginning of Period 1 July 2015	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance at End of Period 30 June 2016
Directors					
C. G. B. Rubino	2,022,653	–	–	–	2,022,653
R. Velletri	2,100,000	–	–	–	2,100,000
P. J. Dempsey	78,000	–	–	–	78,000
C. P. Michelmore	31,753	–	–	14,186	45,939
D. R. Voss	2,852	–	–	–	2,852
Executives					
D. Foti	359,316	–	–	–	359,316
Z. Bebic	27,500	–	–	(22,500)	5,000
P. Trueman	–	–	–	–	–
Total	4,622,074	–	–	(8,314)	4,613,760

Loans to Key Management Personnel and their related parties

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

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

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

END OF REMUNERATION REPORT

DIRECTORS' REPORT

DIRECTORS' MEETINGS

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

		Meetings of Committees		
	Directors' Meetings	Audit	Remuneration	Nomination
Number of meetings held:	13	8	2	1
Number of meetings attended:				
C. G. B. Rubino	10	–	–	1
R. Velletri	13	–	–	–
P. J. Dempsey	13	8	2	1
C. P. Michelmore	13	8	2	1
D. R. Voss	13	8	2	–

COMMITTEE MEMBERSHIP

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

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

Audit	Remuneration	Nomination
P. J. Dempsey (c)	C. P. Michelmore (c)	C. G. B. Rubino (c)
C. P. Michelmore	P. J. Dempsey	C. P. Michelmore
D. R. Voss	D. R. Voss	P. J. Dempsey

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

ROUNDING

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

CORPORATE GOVERNANCE

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

The Company's Corporate Governance Statement is detailed on 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 47.

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	$
Tax compliance services	33,195
Assurance related	–
	33,195

DIRECTORS' REPORT

MODIFICATION OF AUDITOR ROTATION REQUIREMENTS

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

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

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

Signed in accordance with a resolution of the directors.

C. G. B. Rubino
Chairman
Perth, 22 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

EY
Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia

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

As lead auditor for the audit of Monadelphous Group Limited for the financial year ended 30 June 2016, 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.

Ernst & Young

G H Meyerowitz
Partner
22 August 2016

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INDEPENDENT AUDIT REPORT

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

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

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"), including its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company.

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

(i) giving a true and fair view of the Group's consolidated financial position as at 30 June 2016 and of its consolidated financial performance for the year ended on that date

(ii) 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 *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional* Accountants ("the Code") that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

INDEPENDENT AUDIT REPORT

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Recognition of revenues and profits on long-term contracts

Why significant

The Group's business involves entering into contractual relationships with customers to provide a range of services. A significant proportion of the Group's revenues and profits are derived from long-term contracts.

Revenue recognition involves a significant degree of judgment, with estimates being made to:

- assess the total contract costs
- assess the stage of completion of the contract
- forecast the profit margin after taking into consideration additional revenue arising from variations to the original contract
- appropriately provide for loss making contracts.

The Group's accounting policies and disclosures for revenue are detailed in General Information –*Key Judgements –Revenue*, note 1-*Revenue and Other Income* and note 7-*Inventories* to the financial report.

EY Audit response

We examined all key contracts and enquired with the Group for each of these contracts to understand the specific terms and risks, which in turn allowed us to assess the recognition of revenue.

We evaluated and tested the relevant IT systems, and assessed the operating effectiveness of internal controls over the accuracy and timing of revenue recognised in the financial report, including controls relating to:

- contract reviews performed by the Group that included estimating total costs, stage of completion of contracts, profit margin and evaluating contract profitability
- transactional controls that underpin the revenue and billing cycles
- transactional controls that underpin the production of underlying contract related cost balances including the purchase to pay, and payroll cycles.

For the material contracts with a delivery schedule of greater than 12 months we performed the following additional procedures:

- understood the performance and status of the contracts through enquiries with the key executives having oversight over the various contract portfolios
- tested the contract status through the examination of externally generated evidence, such as approved variations and customer correspondence
- analysed the Group's estimates for total contract costs and forecast costs to complete, including taking into account the historical accuracy of such estimates

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INDEPENDENT AUDIT REPORT

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- assessed the provisions for loss making contracts and whether these appropriately reflected the expected contractual positions
- assessed the Group's accounting policies and the adequacy of its related disclosures in the financial report.

Accounting for legal and other contractual claims

Why significant

The Group's operations expose it to the risk of litigation and contractual claims from third parties. Due to the range of potential outcomes and the considerable uncertainty around the resolution of various claims, the determination of the amount, if any, to be recorded in the financial statements as a provision is inherently subjective and therefore this is considered to be a significant audit risk. As at 30 June 2016, the Group was party to litigation involving Wiggins Island Coal Export Terminal ("WICET") which was settled subsequent to year end.

The Group's disclosures for legal matters are detailed in note 23 *Commitments and Contingencies* and note 24 *Subsequent Events* to the financial report.

EY Audit response

In relation to the WICET matter and any other material legal matter or contractual claims generally we:

- considered the Board and executive committee meeting minutes arising from the regular review of contract status reports
- enquired with the in-house legal counsel
- evaluated relevant external legal advice received by the Group in connection with any material legal matter or contractual claims and obtained formal confirmation from the Group's external solicitors on the status of these matters
- assessed the WICET Settlement Deed dated 27 July 2016 including the vouching of the receipt of a substantial portion of the settlement sum on 5 August 2016
- assessed the adequacy the Group's recorded receivable and note disclosures relating to the WICET matter and any other material legal matter or contractual claims that may exist.

Other information

The directors of the company are responsible for the other information. The other information comprises the information in the Company's Annual Report for the year ended 30 June 2016, but does not include the financial report and the auditor's report thereon.

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

INDEPENDENT AUDIT REPORT

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

Directors' responsibilities 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 related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with 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 entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors

INDEPENDENT AUDIT REPORT

- conclude on the appropriateness of the directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the remuneration report

Opinion on the remuneration report

We have audited the remuneration report included in pages 38 to 44 of the directors' report for the year ended 30 June 2016.

In our opinion, the remuneration report of the Group for the year ended 30 June 2016, 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.

INDEPENDENT AUDIT REPORT

The engagement partner on the audit resulting in this independent auditor's report is G H Meyerowitz.

Ernst & Young

G H Meyerowitz
Partner
Perth
22 August 2016

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Monadelphous Group Limited, I state that:

1) In the opinion of the directors:

   (a) the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

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

   (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed on page 60.

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 2016.

