MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

CONSOLIDATED FINANCIAL REPORT

30 JUNE 2023

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

Directors
Robert Velletri
Chair

Zoran Bebic
Managing Director

Susan Lee Murphy AO
Lead Independent Non-Executive Director

Dietmar Robert Voss
Independent Non-Executive Director

Helen Jane Gillies
Independent Non-Executive Director

Enrico Buratto
Independent Non-Executive Director

Company Secretaries
Kristy Glasgow
Philip Trueman

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ASX Code
MND – Fully Paid Ordinary Shares

Bankers
National Australia Bank Limited
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Perth
Western Australia 6000

HSBC
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Perth
Western Australia 6000

Bankers (continued)

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

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

Solicitors
Johnson, Winter & Slattery
Level 49, 152-158 St George's Terrace
Perth
Western Australia 6000

Controlled Entities
Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Monadelphous Properties Pty Ltd
Monadelphous Workforce Pty Ltd
Genco Pty Ltd
Monadelphous Electrical & Instrumentation Pty Ltd
Monadelphous PNG Ltd
Monadelphous Holdings Pty Ltd
Moway International Limited
Inteforge Pty Ltd (formerly 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 Mongolia LLC
M&ISS Pty Ltd
M Maintenance Services Pty Ltd
Monadelphous Engineering NZ Pty Ltd
Evo Access Pty Ltd
Monadelphous Inc.
MGJV Pty Ltd
M Workforce Pty Ltd
Monadelphous Investments Pty Ltd
MWOG Pty Ltd
Arc West Group Pty Ltd
MOAG Pty Ltd
Monadelphous International Holdings Pty Ltd
R.I.G. Installations (Newcastle) Pty Ltd
R E & M Services Pty Ltd
Pilbara Rail Services Pty Ltd
EC Projects Pty Ltd
Monadelphous Chile SpA
MAQ Rent SpA
Inteforge Engineering & Fabrication (Tianjin) Co. Ltd
Monadelphous RTW Pty Ltd
MMW Projects Pty Ltd
BMC Holdings (Vic) Pty Ltd
BMC Welding & Construction Pty Ltd
BMC HV Electrical & Instrumentation Pty Ltd
BMC Civil Pty Ltd

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Vale John Rubino
26 June 1945 – 16 January 2023

Chair, Monadelphous Group Limited, 1991 to 2022
Managing Director, Monadelphous Group Limited, 1991 to 2003

Calogero Giovanni (John) Battista Rubino was born in Delia, a small agricultural town in Sicily, Italy, on 26 June 1945. An only son, with three younger sisters, John made the tough decision to leave his tight-knit family in Italy at the age of 21 in search of adventure, arriving in Australia on 6 September 1966.

From 1966 to 1970 John worked throughout the country, gaining experience in a range of roles across the structural and civil sectors, from rigging and surveying to project management, and eventually based himself in Western Australia (WA). In partnership with three great friends, John formed Rubino and Company, which later became the successful United Construction Group (today, United Group Limited). So reflective of the way John did business, the United partnership was built on a trusting handshake with no signed agreement between them. All four were equal partners from the outset and remained friends for life.

In 1987, John and his partners bought into Monadelphous, only to discover the Company was insolvent. He went on to describe this as the 'best mistake he ever made'. With an initial six-month commitment to stand in as Monadelphous' Chair and Managing Director, John ended up leading the Company for more than 30 years.

Under John's exceptional leadership, Monadelphous' fortunes turned around. The Company became a place where people were proud to come and work, that suppliers had confidence in, and that customers knew and respected. During John's time at the helm, Monadelphous was trusted with the construction and maintenance of some of the largest and most complex projects and facilities across Australia, as well as internationally. This included projects with BHP, Rio Tinto, Woodside, Chevron, Shell, Origin, INPEX, Newcrest and South32, amongst others. The Company John helped build has grown to employ up to 8,000 people at any one time across its global operations.

John's business acumen was breathtaking, and his ability to form long-term trusting and mutually rewarding relationships is the stuff of legend. With his thick Sicilian accent and his cracking sense of humour, John was a born leader, with enormous charisma, and an ability to inspire people like no other. A mentor to many, he was incredibly generous and a winner fair and square. He was the best kind of winner, because when John won, everyone around him won.

It goes without saying that John's proudest achievement of all is much closer to home, his family – his beloved wife, three daughters and eight grandchildren.

John's memory will always be present in our corridors at Monadelphous, and in the stories of our people.

We will continue to do you proud, John.

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Contents	**Page**
Chair's Report	2
Company Performance	11
Directors' Report	13
Auditor's Independence Declaration	39
Independent Auditor's Report	40
Directors' Declaration	45
Consolidated Income Statement	46
Consolidated Statement of Comprehensive Income	47
Consolidated Statement of Financial Position	48
Consolidated Statement of Changes in Equity	49
Consolidated Statement of Cash Flows	51
Notes to the Consolidated Financial Statements	52

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The Directors of Monadelphous Group Limited are pleased to report the Company's financial results for the year ended 30 June 2023.

Revenue

Monadelphous recorded sales revenue for the financial year of $1.83 billion[1], down 5.2 per cent on the prior period. The Company experienced high levels of demand for maintenance services across all sectors, most notably in oil and gas, while engineering construction activity levels were impacted by the delays in the timing of award and commencement of new major projects.

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services and sustaining capital works, achieved revenue for the year of $1.3 billion, up 11.4 per cent on the prior period. The record result reflects sustained buoyant conditions across the resources and energy sectors, with Monadelphous supporting customers to maintain high levels of production and capitalise on favourable commodity prices.

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported revenue for the year of $541.9 million[1]. Following the completion of a number of significant projects in the previous financial year and a temporary slowing in construction activity as a result of industry delays, focus shifted to the strong pipeline of new resource development projects coming to market, with the division experiencing high levels of tendering activity.