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

On behalf of the Board

C. G. B. Rubino
Chairman
Perth, 22 August 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $'000	2015 $'000
Continuing Operations			
REVENUE	1	1,368,849	1,869,505
Cost of services rendered		(1,228,150)	(1,673,813)
GROSS PROFIT		140,699	195,692
Other income	1	6,914	4,099
Business development and tender expenses		(21,870)	(17,688)
Occupancy expenses		(3,041)	(2,999)
Administrative expenses		(23,929)	(30,760)
Finance costs	2	(1,025)	(1,701)
Unrealised foreign currency (loss)/gain		(2,138)	398
PROFIT BEFORE INCOME TAX		95,610	147,041
Income tax expense	3	(28,702)	(41,216)
PROFIT AFTER INCOME TAX		66,908	105,825
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		67,014	105,825
NON-CONTROLLING INTERESTS		(106)	–
		66,908	105,825
Basic earnings per share (cents per share)	4	71.77	113.91
Diluted earnings per share (cents per share)	4	71.77	113.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	2016 $'000	2015 $'000
NET PROFIT FOR THE YEAR	**66,908**	105,825
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	**692**	41
Income tax effect	**–**	–
	692	41
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**692**	41
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**67,600**	105,866
ATTRIBUTABLE TO		
EQUITY HOLDERS OF THE PARENT	**67,706**	105,866
NON-CONTROLLING INTERESTS	**(106)**	–
	67,600	105,866

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT AS 30 JUNE 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**203,515**	209,835
Trade and other receivables	6	**342,200**	375,167
Inventories	7	**53,435**	80,544
Total current assets		**599,150**	665,546
Non-current assets			
Property, plant and equipment	8	**79,988**	96,190
Intangible assets and goodwill	9	**2,947**	3,012
Investment in joint venture	10	**729**	–
Deferred tax assets	3	**22,287**	28,204
Other non-current assets	11	**236**	1,247
Total non-current assets		**106,187**	128,653
TOTAL ASSETS		**705,337**	794,199
LIABILITIES			
Current liabilities			
Trade and other payables	12	**226,213**	287,228
Interest bearing loans and borrowings	13	**7,868**	11,891
Income tax payable	3	**1,124**	4,288
Provisions	14	**85,633**	105,777
Total current liabilities		**320,838**	409,184
Non-current liabilities			
Interest bearing loans and borrowings	13	**9,678**	11,334
Provisions	14	**5,711**	5,583
Deferred tax liabilities	3	**221**	–
Total non-current liabilities		**15,610**	16,917
TOTAL LIABILITIES		**336,448**	426,101
NET ASSETS		**368,889**	368,098
EQUITY			
Contributed equity	17	**120,723**	117,310
Reserves	18	**29,955**	30,441
Retained earnings	18	**218,317**	220,347
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**368,995**	368,098
Non-Controlling Interests		**(106)**	–
TOTAL EQUITY		**368,889**	368,098

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

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

	Attributable to equity holders					
	Issued Capital $'000	Share-Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Non-controlling Interests $'000	Total $'000
At 1 July 2014	112,115	34,667	120	215,763	–	362,665
Other comprehensive income	–	–	41	–	–	41
Profit for the period	–	–	–	105,825	–	105,825
Total comprehensive income for the period	–	–	41	105,825	–	105,866
Transactions with owners in their capacity as owners						
Share-based payments	–	(4,387)	–	–	–	(4,387)
Exercise of employee options	1,640	–	–	–	–	1,640
Acquisition of reserved shares	(1,269)	–	–	–	–	(1,269)
Dividend reinvestment plan	4,824	–	–	–	–	4,824
Dividends paid	–	–	–	(101,241)	–	(101,241)
At 30 June 2015	117,310	30,280	161	220,347	–	368,098

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		1,481,592	1,844,858
Payments to suppliers and employees (inclusive of GST)		(1,390,247)	(1,698,941)
Interest received		3,234	4,478
Borrowing costs		(1,014)	(1,701)
Other income		3,223	1,410
Income tax paid		(18,819)	(32,341)
NET CASH FLOWS FROM OPERATING ACTIVITIES	5	77,969	117,763
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		7,461	4,354
Purchase of property, plant and equipment		(836)	(3,117)
Investment in joint venture		(1,650)	–
Loan to associates	6, 28	(7,226)	(5,957)
Acquisition of controlled entities	20	(1,347)	(6,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(3,598)	(10,720)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(65,731)	(96,418)
Proceeds from issue of shares		–	1,640
Purchase of reserved shares		–	(1,269)
Proceeds from borrowings		1,500	–
Repayment of borrowings		(1,667)	(4,098)
Payment of finance leases		(13,344)	(15,361)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(79,242)	(115,506)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,871)	(8,463)
Net foreign exchange differences		(1,449)	439
Cash and cash equivalents at beginning of period		209,835	217,859
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	203,515	209,835

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2016

GENERAL INFORMATION

The consolidated financial report of Monadelphous Group Limited (the Group) and its subsidiaries for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of directors on 22 August 2016.

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

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

Basis of preparation

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

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

– has also been prepared on a historical cost basis.

– is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the class order 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 after 1 July 2015.

– 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 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control.

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

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

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

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

Business combinations

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

Prior to 1 July 2009

The purchase method of accounting was used to account for all business combinations.

Foreign currency translation

Functional and presentation currency

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: GENERAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2016

GENERAL INFORMATION (continued)

Foreign currency translation (continued)

Transactions and balances

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

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

Translation of Group companies' functional currency to presentation currency

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

Other accounting policies

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

Key judgements and estimates

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

Revenue

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

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

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

Taxation

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

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

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date on which they are granted. The fair value is determined by an external valuer using a binomial model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Workers Compensation

Refer note 14 for details.

Consolidation of MGJV Pty Ltd

Refer note 19 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2016

1. REVENUE AND OTHER INCOME	2016 $'000	2015 $'000
Rendering of services	1,364,685	1,865,027
Finance revenue	4,164	4,478
Revenue	1,368,849	1,869,505
Net gains on disposal of property, plant and equipment	3,691	2,689
Other income	3,223	1,410
Other income	6,914	4,099

Recognition and measurement

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

Rendering of Services

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

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

Construction contracts

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

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

Interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2016

2. EXPENSES	2016 $'000	2015 $'000
Finance costs		
Bank loans and overdrafts	70	220
Finance charges payable under finance leases and hire purchase contracts	955	1,481
	1,025	1,701
Depreciation and amortisation		
Depreciation expense	21,094	22,932
Amortisation of intangible assets	65	779
	21,159	23,711
Employee benefits expense		
Employee benefits expense	686,084	822,145
Defined contribution superannuation expense	40,235	44,852
	726,319	866,997
Lease payments and other expenses		
Minimum lease payments – operating lease	22,566	28,145
Government grants included in the income statement	6,927	7,626

Recognition and measurement

Finance costs

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

Depreciation and amortisation

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

Employee benefits expense

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

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

Operating leases

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

Government Grants

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2016

3. INCOME TAX	2016 $'000	2015 $'000
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax charge	23,303	41,398
Adjustments in respect of previous years	(721)	(494)
Deferred income tax		
Temporary differences	6,212	576
Adjustments in respect of previous years	(92)	(264)
Income tax expense reported in the income statement	28,702	41,216

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:

	2016 $'000	2015 $'000
Accounting profit before income tax	95,610	147,041
Income tax rate of 30% (2015: 30%)	28,683	44,112
– Adjustments in respect of previous years	(813)	(758)
– Share based payment expense	(354)	(1,316)
– R&D	(2,078)	(2,288)
– Other	3,264	1,466
Aggregate income tax expense	28,702	41,216

Recognised deferred tax assets and liabilities

	2016 $'000 Current Income Tax	2016 $'000 Deferred Income Tax	2015 $'000 Current Income Tax	2015 $'000 Deferred Income Tax
Opening balance	(4,288)	28,204	(3,352)	27,967
Charged to income	(22,582)	(6,120)	(40,903)	(313)
Charged to equity	–	–	–	–
Other / payments	25,746	(18)	39,967	–
Acquisition	–	–	–	550
Closing balance	(1,124)	22,066	(4,288)	28,204
Amounts recognised on the consolidated statement of financial position:				
Deferred tax asset		22,287		28,204
Deferred tax liability		(221)		–
		22,066		28,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2016

3. INCOME TAX (continued)	2016 $'000	2015 $'000
Deferred income tax at 30 June relates to the following:		
Deferred tax assets		
Provisions	24,490	31,223
Other	1,274	1,048
Gross deferred tax assets	25,764	32,271
Set-off of deferred tax liabilities	(3,477)	(4,067)
Net deferred tax assets	22,287	28,204
Deferred tax liabilities		
Accelerated depreciation	3,489	4,009
Other	209	58
Gross deferred tax liabilities	3,698	4,067
Set-off against deferred tax assets	(3,477)	(4,067)
Net deferred tax liabilities	221	–

Unrecognised temporary differences

At 30 June 2016, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2015: $nil).

Tax consolidation

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

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

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

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

Recognition and Measurement

Current taxes

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

Deferred Taxes

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2016

4. EARNINGS PER SHARE	2016 $'000	2015 $'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	67,014	105,825
Earnings used in calculation of basic and diluted earnings per share	67,014	105,825

	Number	Number
Number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	93,371,865	92,901,735
Effect of dilutive securities		
Share options	–	–
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	93,371,865	92,901,735

Conversions, calls, subscriptions or issues after 30 June 2016:

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

Calculation of earnings per share

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

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

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

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

There are 365,000 share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2016

5. CASH AND CASH EQUIVALENTS	2016 $'000	2015 $'000
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash balances comprise:	163,515	169,835
Cash at bank	40,000	40,000
Short term deposits	203,515	209,835
Reconciliation of net profit after tax to the net cash flows from operating activities		
Net profit	66,908	105,825
Adjustments for		
Depreciation of non-current assets	21,094	22,932
Amortisation and impairment of intangible assets	65	779
Net profit on sale of property, plant and equipment	(3,691)	(2,689)
Impairment of other non-current assets	1,011	1,170
Share-based payment credit	(1,178)	(4,387)
Unrealised foreign exchange loss/(gain)	2,138	(398)
Other	918	315
Changes in assets and liabilities		
(Increase)/decrease in receivables	40,385	(132,670)
Decrease in inventories	27,109	79,485
Decrease in deferred tax assets	5,917	432
Increase/(decrease) in payables	(59,748)	57,734
Decrease in provisions	(20,016)	(11,582)
Increase/(decrease) in income tax payable	(3,164)	936
Increase/(decrease) in deferred tax liabilities	221	(119)
Net cash flows from operating activities	77,969	117,763

Non-cash financing and investing activities

Hire purchase transactions:

During the year the consolidated entity acquired plant and equipment by means of hire purchase agreements with an aggregate fair market value of $7,741,790 (2015: $5,652,437).

Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2016

6. TRADE AND OTHER RECEIVABLES	Notes	2016 $'000	2015 $'000
CURRENT			
Trade receivables		244,398	278,867
Less allowance for impairment loss		(2,508)	(3,642)
		241,890	275,225
Loan to associates	28	16,113	7,957
Other debtors		84,197	91,985
		342,200	375,167

Allowance for impairment loss	2016 $'000	2015 $'000
Movements in the allowance for impairment loss were as follows:		
Balance at the beginning of the year	3,642	4,204
Credit for the year reflected in administrative expenses in the income statement	(1,134)	(562)
Balance at the end of the year	2,508	3,642

Trade receivables past due not impaired

At 30 June 2016, the ageing of trade receivables, past due but not considered impaired is as follows:

	2016 $'000	2015 $'000
31 – 60 Days	22,186	23,643
61 – 90 Days	3,606	3,639
91+ Days	9,517	16,151
TOTAL	35,309	43,433

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

Receivables not impaired nor past due

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

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

Other debtors

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

Recognition and measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2016

7. INVENTORIES	Notes	2016 $'000	2015 $'000
Construction work in progress			
Cost incurred to date plus profit recognised		1,694,307	4,708,463
Consideration received and receivable as progress billings		(1,814,217)	(4,819,766)
		(119,910)	(111,303)
Represented by:			
Amounts due to customers	12	173,345	191,847
Amounts due from customers		53,435	80,544

Amounts due to customers

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

Credit risk of amounts due from customers

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

Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2016

8. PROPERTY, PLANT AND EQUIPMENT

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

	Property		Plant and Equipment			
	Freehold Land $'000	Buildings $'000	Leasehold Improvements $'000	Plant and Equipment $'000	Plant and Equipment under Hire Purchase $'000	Total $'000
Year ended 30 June 2016						
Net carrying amount at 1 July 2015	13,411	17,754	1,333	34,793	28,899	96,190
Additions	–	–	84	836	7,742	8,662
Assets transferred	–	539	(539)	9,417	(9,417)	–
Disposals	–	(276)	–	(3,494)	–	(3,770)
Depreciation charge	–	(1,357)	(182)	(13,870)	(5,685)	(21,094)
Net carrying amount at 30 June 2016	13,411	16,660	696	27,682	21,539	79,988
At 30 June 2016						
Cost	13,411	24,959	1,485	143,858	33,969	217,682
Accumulated depreciation	–	(8,299)	(789)	(116,176)	(12,430)	(137,694)
Net carrying amount	13,411	16,660	696	27,682	21,539	79,988
Year ended 30 June 2015						
Net carrying amount at 1 July 2014	13,411	17,608	1,559	37,427	39,272	109,277
Additions	–	1,280	–	1,837	5,653	8,770
Additions through business combinations	–	–	–	2,740	–	2,740
Assets transferred	–	–	–	8,123	(8,123)	–
Disposals	–	(16)	–	(1,649)	–	(1,665)
Depreciation charge	–	(1,118)	(226)	(13,685)	(7,903)	(22,932)
Net carrying amount at 30 June 2015	13,411	17,754	1,333	34,793	28,899	96,190
At 30 June 2015						
Cost	13,411	24,553	2,261	143,111	48,393	231,729
Accumulated depreciation	–	(6,799)	(928)	(108,318)	(19,494)	(135,539)
Net carrying amount	13,411	17,754	1,333	34,793	28,899	96,190

Property, plant and equipment pledged as security

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

	2016 $'000	2015 $'000
Assets pledged as security	22,235	30,232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2016

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Recognition and measurement

Property, plant and equipment

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

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

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

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

Impairment of non-financial assets other than goodwill

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2016

9. INTANGIBLE ASSETS AND GOODWILL

	Intangible Assets $'000	Goodwill $'000	Total $'000
Year ended 30 June 2016			
At 1 July 2015	65	2,947	3,012
Amortisation	**(65)**	**–**	**(65)**
At 30 June 2016	**–**	**2,947**	**2,947**
Year ended 30 June 2015			
At 1 July 2014	844	2,947	3,791
Amortisation	(779)	–	(779)
At 30 June 2015	65	2,947	3,012

Description of the Group's intangible assets

Intangible assets relate to the fair value of contracts acquired on acquisition of PearlStreet Energy Services Pty Ltd (subsequently re-named Monadelphous Energy Services Pty Ltd). Intangible assets have been assessed as having a finite life and are amortised using the straight line method over a period of 4 years.