Statutory revenue, which excludes Monadelphous' share of revenue from joint ventures, was $1.72 billion, down 4.9 per cent on the previous year.

Earnings

Earnings before interest, tax, depreciation and amortisation (EBITDA) for the period was $109.1 million[2], delivering an EBITDA margin percentage of 5.96 per cent, up from 5.76 per cent in the previous financial year.

The Company's continued focus on driving improved productivity, maintaining operational discipline, and increasing efficiency across the business was a significant factor in this margin improvement, and was key to mitigating the effects of the current period of heightened inflation and escalating cost.

Net profit after tax (NPAT) for the year increased slightly on the prior corresponding period to $53.5 million, generating earnings per share of 55.8 cents.

Dividend

Monadelphous' Board of Directors declared a final dividend of 25 cents per share, taking the full year dividend to 49 cents per share fully franked, yielding a payout ratio of approximately 88 per cent of reported NPAT. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the final dividend.

Balance sheet

Monadelphous ended the year with a strong cash balance of $178.3 million, a cash flow from operations of $93.3 million and a very pleasing cashflow conversion rate of 112 per cent. The Company's continued focus on cash generation and the maintenance of a strong balance sheet is key to supporting its operational performance and growth strategy, enabling the Company to take advantage of suitable investment opportunities which may arise.

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

Notification of Claim and Statement of Claim

On 26 July 2023, the Company announced that Northern SEQ Distributor – Retailer Authority, trading as UnityWater (UnityWater), served a Claim and Statement of Claim (Claim) in the Supreme Court of Queensland against one of Monadelphous' wholly owned subsidiaries, Monadelphous Engineering Pty Ltd (ME).

The Claim, which totals claims made by UnityWater in an amount of approximately $80 million, relates to a contract entered into between UnityWater and ME in 2016 for the design and construction of an upgrade to the Kawana Sewerage Treatment Plant on the Sunshine Coast in Queensland. The Company has informed its insurers of the claims.

Monadelphous denies the allegations and claimed losses contained in the Claim and will vigorously defend those claims, as well as pursuing available counterclaims.

Strategic Progress

Monadelphous has continued to strategically target new work opportunities whilst ensuring the appropriate allocation of risk. Since the beginning of the financial year, the Company has secured approximately $2 billion in new contracts and contract extensions, primarily in resources and energy, including the award of a number of significant construction contracts in the iron ore and lithium sectors post year end.

Since 1 July 2022, the Company was awarded more than $750 million of new work in the Western Australian iron ore sector with long-term customers, including BHP, Rio Tinto and Fortescue Metals Group (Fortescue).

Monadelphous has continued to extend its relationship with Fortescue over recent years, and was also awarded a number of significant new contracts during the current period. Awards included a five-year contract to provide maintenance, general shutdown services and minor projects across Fortescue's Pilbara operations, as well as being appointed to a panel for the provision of non-process infrastructure services for a term of three years. Post year end, the Company was also awarded a multidisciplinary contract for the supply and construction of an overland conveyor and transfer station at Fortescue's Christmas Creek mine site.

In the energy sector, Monadelphous was awarded both available two-year extensions to its long-term offshore maintenance services contract with INPEX Operations Australia P/L (INPEX) supporting the Ichthys LNG Project, valued at approximately $350 million in total. The scope of work includes operational, campaign and shutdown maintenance services and brownfield projects implementation.

In the lithium sector, the Company was awarded two five-year contracts for the provision of maintenance services and sustaining capital projects at Albemarle's operations in Kemerton, Western Australia (WA), both with two-year extension options. In addition, post year end, Monadelphous secured a major construction contract with Albemarle valued at approximately $200 million associated with the expansion of the Kemerton lithium hydroxide plant. The contract includes front-end pyromet structural, mechanical, piping, electrical and instrumentation works associated with two new lithium processing trains (trains 3 and 4). These awards follow the successful delivery of construction packages on trains 1 and 2 and builds on the strong relationship Monadelphous has developed with Albemarle.

In June 2023, Monadelphous acquired Victorian-based specialist high voltage and instrumentation installation, calibration and maintenance service provider BMC. BMC provides services to major industry and key utilities throughout Australia, employs around 180 personnel and generates approximately $60 million of revenue per annum. The strategic acquisition enables Monadelphous to develop a presence in the east coast-based energy generation, transmission and storage market and expand its geographical footprint in the growing offshore oil and gas decommissioning sector.

In March 2023, the Company announced that Chile-based construction and maintenance services business, Buildtek, would be ceasing operations. Monadelphous acquired 75 per cent of Buildtek in 2019 for approximately AUD$8 million and subsequently purchased an additional 15 per cent of Buildtek's share capital, predominantly from the proceeds of post-acquisition earnings. For the financial year ended 30 June 2023, Buildtek contributed approximately 4 per cent of Monadelphous' total revenue from contracts with customers (including joint ventures).

Over recent years the Chilean resources sector had been significantly impacted by the economic effects resulting from the COVID-19 pandemic, experiencing a major shortfall in available resources, significant labour cost and productivity pressures, a heightened level of supply chain risk and an inflationary cost environment. These pressures impacted Buildtek's financial performance during that period, as well as significantly increasing the working capital requirements of the business. Buildtek had undertaken a wide variety of operational and commercial activities to protect and sustain its financial position. Disappointingly, despite considerable effort, Buildtek's financial position and working capital continued to be impacted and the business was not able to source the necessary level of funding required to continue.

The cessation of Buildtek's operations did not have a material impact on Monadelphous' net assets, or on its earnings for the year ended 30 June 2023.

Sustainability

Monadelphous' vision is to 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. The Company prioritises the support of its local workforce and community interests, ensuring it leaves a positive legacy, and that its employees can take pride in working for Monadelphous.