Impairment testing of the Group's intangible assets and goodwill

At 30 June 2016, no impairment loss has been recognised in the income statement (2015: nil).

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

Recognition and measurement

Goodwill

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

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

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

Intangible assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2016

10. INTEREST IN JOINT VENTURE

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

At 30 June 2016, the Group's interest in Monaro LLC was not material.

Recognition and measurement

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

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

The Group's investments in its joint venture 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.

11. OTHER NON-CURRENT ASSETS

	2016 $'000	2015 $'000
Other non-current assets	**236**	1,247

At 30 June 2015 and 2016, other non-current assets consist of investments in AnaeCo Limited (ASX: ANQ). The Group has a 14.67% (2015: 15.02%) interest in AnaeCo Limited, whose principal activity is the development and commercialisation of a process for the treatment of organic municipal solid waste. The investment is not considered to be material.

Recognition and measurement

Investments in associates

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

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

12. TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
CURRENT		
Trade payables	**34,119**	64,908
Advances on construction work in progress – Amounts due to customers	**173,345**	191,847
Sundry creditors and accruals	**18,749**	30,473
	226,213	287,228

Recognition and measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2016

13. INTEREST BEARING LOANS AND BORROWINGS	2016 $'000	2015 $'000
CURRENT		
Hire purchase liability - secured	6,732	10,224
Bank loan – secured	–	1,667
Loan – unsecured	1,136	–
	7,868	11,891
NON-CURRENT		
Hire purchase liability – secured	9,303	11,334
Loan – unsecured	375	–
	9,678	11,334

Terms and conditions

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

Hire purchase agreements have an average term of three years. The average discount rate implicit in the hire purchase liability is 4.44% (2015: 5.31%). The hire purchase liability is secured by a charge over the hire purchase assets.

Defaults and breaches

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

Recognition and measurement

Interest bearing loans and borrowings

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

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

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

Leases

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

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

Finance leases

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

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2016

14. PROVISIONS	2016 $'000	2015 $'000
CURRENT		
Employee benefits	56,635	70,931
Workers' compensation	28,998	34,846
	85,633	105,777
NON-CURRENT		
Employee benefits – long service leave	5,711	5,583

	2016 $'000
Movements in provisions	
Workers compensation	
Carrying amount at the beginning of the year	34,846
Additional provision	2,253
Amounts utilised during the year	(8,101)
Carrying amount at the end of the financial year	28,998

Recognition and measurement

Provisions

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

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

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

Employee benefits

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

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

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

Workers' compensation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CAPITAL STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2016

15. CAPITAL MANAGEMENT

Capital is managed by the Group's Chief Financial Officer in conjunction with the Group's Finance and Accounting department. Management continually monitor the Group's net cash/debt position and the gearing levels to ensure efficiency and compliance with the Group's banking facility covenants, including the gearing ratio, operating leverage ratio and fixed charge coverage ratio. At 30 June 2016, the Group is in a net cash position of $185,969,000 (2015: $186,610,000) and has a debt to equity ratio of 4.8% (2015: 6.3%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2016, management paid dividends of $69,043,638. 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.

16. DIVIDENDS PAID AND PROPOSED

	2016 $'000	2015 $'000
Declared and paid during the year		
Current year interim		
Interim franked dividend for 2016 (28 cents per share) (2015: 46 cents per share)	26,175	42,779
Previous year final		
Final franked dividend for 2015 (46 cents per share) (2014: 63 cents per share final)	42,869	58,462
Unrecognised amounts		
Current year final		
Final franked dividend for 2016 (32 cents per share) (2015: 46 cents per share)	29,981	42,869
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	48,234	71,807
Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	(12,849)	(18,373)
	35,385	53,434

Tax rates

The tax rate at which paid dividends have been franked is 30% (2015: 30%). Dividends payable will be franked at the rate of 30% (2015: 30%).

Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CAPITAL STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2016

17. CONTRIBUTED EQUITY

	2016 $'000	2015 $'000
Ordinary shares – Issued and fully paid	121,992	118,579
Reserved shares	(1,269)	(1,269)
	120,723	117,310

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.

		2016		2015	
	Note	Number of Shares	$'000	Number of Shares	$'000
Beginning of the financial year		93,194,159	118,579	92,679,570	112,115
Exercise of employee options		–	–	118,440	1,640
Dividend reinvestment plan		496,054	3,313	396,149	4,824
Acquisition of subsidiary	20	13,750	100	–	–
End of the financial year		93,703,963	121,992	93,194,159	118,579

During the year ended 30 June 2016, under the Monadelphous Group Limited Employee Option Plan, no employees exercised options to acquire fully paid ordinary shares.

Reserved shares

	2016		2015	
	Number of Shares	$'000	Number of Shares	$'000
Beginning of the financial year	85,500	(1,269)	–	–
Acquisition of reserved shares	–	–	85,500	(1,269)
End of the financial year	85,500	(1,269)	85,500	(1,269)

Recognition and measurement

Contributed equity

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

Reserved shares

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CAPITAL STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2016

18. RESERVES AND RETAINED EARNINGS	2016 $'000	2015 $'000
Foreign currency translation reserve	853	161
Share-based payment reserve	29,102	30,280
	29,955	30,441
Retained earnings	218,317	220,347
Movements in retained earnings		
Balance at the beginning of the year	220,347	215,763
Net profit attributable to equity holders of the parent	67,014	105,825
Total available for appropriation	287,361	321,588
Dividends paid	(69,044)	(101,241)
Balance at the end of the year	218,317	220,347

Movements in reserves	Foreign Currency Translation Reserve $'000	Share-Based Payment Reserve $'000	Total $'000
At 1 July 2014	120	34,667	34,787
Foreign currency translation	41	–	41
Share-based payment	–	(4,387)	(4,387)
At 30 June 2015	161	30,280	30,441
Foreign currency translation	692	–	692
Share-based payment	–	(1,178)	(1,178)
At 30 June 2016	853	29,102	29,955

Nature and purpose of reserves

Foreign currency translation reserve

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

Share-based payment reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: GROUP STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2016

19. SUBSIDIARIES

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

Name	Country of Incorporation	Percentage Held by Consolidated Entity 2016 %	2015 %	Parent Entity Investment 2016 $'000	2015 $'000
Parent:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
#Monadelphous Engineering Associates Pty Ltd	Australia	100	100	26,133	27,047
#Monadelphous Properties Pty Ltd	Australia	100	100	1,788	1,941
#Monadelphous Engineering Pty Ltd	Australia	100	100	4,219	4,219
#Genco Pty Ltd	Australia	100	100	342	342
#Monadelphous Workforce Pty Ltd	Australia	100	100	370	370
#Monadelphous Electrical & Instrumentation Pty Ltd	Australia	100	100	5,343	5,343
#Monadelphous KT Pty Ltd	Australia	100	100	16,112	16,139
#Monadelphous Energy Services Pty Ltd	Australia	100	100	4,434	4,434
#M Workforce Pty Ltd	Australia	100	100	–	–
#M Maintenance Services Pty Ltd	Australia	100	100	–	–
M&ISS Pty Ltd	Australia	100	100	–	–
SinoStruct Pty Ltd	Australia	100	100	125	208
Monadelphous Group Limited Employee Share Trust	Australia	100	100	–	–
Monadelphous Holdings Pty Ltd	Australia	100	100	–	–
MGJV Pty Ltd	Australia	70^	70	–	–
Monadelphous PNG Ltd	Papua New Guinea	100	100	–	–
Moway International Limited	Hong Kong	100	100	443	443
Moway AustAsia Steel Structures Trading (Beijing) Company Limited	China	100	100	–	–
Monadelphous Singapore Pte Ltd	Singapore	100	100	144	144
Monadelphous Mongolia LLC	Mongolia	100	100	–	–
Monadelphous Inc.	USA	100	100	1,806	–
Monadelphous Marcellus LLC*	USA	100	–	–	–
MKT Pipelines Ltd*	Canada	100	–	–	–
Evo Access Pty Ltd	Australia	100	–	–	–
Monadelphous Engineering NZ Pty Ltd	New Zealand	100	100	–	–
				61,259	60,630

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

* Incorporated during the year

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

Ultimate parent

Monadelphous Group Limited is the ultimate holding company.

Material partly-owned subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: GROUP STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2016

20. BUSINESS COMBINATION

Acquisition of Water Infrastructure Group

On 27 February 2015, Monadelphous Group Limited concluded the purchase agreement with Water Infrastructure Group Pty Ltd to acquire the contracts and net assets of its design, build and maintain business. The acquisition forms part of Monadelphous' market growth strategy.

The consideration comprised an initial cash payment of $6,000,000 and a subsequent cash adjustment to the purchase price of $1,700,000. $1,200,000 of the cash adjustment was paid in June 2016, with the remaining $500,000 paid during July 2016. The cash adjustment resulted from a change to the provisional fair value of net contracts in progress and unbilled revenue.

Acquisition of Evo Access Pty Ltd

On 22 April 2016, Monadelphous Group Limited acquired 100% of the ordinary share capital of Evo Access Pty Ltd. Total consideration for the acquisition was $260,000 comprising a cash payment of $160,000 and $100,000 of Monadelphous Group Limited ordinary shares. The acquisition of Evo Access Pty Ltd is not material to the Group.

21. 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 2016 %	Group Interest 2015 %
AnaeCo Monadelphous Joint Venture	To deliver design and construct waste management systems to the WMRC DiCOM facility.	Shenton Park, WA	50	50
Monadelphous Muhibbah Marine Joint Venture	To construct the approach jetty and ship berth associated with the Wiggins Island Coal Export Terminal.	Gladstone, QLD	50	50
KT-OSD Joint Venture	Design and construction of a transmission pipeline and associated facilities for Hamersley Iron.	West Angelas, WA	60	60

Commitments and contingent liabilities relating to joint operations

Details relating to a legal matter involving Monadelphous Muhibbah Marine Joint Venture are included in note 24.

There were no other capital commitments or contingent liabilities relating to the joint operations at 30 June 2016 (2015: $nil).

Impairment

No assets employed in the joint operations were impaired during the year ended 30 June 2016 (2015: $nil).

Recognition and Measurement

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 30 JUNE 2016

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

(a) Risk exposures and responses

Interest rate risk

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

	Notes	2016 $'000	2015 $'000
Financial assets			
Cash and cash equivalents	5	203,515	209,835
Net exposure		203,515	209,835

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 2016, reasonable possible movement in variable interest rates, based on a review of historical movements and forward rate curves for forward rates would not have had a material impact on the Group.

Foreign currency risk

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

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. Where possible, Monadelphous does not take on foreign exchange risk. At 30 June 2016, the Group had no forward contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 30 JUNE 2016

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

Foreign currency risk (continued)

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

At 30 June 2016, the Group had the following exposure to foreign currency:

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

Year ended 30 June 2015	PGK AUD$'000	USD AUD$'000
Financial assets		
Cash and cash equivalents	17,140	7,605
Trade and other receivables	1,780	10,584
Financial liabilities		
Trade and other payables	(31)	(3)
Net Exposure	18,889	18,186

At 30 June 2016, 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.

At 30 June 2016, if the PGK foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
Judgements of reasonably possible movements relating to financial assets and liabilities denominated in PGK:	2016 $'000	2015 $'000	2016 $'000	2015 $'000
+10% (2015: +10%)	(1,624)	(1,322)	–	–
-10% (2015: -10%)	1,624	1,322	–	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 30 JUNE 2016

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

Credit risk

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

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

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

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

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

The Group's maximum exposure to credit risk is its cash and trade receivables representing $445,405,000 at 30 June 2016 (2015: $485,060,000)

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

Liquidity risk

Financing facilities available	2016 $'000	2015 $'000
At balance date the following financing facilities had been negotiated and were available		
Total facilities:		
– Bank guarantee and performance bonds	575,000	675,000
– Revolving credit	98,995	92,015
	673,995	767,015
Facilities used at balance date:		
– Bank guarantee and performance bonds	209,797	392,598
– Revolving credit	17,546	23,225
	227,343	415,823
Facilities unused at balance date:		
– Bank guarantee and performance bonds	365,203	282,402
– Revolving credit	81,449	68,790
	446,652	351,192

Nature of bank guarantees and performance bonds

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

Nature of revolving credit

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 30 JUNE 2016

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

Liquidity risk (continued)

The table below reflects all contractually fixed pay-offs, repayments and interest resulting from financial liabilities as of 30 June 2016.

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

	2016 $'000	2015 $'000
Financial liabilities		
6 months or less	230,961	294,924
6 – 12 months	3,689	5,020
1 – 5 years	10,227	11,867
	244,877	311,811

Maturity analysis of derivative financial instruments and financial liabilities:

Year ended 30 June 2016	6 months or less $'000	6 months to 1 year $'000	1 year to 5 years $'000	Total Contractual Cash Flows $'000	Total Carrying Amount $'000
Financial liabilities					
Trade and other payables	226,213	–	–	226,213	226,213
Loan	409	761	376	1,546	1,511
Hire purchase liability	4,339	2,928	9,851	17,118	16,035
Net maturity	230,961	3,689	10,227	244,877	243,759

Year ended 30 June 2015	6 months or less $'000	6 months to 1 year $'000	1 year to 5 years $'000	Total Contractual Cash Flows $'000	Total Carrying Amount $'000
Financial liabilities					
Trade and other payables	287,228	–	–	287,228	287,228
Bank loan	1,700	–	–	1,700	1,667
Hire purchase liability	5,996	5,020	11,867	22,883	21,558
Net maturity	294,924	5,020	11,867	311,811	310,453

(b) Net fair values of financial assets and liabilities

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

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

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

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

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 2016 or 30 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: UNRECOGNISED ITEMS

FOR THE YEAR ENDED 30 JUNE 2016

23. COMMITMENTS AND CONTINGENCIES	Notes	2016 $'000	2015 $'000
Hire purchase commitments			
Payable:			
– Within one year		7,267	11,016
– Later than one year but not later than five years		9,851	11,867
Minimum lease payments		17,118	22,883
Less future finance charges		(1,083)	(1,325)
Present value of minimum lease payments		16,035	21,558
Current liability	13	6,732	10,224
Non-current liability	13	9,303	11,334
		16,035	21,558

Hire purchase agreements have an average term of three years.