The Company believes the key to achieving sustainable growth is by ensuring the safety, wellbeing and development of its people; the delivery of outstanding service to customers; caring for the environment and communities where it works; and providing superior returns to shareholders. By focusing on these areas, Monadelphous will ensure the business delivers on its strategy and achieves long-term sustainable growth and value for all stakeholders.

Monadelphous continues to learn and evolve its sustainability approach and during the year revised its Sustainability Policy and developed a new Sustainability Framework. These documents highlight the Company's commitment to its five key sustainability pillars of people, safety and wellbeing, responsible business delivery, communities and environment.

People

Monadelphous remains focused on retaining, developing and attracting high calibre employees who actively contribute to the successful achievement of the Company's vision and strategic objectives.

During the year, the Company undertook an employee engagement survey to better understand employee perceptions and identify key motivations for attracting and retaining talent, including targeted questioning in relation to unacceptable workplace behaviour. The feedback obtained has been an input into the design and enhancement of Monadelphous' People and Culture Strategy.

The Company's commitment to ensuring its workplaces remain safe, respectful and inclusive saw the launch of its Respect@Monadelphous program which aims to further embed respectful behaviours and ensure the elimination of unacceptable workplace behaviour. The program includes Acceptable Workplace Behaviour and Code of Conduct training and is rolled out to all employees.

Monadelphous continued to strengthen its approach to people data, leveraging its recently launched talent acquisition and performance management system to provide deeper insights into recruitment activity. The system enables the Company to better analyse its labour demand profile and recruitment completion rates, employee training compliance and performance management, and turnover trends.

Aligned to Monadelphous' philosophy of fostering a culture of leadership and talent development, the Company's in-house development programs, Leading @ Monadelphous, Emerging Leaders, Group

Mentoring and Leading the Safe Way, continue to shape Monadelphous' current and future leaders and the role they play in delivering services to customers. The Company's registered training organisation delivered more than 4,000 training interactions for trades personnel throughout the year, including high risk work license training accreditation and verification of competency.

Monadelphous' Graduate, Vacation and Apprenticeship and Traineeship programs continue to attract and nurture a diverse group of new talent. During the year, more than 200 people participated in these programs, exploring a range of career pathways through learning and development opportunities. The Company was honoured to have been recognised as Australia's top Construction and Property Services Graduate Employer for 2023 by Prosple (formerly Grad Australia).

The Company ended the year with a total workforce (including subcontractors) of 5,674 people, which was markedly lower than the prior corresponding period, primarily as a result of Buildtek ceasing operations in Chile.

Board Changes

On 17 October 2022, in accordance with the Company's long-term succession plan, Monadelphous announced a number of changes to the Board of Directors which came into effect at the conclusion of the Company's Annual General Meeting held on 22 November 2022.

After more than 30 years of service, John Rubino, the Company's long-serving Executive Chair, retired as a Director of the Company.

Following John's retirement, Rob Velletri, Managing Director, assumed the role of Executive Chair of the Board. Zoran Bebic, Executive General Manager of Maintenance and Industrial Services, was appointed to the role of Managing Director.

Peter Dempsey, who served on the Board for 19 years, retired as Non-Executive Director of the Company.

The Board would like to recognise John and Peter for the outstanding commitment, effort and dedication they have provided to Monadelphous, and the integral roles they have both played in the Company's development, success and history over the past 32 and 19 years respectively.

Safety and Wellbeing

Monadelphous continued its unrelenting focus on improving the safety and wellbeing of its workforce, through the identification, elimination and mitigation of fatal risks within its operations and the delivery of sustained improvement in health and safety outcomes.

The Company's efforts in the area of fatality prevention centred on the continued improvement of relevant infield risk management tools and a series of fatal risk awareness initiatives. Activities undertaken included a refreshed *The Safe Way is the Only Way* campaign and updated Life Saving Rules communications and fatal risk control modules.

A number of innovative, technology-based safety improvement trials were undertaken relating to the use of mobile fleet, including the implementation of software aimed at aiding pedestrian avoidance, as well as distraction and fatigue monitoring. The Company also conducted franna crane awareness training to help prevent equipment roll overs.

Monadelphous delivered a range of programs throughout the year to support the physical and mental health and wellbeing of its people. Initiatives included facilitating flu vaccinations and general health checks for employees, conducting Healthy Heart Week education sessions, as well as partnering with the Resilience Project and offering Lived Experience talks, which focus on sharing stories related to mental illness.

Pleasingly, the Company was recognised for its efforts and contribution in safety innovation, being named an award winner at the WA Department of Mines, Industry Regulation and Safety's Work Health and Safety

Excellence Awards, as well as at the NSCA Foundation’s National Safety Awards of Excellence.
The Company’s Serious Incident Frequency Rate pleasingly remained at a historically low level, and the Total Recordable Injury Frequency Rate at year end was 3.45 incidents per million hours worked.

Diversity, Community and Environment

Following the launch of Monadelphous’ fourth Reconciliation Action Plan (RAP), and second Stretch RAP, in July 2022, the Company continued to celebrate and acknowledge the Traditional Owners of the lands where its people live and work through a range of learning and engagement initiatives, including providing opportunities for First Nations businesses and career pathways for Indigenous peoples.

Monadelphous sponsored the Yallarm STEM Camp in Gladstone for the fourth time, renewed its long-term partnership with the Polly Farmer Foundation (PFF), facilitated numerous workshops for regional high school students at its registered training facility and delivered pro-bono training offerings for recently graduated high school students. The Indigenous Pathways Program, a partnership between Monadelphous and Rio Tinto, collaborated with Madalah to support Indigenous students from regional communities with their tertiary studies.

To support the commitments made in the Company’s Gender Diversity and Inclusion Plan, Monadelphous facilitated regional tours to the south-west region of WA, Port Hedland and Karratha for female engineering students via its partnership with the University of Western Australia’s Girls in Engineering program.