Operating lease commitments	2016 Properties $'000	2016 Other $'000	2016 Total $'000	2015 Total $'000
Minimum lease payments				
– Within one year	14,099	2,517	16,616	24,900
– Later than one year but not later than five years	38,239	346	38,585	37,859
– Later than five years	8,403	–	8,403	14,426
Aggregate lease expenditure contracted for at balance date but not provided for	60,741	2,863	63,604	77,185

Other operating leases includes motor vehicles and cranes. Properties include the Victoria Park office lease, the Brisbane office lease and other rental properties. Other operating leases have an average lease term remaining of 15 months. Properties under operating leases have an average lease term remaining of less than one year.

Capital commitments

The consolidated group has capital commitments of $442,443 at 30 June 2016 (2015: $569,064).

Guarantees

	2016 $'000	2015 $'000
Guarantees given to various clients for satisfactory contract performance	209,797	392,598

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

Contingent Liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: UNRECOGNISED ITEMS

FOR THE YEAR ENDED 30 JUNE 2016

24. SUBSEQUENT EVENTS

Contract awards

On 20 July 2016, Monadelphous announced it had been awarded new contracts for customers in the resources, energy and infrastructure markets, with a combined value of approximately $140 million. The contracts included:

– Support to BHP Billiton's Olympic Dam copper-uranium operation at Roxby Downs in South Australia for a further five years. Monadelphous has been providing maintenance and industrial services support at Olympic Dam for more than 25 years;

– A contract for the design, construction and commissioning of a liquid fuel supply system for Rio Tinto Iron Ore at its Cape Lambert Port Facility near Karratha, in Western Australia. The contract follows the successful completion of petroleum pipeline installations at its West Angelas and Cape Lambert facilities;

– A contract for the design and construction of a potable water treatment plant for the Western Downs Regional Council in Chinchilla, Queensland; and

– Electrical and instrumentation works for the product loading jetty with JKC Australia LNG Pty Ltd at the Ichthys Project Onshore LNG Facilities in Darwin in the Northern Territory.

Zenviron

On 26 July 2016, Monadelphous announced it had reached an agreement with renewable energy specialist, ZEM Energy Pty Ltd, to form a new incorporated joint venture, Zenviron Pty Ltd (Zenviron). Zenviron has been selected as preferred tenderer for the provision of the Balance of Plant associated with CWP Renewables' Sapphire Wind Farm.

Legal dispute with Wiggins Island Coal Export Terminal (WICET)

In July 2016, Monadelphous announced that MMM, an unincorporated joint operation in which one of its subsidiaries holds a 50% interest, reached agreement with Wiggins Island Coal Export Terminal Pty Ltd to resolve all claims relating to contracts performed on the Wiggins Island Coal Export Terminal Project in Gladstone, Queensland. The terms of this agreement are confidential and remain subject to third party approvals.

AnaeCo Limited

In August 2016, Monadelphous entered into a binding agreement with Xiaoqing Environmental Protection Technology Company (XEPTC) that will result in XEPTC buying part of a convertible loan owed to Monadelphous by AnaeCo, with the remaining balance of the loan being converted to equity in AnaeCo. The transaction remains subject to AnaeCo shareholder approval. It is expected that Monadelphous will hold 30% of AnaeCo's issued share capital on conversion.

Dividends declared

On 22 August 2016, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividend is $29,980,868 which represents a fully franked final dividend of 32 cents per share. This dividend has not been provided for in the 30 June 2016 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2016

25. PARENT ENTITY INFORMATION	Notes	2016 $'000	2015 $'000
Information relating to Monadelphous Group Limited parent entity			
Current assets		187,508	181,951
Total assets		1,349,016	1,265,124
Current liabilities		(1,131,878)	(1,012,854)
Total liabilities		(1,141,181)	(1,024,188)
Net assets		207,835	240,936
Contributed equity		120,723	117,310
Share-based payment reserve		29,102	30,280
Retained earnings		58,010	93,346
Total equity		207,835	240,936
Profit after tax		33,708	100,921
Total comprehensive income of the parent entity		33,708	100,921
Contingent liabilities			
Guarantees	23	209,797	392,598

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

Capital commitments

The parent entity has capital commitments of $nil at 30 June 2016 (2015: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2016

26. SHARE BASED PAYMENT EXPENSE

The Monadelphous Group Limited Employee Option Plan and Employee Option Prospectus have been established where eligible directors and employees of the consolidated entity are issued with options over the ordinary shares of Monadelphous Group Limited. The options, issued for nil consideration, are issued in accordance with the guidelines established by the remuneration committee of Monadelphous Group Limited. The options issued carry various terms and exercising conditions. There are currently no directors and 26 employees participating in these schemes.

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

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

The ability to exercise options during each applicable window period is subject to the financial performance of the Company during the option vesting period. The options outstanding at 30 June 2016 shall only be capable of exercise during that window period where the Company's Earnings Per Share (EPS) metric is growing at a rate of at least 10% per year on average. If, however, this hurdle is not achieved for a particular window period, rather than lapsing, the options will be re-tested during all later window periods in respect of that issue and may become exercisable at that later date.

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

	2016		2015	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance at the beginning of the year	2,105,000	17.70	3,628,000	17.40
Forfeited during the year	**(1,740,000)**	**18.16**	(1,312,500)	17.33
Exercised during the year	–	–	(210,500)	14.84
Balance at the end of the year	**365,000**	**19.26**	2,105,000	17.70
Exercisable during the next year	**335,000**	**19.46**	1,850,000	17.52

No options were exercised during the year. The weighted average share price at the date of options exercised during the prior year was $15.36.

The weighted average fair values for options outstanding at 30 June 2016 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option at Grant Date
305,000	1/11/2012	14/09/2016	$3.52
60,000	5/11/2013	14/09/2017	$2.91

The share-based payment expense for the year ended 30 June 2016 was a credit of $1,178,599 (2015: credit $4,386,873) for the consolidated entity.

Options held as at the end of the reporting period

The following table summarises information about options held by the employees as at 30 June 2016:

Number of Options	Grant Date	Vesting Date	Expiry Date	Exercise Price
76,250	1/11/2012	01/09/2016	14/09/2016	$19.70
76,250	1/11/2012	01/09/2016	14/09/2016	$19.70
152,500	1/11/2012	01/09/2016	14/09/2016	$19.70
15,000	5/11/2013	01/09/2016	14/09/2017	$17.05
15,000	5/11/2013	01/09/2016	14/09/2017	$17.05
30,000	5/11/2013	01/09/2017	14/09/2017	$17.05

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2016

26. SHARE BASED PAYMENT EXPENSE (continued)

Recognition and Measurement

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

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

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

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

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

27. AUDITORS' REMUNERATION	**2016 $**	2015 $
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	**215,931**	200,479
– Other services in relation to the entity and any other entity in the consolidated entity		
– tax compliance	**33,195**	29,500
	249,126	229,979
Amounts received or due and receivable by other accounting firms for:		
– tax compliance*	**893,469**	1,064,196
– other services	**47,737**	–
	941,206	1,064,196

Ernst & Young has provided an auditor's independence declaration to the Directors of Monadelphous Group Limited confirming that the provision of the other services has not impaired their independence as auditors.