The Company continued to foster networking and mentoring opportunities for women through its membership with the National Association for Women in Operations (NAWO), participating in several panel discussions and in-school engagements, as well as celebrating International Women’s Day through a range of activities across the business, including a live panel discussion facilitated by NAWO.

During the year, the Company participated in more than 120 community initiatives across 20 locations, contributing over $300,000 in funds to local communities, as well as supporting its employees in the provision of more than 600 hours of voluntary work. Initiatives included a major sponsorship of the FeNaClNG Festival and Youth Week in Karratha, WA, the Hedland Reds Football Club in Port Hedland, WA, as well as the Yallarm STEM Camp. Additionally, a quarterly volunteering opportunity with Perth Homeless Support Group was established for Perth-based employees, and more than 70 Papua New Guinean-based employees participated in the Lihir Island Cleanathon.

As part of Monadelphous’ goal of achieving net-zero emissions by 2050, the Company formalised its Emissions and Energy Reduction Roadmap, as well as establishing working groups focused on its transition to renewable power, ‘greening’ its fleet and optimising operational activities. During the period, the Company explored opportunities to convert diesel vehicles into electric vehicles, progressed a comprehensive greenhouse gas (GHG) data review to assist with the identification of further improvements, and confirmed the Company’s Scope 1 and 2 GHG footprint for its base reporting year.

Productivity and Innovation

Monadelphous continues to seek opportunities to innovate and improve the safe and efficient delivery of its service offering. To support this, the Company monitors its core markets, and adjacent industries, for relevant emerging trends, ideas and converging technologies that may offer new solutions.

During the year, Monadelphous achieved efficiency gains through the development of a digital solution for real-time capture and dissemination of operational information in-field. The solution reduces reliance on in-field paperwork, enables instant creation of manufacturer's data reports, provides immediate access to the latest drawings, simplifies the sharing of changes and job progress and supports effective decision-making at all levels.

Leveraging machine learning technology for image and video processing, the Company continues to investigate and trial opportunities to extract further value from drone-captured imagery to streamline site surveys, maintenance assessments and identify potential safety hazards.

The Company's safety culture continues to drive product trials of new technological solutions, which leverage computer vision and artificial intelligence. Monadelphous also continues to identify and assess new opportunities and evolving technologies that support the reduction of greenhouse gas emissions and the electrification of fleet assets, advancing both the Company's and its customers' decarbonisation goals.

OPERATIONAL ACTIVITY

Engineering Construction

Monadelphous' Engineering Construction division reported revenue of $541.9 million[1] for the year, down 30 per cent on the previous corresponding period.

Since the beginning of the financial year, the division has secured approximately $640 million in new contracts, including a number of major construction contracts awarded subsequent to year end. High levels of tendering activity continued throughout the year and the Company was engaged on a number of early contractor involvement assignments.

During the period, the Company was reappointed to BHP's Western Australian Iron Ore (WAIO) Asset Projects Framework Agreement for a further three years, from which it was awarded the Car Dumper 3 Renewal Project at Nelson Point in Port Hedland, valued at over $115 million. The first portion of the contract is for early works and planning, including an early works shutdown which was completed in May. The second portion includes structural, mechanical and piping works associated with the Car Dumper 3 replacement, with work expected to be completed in the first half of 2025. Subsequent to year end, the Company has also been awarded the electrical and instrumentation package of works associated with the project. These awards come on the back of the successful completion of numerous car dumper refurbishment projects by Monadelphous in previous years.

Also in the iron ore sector, the Company completed construction services at the Iron Bridge Magnetite Project, an unincorporated joint venture between Fortescue's FMG Iron Bridge and Formosa Steel IB. The scope included structural, mechanical and electrical and instrumentation services for the wet process plant. Monadelphous also provided multidisciplinary construction services for Rio Tinto at the Gudai-Darri iron ore project, as well as completing a series of shutdowns at Rio Tinto's Western Turner Syncline Phase 2 Project.

In Mongolia, the Company was awarded a contract for the construction of surface infrastructure for the Oyu Tolgoi Underground Project. The work, which is progressing, includes the construction of two conveyors and an electrical substation, and associated integration to existing facilities.

During the period, Monadelphous undertook a strategic review of SinoStruct, its China-based fabrication business, to ensure the business remains aligned to customer expectations and is appropriately structured to grow in its core markets, geographically diversify its supply chain into South East Asia and deliver in new and related sectors. The review outcomes included a recommendation to rebrand the business as Inteforge, to better align the business with its revised strategic direction and the expectations of its customers. On the back of this review, Inteforge secured fabrication contracts for Liontown Resources' Kathleen Valley Lithium Project, for the Oyu Tolgoi Underground Project located in the South Gobi region of Mongolia and with HydrogenPro for a renewable energy project in the United States of America.

The Company's renewable energy joint venture, Zenviron, achieved substantial completion on its scope of work at the Rye Park Wind Farm, the largest wind farm to ever be constructed in New South Wales (NSW). Additionally, it was engaged on early works packages for a number of other wind farm and battery storage projects on the east coast of Australia.

[1] Includes Monadelphous' share of joint venture revenue

The heavy lift services business continued to expand its capability and customer-base, being awarded a contract with the CPB Contractors and John Holland Joint Venture on the West Gate Tunnel Project in Melbourne, Victoria, as well as continuing to service its long-term contract with Fortescue at the Solomon and Eliwana mine sites in WA. In partnership with Fagioli, Monadelphous continued to deliver heavy haul services at Fortescue's Iron Bridge Magnetite Project under a contract with NMT Logistics. Finally, Alevro, Monadelphous' heavy lifting services joint venture with Fagioli, secured a contract with Bechtel to provide haulage and lifting services at Woodside's Pluto Train 2 project in Karratha, WA.

Maintenance and Industrial Services

Monadelphous' Maintenance and Industrial Services division reported full year revenue of $1.3 billion, up 11.4 per cent on the prior corresponding period. The division secured approximately $1.34 billion in new work since the beginning of the 2023 financial year.

The Company continued to perform a significant volume of maintenance, shutdown and project works in the iron ore sector. Throughout the year, several contracts were executed under its Sustaining Capital Projects Panel Agreement with Rio Tinto, including upgrades to the conveyor gravity take up systems at the Brockman 2 mine, Tom Price mine and Cape Lambert Port A; an upgrade to the wet plant dilution water system at the Nammuldi mine; and the supply, installation and commissioning of a potable water distribution system at the Hope Downs 1 mine.

Monadelphous also secured contracts for the replacement of an overland conveyor belt at Rio Tinto's Western Turner Syncline mine and a two-year extension to an existing contract with Rio Tinto for the provision of marine infrastructure maintenance services and minor projects at the Cape Lambert and Dampier ports.

The Company was reappointed for a further three years to BHP's WAIO Site Engineering Panel and secured a number of packages under the agreement. It also secured a 12-month extension to its general maintenance and shutdown services contract for BHP's iron ore operations in the Pilbara, and completed work under its two long-term maintenance and non-process infrastructure contracts with Fortescue.

In the resources sector, Monadelphous was awarded a 12-month contract extension for the supply of major shutdown and mechanical services at South32's Worsley Alumina operations in WA and a 12-month extension to its existing maintenance, shutdown and project services contract across BHP's Nickel West operations in WA. The Company also secured a two-year extension to its contract for fixed plant maintenance services at Rio Tinto's Gove operations in the Northern Territory, as well as a two-year contract to provide construction services and a two-year extension to continue providing maintenance services at BHP's Olympic Dam in South Australia.

In the energy sector, in addition to the contract extension with INPEX, the Company was awarded a 12-month extension for the provision of engineering, procurement and construction services, in joint venture with Worley, with Santos in Papua New Guinea, and a five-year contract for the provision of pipeline maintenance services in the Queensland coal seam gas market.

Monadelphous also commenced work on its first oil and gas decommissioning project, being awarded work by Petrofac on the Northern Endeavour FPSO, positioning itself for the growing number of similar opportunities expected to come to market over coming years. The Company continued to plan for and perform a number of major turnarounds for long-term energy customers.

On the east coast of Australia, Monadelphous was appointed to a panel for the provision of construction services across Rio Tinto's Queensland aluminium operations for a term of three years, with extension options. The Company also secured a three-year contract with BHP Mitsubishi Alliance (BMA), with two one-year extension options, to continue providing shutdown and maintenance services and minor capital projects on BMA's draglines and coal preparation plant operations in Mackay and the Bowen Basin. Furthermore, it was also awarded a contract with Yancoal for the provision of major overhaul and heavy shutdown services at the Mount Thorley Warkworth Mine.

Other significant contract activity undertaken during the period included:

- offshore and onshore maintenance services for Woodside, WA;
- provision of services for Shell, WA and Queensland;
- minor capital project services at Newcrest Mining Limited's Lihir Gold Mine in Papua New Guinea;
- maintenance, shutdown and sustaining capital works services for BHP's Pilbara-based iron ore operations, WA;
- fixed plant maintenance and sustaining capital works services for Rio Tinto's Pilbara-based iron ore operations, WA;
- operation and maintenance of the coal handling facility at the Muja Power Station for Synergy in Collie, WA;
- general, electrical and mechanical maintenance, shutdown support and tank refurbishment services at Boddington Gold Mine in WA and Tanami Gold Mine in the Northern Territory;
- general mechanical and maintenance services for Incitec Pivot Limited in Queensland; and
- dragline shutdowns in the Hunter Valley, NSW, for Glencore.

Markets and Outlook

Longer-term demand trends are forecast to remain strong across most commodity markets, despite some short to medium-term uncertainty relating to Chinese domestic consumption and a possible US recession.

The resources and energy sectors are expected to provide a significant pipeline of prospects across a broad range of commodities, with expenditure related to energy transition representing an increasingly larger proportion of investment activity over coming years.

High levels of mining and mineral processing development activity are anticipated in lithium, nickel, copper, mineral sands and rare earths, as well as continued investment to sustain iron ore production levels.

In the energy sector, there are several new gas construction projects currently in the development pipeline and heightened demand for maintenance and decommissioning services is expected over coming years. The development of the hydrogen market will likewise provide prospects in the future.

Maintenance activity levels in the resources sector are forecast to grow on the back of an increasingly larger asset base from recently completed capital projects, as well as from new mining developments and expansions moving into the operating phase.

Accelerating decarbonisation efforts in Australia's power sector are driving an expanding pipeline of renewable energy opportunities, including a large number of new wind farms and battery storage projects. Zenviron is well placed to capitalise on the significant market growth expected in this sector over coming years, having developed an enviable track record since its inception. Following the substantial completion of the Rye Park Wind Farm project this financial year, Zenviron has been engaged by customers on early works packages for several new wind and battery storage projects.

The shortage of skilled labour in Australia, with high levels of activity across multiple industries, continues to be a challenge, and the Company remains focused on improving the effectiveness of its employee attraction, training and development initiatives, as well as ensuring Monadelphous remains a great place to work. An escalating cost environment and the potential for ongoing supply chain risks are also expected to continue.

With capacity constrained, the Company will leverage its strong position and take a strategic and targeted approach to new work; engaging and collaborating early with customers, maintaining an appropriate approach to the allocation of risk and focusing on earnings quality.

With Monadelphous securing a number of new construction contracts post 30 June 2023, and further awards expected over coming months, the Company anticipates construction revenue will progressively ramp up over the 2024 financial year with overall Group revenue weighted to the second half. The Company will also continue to assess potential acquisition opportunities to facilitate ongoing service expansion and market diversification and support long-term sustainable growth.