* Tax compliance fees paid to other accounting firms during the financial year ended 30 June 2016 relate predominantly to the application for Research and Development Tax Concessions and overseas tax compliance services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2016

28. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	2016 $	2015 $
Short term benefits	**3,309,687**	3,787,144
Post employment	**126,862**	127,192
Long term benefits	**52,096**	114,188
Share-based payments	**–**	(1,178,506)
Total compensation	**3,488,645**	2,850,018

Loans to associates

At 30 June 2016, an amount totalling $16,113,000 (2015: $7,957,000) had been loaned to AnaeCo Limited (AnaeCo). Monadelphous owns 14.67% (2015: 15.02%) of the ordinary share capital of AnaeCo. The loan is included in the statement of financial position within other receivables. Interest is payable on the loan at a rate of 12% (2015: 12%) per annum. The loan is secured by a first ranking charge over AnaeCo Limited's assets.

On 5 August 2016, Monadelphous announced that it had entered into a binding agreement with Xiaoqing Environmental Protection Technology Company (XEPTC) that will result in XEPTC buying part of the convertible loan owed to Monadelphous by AnaeCo. The sale is subject to certain standard and regulatory conditions, including AnaeCo shareholder approval.

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

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

29. 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 2016, the Engineering Construction division contributed revenue of $757.6 million (2015: $1,245.5 million) and the Maintenance and Industrial Services division contributed revenue of $608.4 million (2015: $621.2 million). Included in these amounts is $1.3 million (2015: $1.7 million) of inter-entity revenue, which is eliminated on consolidation. The operating divisions are exposed to similar risks and rewards from operations, and are only segmented to facilitate appropriate management structures.

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

- have similar economic characteristics 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 25% of the Group's revenue. Three other customers contributed over 34% of revenue, representing 15%, 11% and 9% of the Group's revenue. There are multiple contracts with these customers, across a number of their subsidiaries, divisions within those subsidiaries and locations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2016

30. DEED OF CROSS GUARANTEE

Pursuant to Class Order 98/1418, relief has been granted to these controlled entities of Monadelphous Group Limited from the *Corporations Act 2001* requirements for preparation, audit and publication of accounts.

As a condition of the Class Order, Monadelphous Group Limited and the controlled entities subject to the Class Order, entered into a deed of indemnity on 9 June 2011, 1 June 2012, 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:

	2016 $'000	2015 $'000
Consolidated Income Statement and Comprehensive Income		
Profit before income tax	**108,779**	165,377
Income tax expense	**(31,195)**	(47,510)
Net profit after tax for the period	**77,584**	117,867
Retained earnings at the beginning of the period	198,496	181,870
Dividends paid	**(69,044)**	(101,241)
Retained earnings at the end of the period	**207,036**	198,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2016

30. DEED OF CROSS GUARANTEE (continued)

	2016 $'000	2015 $'000
Consolidated Statement of Financial Position		
ASSETS		
Current assets		
Cash and cash equivalents	164,322	183,674
Trade and other receivables	362,081	379,143
Inventories	33,681	77,536
Total current assets	560,084	640,353
Non-current assets		
Investments in subsidiaries	711	795
Property, plant and equipment	75,827	90,444
Deferred tax assets	20,830	27,280
Intangible assets and goodwill	2,946	3,011
Other non-current assets	236	1,247
Total non-current assets	100,550	122,777
TOTAL ASSETS	660,634	763,130
LIABILITIES		
Current liabilities		
Trade and other payables	198,012	282,030
Interest bearing loans and borrowings	6,732	11,891
Income tax payable	1,823	3,401
Provisions	82,634	102,982
Total current liabilities	289,201	400,304
Non-current liabilities		
Interest bearing loans and borrowings	9,302	11,334
Provisions	5,270	5,406
Total non-current liabilities	14,572	16,740
TOTAL LIABILITIES	303,773	417,044
NET ASSETS	356,861	346,086
EQUITY		
Contributed equity	120,723	117,310
Reserves	29,102	30,280
Retained earnings	207,036	198,496
TOTAL EQUITY	356,861	346,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2016

31. OTHER ACCOUNTING STANDARDS

Other accounting standards

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.

Changes in accounting policies

Monadelphous Group Limited and its subsidiaries ('the Group') has adopted all new and amended Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2015, including:

– AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments Parts A & B.

– AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 *Materiality*.

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

New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2016.

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

Reference	Summary	Application date of standard	Application date for Group
AASB 9 *Financial Instruments*	AASB 9 contains accounting requirement for financial instruments, replacing AASB 139. The standard: (a) contains a simpler model for classification and measurement of financial assets; (b) a single, forward looking 'expected loss' impairment model that will require more timely recognition of expected credit losses; (c) a substantially reformed approach to hedge accounting including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. The Group has not yet commenced its review of the application of this Standard.	1 January 2018	1 July 2018
AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*	This standard sets out the guidance on the accounting for acquisition of interests in joint operations in which the activity constitutes a business.	1 January 2016	1 July 2016
AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)*	This standard clarifies the use of revenue-based methods to calculate depreciation on property, plant and equipment is not appropriate.	1 January 2016	1 July 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2016

31. OTHER ACCOUNTING STANDARDS (continued)

New accounting standards and interpretations (continued)

Reference	Summary	Application date of standard	Application date for Group
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The Group continues its detailed review of its contracts with customers to determine the impact, if any, of AASB 15 to revenue recognition of the Group. At the date of this report, that assessment is ongoing and it has not been possible to quantify the effect of AASB 15.	1 January 2018	1 July 2018
AASB 1057 *Application of Australian Accounting Standards*	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same.	1 January 2016	1 July 2016
AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*	AASB 2014-9 amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016	1 July 2016
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	AASB 2014-10 amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2018	1 July 2018
AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*	This standard provides clarification amendments to AASB 5, AASB 7, AASB 9 and AASB 134.	1 January 2016	1 July 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements.	1 January 2016	1 July 2016
AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]*	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 January 2016	1 July 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2016

31. OTHER ACCOUNTING STANDARDS (continued)

New accounting standards and interpretations (continued)

Reference	Summary	Application date of standard	Application date for Group
AASB 16 *Leases*	The key features of AASB 16 are as follows: Lessee accounting – Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. – A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. – Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. – AASB 16 contains disclosure requirements for lessees. Lessor accounting – AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. – AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. The Group has not yet commenced its review of the application of this Standard.	1 January 2019	1 July 2019
2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*	This Standard amends AASB 112 *Income Taxes (July 2004)* and AASB 112 *Income Taxes (August 2015)* to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	This Standard amends AASB 107 *Statement of Cash Flows (August 2015)* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017
IFRS 2 (Amendments) *Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]*	This standard amends to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: – The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments – Share-based payment transactions with a net settlement feature for withholding tax obligations – A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	1 July 2018

INVESTOR INFORMATION

FOR THE YEAR ENDED 30 JUNE 2016

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current at 12 September 2016.