In conclusion, I would like to thank our fantastic employees for another strong year – we have a very loyal and talented team at Monadelphous who are committed to helping the Company continue to grow and prosper. I would also like to extend my appreciation to our shareholders, customers and other stakeholders for their ongoing support.

Robert Velletri
Chair
21 August 2023

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

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Revenue	**1,725,691**	1,810,390	1,754,242	1,488,749	1,479,737
Total revenue from contracts with customers including joint ventures	**1,828,755**	1,930,040	1,953,180	1,650,768	1,608,277
EBITDA	**109,083**	111,201	108,696	92,077	106,791
Profit before income tax expense	**73,446**	73,511	70,372	55,086	83,426
Income tax expense	**21,520**	21,227	21,906	17,860	31,313
Profit after income tax expense attributable to equity holders of the parent	**53,543**	52,219	47,060	36,483	50,565
Basic earnings per share	**55.85c**	54.90c	49.70c	38.65c	53.72c
Interim dividends per share (fully franked)	**24.00c**	24.00c	24.00c	22.00c	25.00c
Final dividends per share (fully franked)	**25.00c**	25.00c	21.00c	13.00c	23.00c
Net tangible asset backing per share	**437.29**	427.54	413.31c	402.43c	413.93c
Total equity and reserves attributable to equity holders of the parent	**437,978**	412,184	395,572	384,433	393,436
Depreciation	**33,157**	33,097	32,476	30,570	19,490
Debt to equity ratio	**8.7%**	14.3%	10.1%	11.9%	9.7%
Return on equity	**12.2%**	12.7%	11.9%	9.5%	12.9%
EBITDA margin	**6.0%**	5.8%	5.6%	5.6%	6.6%

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

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

	2023 $'000	2022 $'000
Total revenue from contracts with customers including joint ventures	**1,828,755**	1,930,040
Share of revenue from joint ventures [1]	**(107,799)**	(120,589)
Statutory revenue from contracts with customers	**1,720,956**	1,809,451

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

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

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

	2023 $'000	2022 $'000
Profit before income tax	**73,446**	73,511
Interest expense on loans and hire purchase finance charges	**1,986**	1,841
Interest expense on other lease liabilities	**1,509**	1,511
Interest revenue	**(4,300)**	(740)
Depreciation of owned and hire purchase assets	**25,128**	24,523
Depreciation of right of use assets	**8,029**	8,574
Share of interest, depreciation, amortisation and tax of joint ventures [2]	**3,285**	1,981
EBITDA	**109,083**	111,201

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

Your directors submit their report for the year ended 30 June 2023.

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	*Chair* Appointed 18 January 1991, retired 22 November 2022 Resigned as Managing Director on 30 May 2003 and continued as Chair until retirement on 22 November 2022 56 years experience in the construction and engineering services industry
Robert Velletri	*Chair* Appointed as Director 26 August 1992 Appointed as Managing Director on 30 May 2003 and ceased as Managing Director following his appointment as Chair on 22 November 2022 Mechanical Engineer, Member of Engineers Australia 44 years experience in the construction and engineering services industry
Zoran Bebic	*Managing Director* Appointed as Managing Director 22 November 2022 Certified Practising Accountant, Fellow Member of CPA Australia 30 years experience in the construction and engineering services industry
Susan Lee Murphy AO	*Lead Independent Non-Executive Director* Appointed 11 June 2019 Civil Engineer, Honorary Fellow of Engineers Australia 44 years experience in the resources and infrastructure industries Also a non-executive director of the following other publicly listed entities: MMA Offshore Limited (ASX: MRM) – appointed 30 April 2021 RemSense Technologies Limited (ASX: REM) – appointed 17 May 2023
Dietmar Robert Voss	*Independent Non-Executive Director* Appointed 10 March 2014 Chemical Engineer, Member of the Australian Institute of Company Directors 49 years experience in the oil and gas, and mining and minerals industries
Helen Jane Gillies	*Independent Non-Executive Director* Appointed 5 September 2016 Solicitor, Master of Business Administration and Construction Law, Fellow of the Australian Institute of Company Directors 27 years experience in the construction and engineering services industry Also a non-executive director of the following other publicly listed entities: Yancoal Australia Limited (ASX: YAL) – appointed 30 January 2018 Aurelia Metals Limited (ASX:AMI) – appointed 21 January 2021
Enrico Buratto	*Independent Non-Executive Director* Appointed 11 October 2021 Civil Engineer, Fellow of Engineers Australia 48 years experience in the construction and engineering services industry

Peter John Dempsey	*Independent Non-Executive Director* Appointed 30 May 2003, retired 22 November 2022

COMPANY SECRETARIES

Philip Trueman	*Company Secretary and Chief Financial Officer* Appointed 21 December 2007 Chartered Accountant, Member of Chartered Accountants Australia and New Zealand 23 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 18 years experience in the construction and engineering services industry

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

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

	Ordinary Shares	Performance Rights over Ordinary Shares	Retention Rights over Ordinary Shares	Options over Ordinary Shares
R. Velletri	2,183,992	19,347	29,067	525,000
Z. Bebic	50,885	9,522	21,800	350,000
D. R. Voss	72,630	Nil	Nil	Nil
H. J. Gillies	9,633	Nil	Nil	Nil
S. L. Murphy	13,000	Nil	Nil	Nil
E. P. Buratto	2,400	Nil	Nil	Nil

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	55.85
Diluted Earnings Per Share	55.02

DIVIDENDS

	Cents	$'000
Final dividends declared		
▪ on ordinary shares	25.00	24,126
Dividends paid during the year:		
Current year interim		
▪ on ordinary shares	24.00	23,028
Final for 2022		
▪ on ordinary shares	25.00	23,891

CORPORATE INFORMATION

Corporate structure

Monadelphous Group Limited is a company limited by shares that is incorporated and domiciled in Australia. Monadelphous Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year (refer note 22 in the financial report).

The registered office of Monadelphous Group Limited is located at:

59 Albany Highway
Victoria Park
Western Australia 6100

Nature of operations and principal activities

Engineering Services

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

Services provided include:

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

General

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

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

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

Employees

The consolidated entity employed 5,317 employees as of 30 June 2023 (2022: 7,541 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 Chair's Report.

Operating results for the year

	2023 **$'000**	2022 $'000
Revenue from contracts with customers	**1,720,956**	1,809,451
Profit after income tax expense attributable to equity holders of the parent	**53,543**	52,219

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Notification of claim and statement of claim

On 26 July 2023, Monadelphous was notified that Northern SEQ Distributor – Retailer Authority, trading as UnityWater, has served a Claim and Statement of Claim in the Supreme Court of Queensland against one of Monadelphous' wholly owned subsidiaries, Monadelphous Engineering Pty Ltd. Refer to note 26 for further details.

Dividends declared

On 21 August 2023, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2023 financial year. The total amount of the dividend is $24,126,200 which represents a fully franked final dividend of 25 cents per share. This dividend has not been provided for in the 30 June 2023 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

The Company strives to continually improve its environmental performance.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 696,996 retention rights, 324,930 performance rights and 4,652,500 options on issue as follows:

- 348,404 retention rights to take up one ordinary share in Monadelphous Group Limited. The retention rights have a vesting date 20 December 2023
- 348,592 retention rights to take up one ordinary share in Monadelphous Group Limited. The retention rights have a vesting date 22 December 2024
- 162,416 performance rights to take up one ordinary share in Monadelphous Group Limited. The performance rights have a vesting date 1 July 2024
- 162,514 performance rights to take up one ordinary share in Monadelphous Group Limited. The performance rights have a vesting date 1 July 2025
- 3,117,500 options to take up one ordinary share in Monadelphous Group Limited. The options have a vesting date 1 September 2023. Of these, 2,350,000 options in respect of the 2019 award will lapse in September 2023 as a consequence of the performance hurdle not having been achieved.
- 1,535,000 options to take up one ordinary share in Monadelphous Group Limited. The options have a vesting date 1 September 2024

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

Shares issued as a result of the exercise of performance rights, retention rights and options

On 1 July 2023, 163,080 performance rights vested and were exercised.

On 20 December 2022, 370,402 retention rights vested and were exercised.

On 7 September 2022, 772,500 options vested and were exercised.

On 1 July 2022, 75,224 performance rights vested and were exercised.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

INDEMNIFICATION OF AUDITORS

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

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

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

REMUNERATION REPORT (Audited)

The Remuneration Report for the year ended 30 June 2023 outlines the Key Management Personnel (KMP) remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001.*

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

Details of Key Management Personnel

(i) Directors

C. G. B. Rubino	Chair – Retired 22 November 2022
R. Velletri	Chair – Appointed 22 November 2022 (previously Managing Director)
Z. Bebic	Managing Director – Appointed 22 November 2022 (previously Executive General Manager, Maintenance & Industrial Services)
S. L. Murphy	Deputy Chair and Lead Independent Non-Executive Director
P. J. Dempsey	Independent Non-Executive Director – Retired 22 November 2022
D. R. Voss	Independent Non-Executive Director
H. J. Gillies	Independent Non-Executive Director
E. P. Buratto	Independent Non-Executive Director

(ii) Senior executives

A. Reid	Executive General Manager, Maintenance & Industrial Services – Appointed 23 November 2022
A. Cook	Executive General Manager, Engineering Construction – Appointed 21 December 2022
P. Trueman	Chief Financial Officer and Company Secretary
D. Foti	Executive General Manager, Engineering Construction – Ceased to be KMP on 21 December 2022

Remuneration Philosophy

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

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

Remuneration Committee

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

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

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

REMUNERATION REPORT (Audited) (continued)

Remuneration Structure

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

Executive remuneration

Objective

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

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

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

Structure

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

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

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

REMUNERATION REPORT (Audited) (continued)

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

The proportion of fixed remuneration and variable remuneration is established for each member of the executive management team by the Remuneration Committee. Tables 1 and 2 on pages 29 and 30 of this report detail the proportion of fixed and variable remuneration for each of the executive directors and the senior executives of the Company.

Fixed remuneration

Objective

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

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

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

Structure

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

The fixed remuneration component of the executives of the Company is detailed in Tables 1 and 2 on pages 29 and 30 of this report.

REMUNERATION REPORT (Audited) (continued)

Variable remuneration – Combined Reward Plan

Objective

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

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

Structure

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

For the year ended 30 June 2023, awards comprised of a 25 per cent cash payment, which was paid in July 2023, with 75 per cent of the award to be offered in the form of performance rights in or around October 2023. The number of Performance Rights to be offered will be calculated using the arithmetic average of the ten-day daily volume weighted average market price of the Company's ordinary shares commencing on the second trading day after the record date in respect of the FY23 final dividend. This calculation is the same as that used to determine the undiscounted share price for the Dividend Reinvestment Plan.

It is intended that the Performance Rights component will vest into shares in equal instalments, on 1 July 2024, 1 July 2025 and 1 July 2026, subject to the employee remaining in the employ of the Company at those particular dates. It is intended that one share be issued for each vested Performance Right, with the resulting shares being restricted from disposal until the opening of the Monadelphous share trading window following the release of the 30 June 2026 financial results, in or around August 2026.

For the year ended 30 June 2022, 25 per cent of the award was paid in cash shortly after year end, with 75 per cent of the award issued in the form of Performance Rights granted in November 2022 (including Performance Rights issued to the Company's Managing Director following shareholder approval at the Company's Annual General Meeting). The number of performance rights issued were calculated using the arithmetic average of the ten-day daily volume weighted average market price of the Company's ordinary shares commencing on the second trading day after the record date in respect of the FY22 final dividend, in other words the dividend reinvestment plan price which was $13.17.