a) Distribution of equity securities

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

Category (Size of Holdings)	Number of Ordinary Shareholders	Number of Ordinary Shares	% of Issued Capital
1 – 1000	7,985	3,980,062	4.25
1,001 – 5,000	5,904	14,166,838	15.12
5,001 – 10,000	1,086	8,063,257	8.60
10,001 – 100,000	829	21,001,224	22.41
100,001 – 99,999,999	52	46,492,582	49.62
Total	**15,856**	**93,703,963**	**100.00**

The number of shareholders holding less than marketable parcels is 583.
13,750 shares are held in voluntary escrow, one half to be released on 30 June 2018 and one half to be released on 22 April 2019.

b) Twenty largest shareholders

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

Rank	Name	Number of Ordinary Shares	% of Issued Capital
1.	HSBC Custody Nominees (Australia) Limited	13,762,196	14.69
2.	J P Morgan Nominees Australia Limited	10,465,710	11.17
3.	Citicorp Nominees Pty Limited	5,040,075	5.38
4.	Velham Nominees Pty Ltd (The Velletri Family A/C)	2,100,000	2.24
5.	Rubi Holdings Pty Ltd (John Rubino Super Fund A/C)	2,022,653	2.16
6.	National Nominees Limited	1,982,151	2.12
7.	Wilmar Enterprises Pty Ltd	1,320,000	1.41
8.	BNP Paribas Noms Pty Ltd (DRP)	875,714	0.93
9.	National Nominees Limited (DB A/C)	856,293	0.91
10.	3rd Wave Investors Ltd	800,000	0.85
11.	Bainpro Nominees Pty Limited	443,164	0.47
12.	Mrs Mary Teresa Erdash	335,000	0.36
13.	RBC Investor Services Australia Nominees Pty Limited (BKCUST A/C)	331,342	0.35
14.	Neale Edwards Pty Ltd	324,760	0.35
15.	Mr Bruce Shankland & Mrs Gilda Maria Shankland	295,800	0.32
16.	HSBC Custody Nominees (Australia) Limited-GSCO ECA	257,780	0.28
17.	Mr Dino Foti (D&I Foti Family A/C)	232,500	0.25
18.	Borromini Pty Ltd	224,000	0.24
19.	Marsden Holdings (Canberra) Pty Ltd	219,423	0.23
20.	Australian United Investment Company Limited	200,000	0.21
Total		**42,088,561**	**44.92**

c) Substantial shareholders

The following shareholders have declared a relevant interest in the number of voting shares at the date of giving notice under Part 6C.1 of the *Corporations Act 2001*.

Shareholder	Ordinary Shares	% Held
BlackRock Group	7,321,532	7.81%

INVESTOR INFORMATION

FOR THE YEAR ENDED 30 JUNE 2016

d) Voting rights

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

e) Securities exchange listing

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at The University Club, University of Western Australia, Crawley, WA on Tuesday 22 November 2016 at 10.00am (AWST). Full details of the meeting are contained in the Notice of Annual General Meeting sent with this report.

DIVIDENDS

The following options are available regarding payment of dividends.

i) By cheque payable to the shareholder; or

ii) By direct deposit to a bank, building society or credit union account.

Lost or stolen cheques should be reported immediately to the Share Registry, in writing.

Electronic payments are credited on the dividend payment date and confirmed by a payment advice sent to the shareholder. Request forms for this service are available from the Company's Share Registry at the address shown below.

SHAREHOLDER ENQUIRIES

All enquires should be directed to the Company's Share Registry at:

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

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

All written enquires should include your Security Holder Reference Number or Holder Identification Number as it appears on your Holding Statement along with your current address.

CHANGE OF ADDRESS

It is very important that shareholders notify the Share Registry immediately, in writing, if there is any change to their registered address.

LOST HOLDING STATEMENTS

Shareholders should inform the Share Registry immediately, in writing, so that a replacement statement can be arranged.

CHANGE OF NAME

Shareholders who change their name should notify the Share Registry, in writing, and attach a copy of a relevant marriage certificate or deed poll.

TAX FILE NUMBER (TFN)

Although it is not compulsory for each shareholder to provide a TFN or exemption details, for those shareholders who do not provide the necessary details, the Company will be obliged to deduct tax from any unfranked portion of their dividends at the top marginal rate. TFN application forms can be obtained from the Share Registry, any Australian Post Office or the Australian Taxation Office.

MONADELPHOUS PUBLICATIONS

In an effort to reduce its impact on the environment Monadelphous will only post printed copies of this Annual Report to those shareholders who elect to receive one through the share registry. Shareholders may alternatively elect to receive an electronic copy of the Annual Report. Monadelphous Group Limited financial reports are also available on its website (refer below).

INVESTOR INFORMATION

FOR THE YEAR ENDED 30 JUNE 2016

INFORMATION ABOUT MONADELPHOUS

Requests for specific information on the Company can be directed to the Company Secretary at the following address:

Monadelphous Group Limited
PO Box 600
Victoria Park, WA 6979

Telephone: +61 8 9316 1255
Facsimile: +61 8 9316 1950

MONADELPHOUS WEBSITE

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

CORPORATE DIRECTORY

DIRECTORS

Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Peter John Dempsey
Lead Independent Non-Executive Director

Christopher Percival Michelmore
Independent Non-Executive Director

Dietmar Robert Voss
Independent Non-Executive Director

COMPANY SECRETARIES

Kristy Glasgow

Philip Trueman

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

59 Albany Highway
Victoria Park
Western Australia 6100

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

POSTAL ADDRESS

PO Box 600
Victoria Park
Western Australia 6979

SHARE REGISTRY

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

Telephone: 1300 364 961
Facsimile: +61 8 9323 2033

ASX CODE

MND – Fully Paid Ordinary Shares

BANKERS

National Australia Bank Limited
50 St Georges Terrace
Perth
Western Australia 6000

Westpac Banking Corporation
109 St Georges Terrace
Perth
Western Australia 6000

HSBC
188-190 St Georges Terrace
Perth
Western Australia 6000

AUDITORS

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

SOLICITORS

Clifford Chance
190 St Georges Terrace
Perth
Western Australia 6000

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 Workforce Pty Ltd
M&ISS Pty Ltd
M Maintenance Services Pty Ltd
Monadelphous Engineering NZ Pty Ltd
Monadelphous Inc.
Monadelphous Marcellus LLC
MGJV Pty Ltd
MKT Pipelines Limited
Evo Access Pty Ltd

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In an effort to minimise its impact on the environment, Monadelphous will only post printed copies of this Annual Report to those shareholders who elect to receive one through the share registry.

Shareholders may alternatively elect to receive an electronic copy of the Annual Report or access it via the Monadelphous website www.monadelphous.com.au.

Monadelphous

PERTH HEAD OFFICE

59 Albany Highway
Victoria Park
Western Australia 6100

PO Box 600
Victoria Park
Western Australia 6979

T +61 8 9316 1255
F +61 8 9316 1950

BRISBANE OFFICE

Level 6, 19 Lang Parade
Milton
Queensland 4064

PO Box 1872
Milton
Queensland 4064

T +61 7 3368 6700
F +61 7 3368 6777

MONADELPHOUS.COM.AU

MONADELPHOUS GROUP LIMITED
ABN 28 008 988 547