The Performance Rights component for the 2022 award vests into shares in equal instalments, on 1 July 2023, 1 July 2024 and 1 July 2025, subject to the employee remaining in the employ of the Company at those particular dates. One share will be issued for each vested Performance Right, with the resulting shares being restricted from disposal until the opening of the Monadelphous share trading window following the release of the 30 June 2025 financial results, in or around August 2025.

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

REMUNERATION REPORT (Audited) (continued)

Performance Requirements

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

For the year ended 30 June 2023, the Managing Director had a target opportunity of 40% of fixed remuneration, and a maximum opportunity of 60%. Executives had a target opportunity of 30% of fixed remuneration, and a maximum opportunity of 45%. The target opportunity is awarded for achieving the objectives set by the Board at the beginning of each financial year. In order for the maximum opportunity to be awarded, performance must be a clear margin above the planned targets that were set.

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

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

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

Other Group or divisional KPAs relate to:

- Working capital management
- Safety performance
- People performance
- Customer satisfaction
- Strategic progress

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

Subsequent to year end, based on the financial performance of the Company for the year ended 30 June 2023, the Board determined that an award would be made under the CR Plan with approximately 180 employees eligible for an award of Performance Rights.

REMUNERATION REPORT (Audited) (continued)

Group and Divisional performance for the year ended 30 June 2023 was as follows:

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

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

The following table sets out the awards under the CR Plan for each executive for the financial years ended 30 June 2023 and 30 June 2022:

Executive	**2023 Total Award $**	2022 Total Award $	**2023 % of Maximum Opportunity Earned**	2022 % of Maximum Opportunity Earned
Z. Bebic	**340,300**	250,800	**73%**	74%
A. Cook	**178,500**	NA	**71%**	NA
A. Reid	**166,000**	NA	**65%**	NA
P. Trueman	**200,700**	207,700	**74%**	81%
D. Foti	**-**	291,100	**-**	77%

The total award under the CR Plan for the financial year ended 30 June 2023 for the Managing Director and the Executive General Managers recognises that the incumbents have only been in these roles for approximately 6 months. The 2023 total award under the CR Plan for the Managing Director and the Executive General Managers is an aggregation of a CR Plan outcome from their previous role (at the previous remuneration for the first half of the 2023 financial year) and the value determined by the CR Plan KMP model (for the second half of the 2023 financial year).

Tables 1 and 2 on pages 29 and 30 of this report detail the proportion of fixed and variable remuneration for each of the executive directors and the senior executives of the Company for the financial years ended 30 June 2023 and 30 June 2022.

The Performance Right component of the award relating to the year ended 30 June 2023, which is to be offered in or around October 2023, will be amortised over four years. It is estimated, based on the share price at 30 June 2023, that approximately 57,000 Performance Rights will be offered to Key Management Personnel under the terms of the CR Plan for the year ended 30 June 2023 (2022: 71,707 Performance Rights).

On 1 July 2023, 163,080 Performance Rights representing the first tranche of the award under the terms of the CR Plan for the year ended 30 June 2022 vested and were exercised into Monadelphous Group Limited ordinary shares.

REMUNERATION REPORT (Audited) (continued)

Variable remuneration – Employee Option Plan

Objective

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

Structure

Monadelphous Group Limited Employee Option Plan

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

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

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

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

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

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

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

REMUNERATION REPORT (Audited) (continued)

In respect of the 2019 award of options, the EPS performance hurdle was not met for any of the options to be exercised during the window periods commencing either 1 September 2021, 1 September 2022 or 1 September 2023. In accordance with the terms of the offer, these options will lapse at the end of the window period commencing 1 September 2023.

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

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

In respect of the 2020 award of options, the EPS performance hurdle was achieved for the first 25 per cent of options to be exercised during the window period commencing 1 September 2022, resulting in 225,309 shares being issued on 7 September 2022 (20,000 options exercised at an exercise price of $9.30, resulting in 20,000 shares, and 752,500 options exercised at $nil (pursuant to cashless exercise), resulting in 205,309 shares).

Variable remuneration – 2021 Employee Retention Plan

Objective

The Company has experienced significantly high industry activity levels over recent years, extensively impacting the Company's ability to source and retain talent. This extremely competitive labour market is predicted to continue in the foreseeable future, with labour demands expected to increase further as a result of the large number of construction opportunities forecast for coming years, and the continued strong demand for maintenance services. The predicted shortfall of skilled labour will be a major capacity constraint for the industry and for Monadelphous, and will significantly challenge the company's ability to retain people, as well as to attract new employees.

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

Structure

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

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

On 20 December 2021, 1,115,200 Retention Rights were issued under the terms of the ER Plan. 92,600 Retention Rights were issued to Key Management Personnel. A further 43,600 Retention Rights were offered to the Company's Managing Director at the time, Rob Velletri subject to shareholder approval. The timing of the grant did not allow for a resolution to be tabled at the 2021 Annual General Meeting. As a result, shareholder approval was sought and obtained at the Company's 2022 Annual General Meeting in November 2022.

REMUNERATION REPORT (Audited) (continued)

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

Unvested Retention Rights remain subject to Monadelphous' clawback policy. The Board has the discretion as to the circumstances that would result in a clawback of unvested Retention Rights, and may give consideration to factors resulting in material financial misstatement, significant Company financial underperformance, negligence, lack of compliance, significant personal underperformance or behaviour that is likely to damage the Company's reputation.

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

On 20 December 2022, 370,402 Retention Rights representing the first tranche of the award under the terms of the 2021 ER Plan vested and were exercised into Monadelphous Group Limited ordinary shares.

Tables 1 and 2 on pages 29 and 30 of this report detail the proportion of fixed and variable remuneration for each of the executive directors and the senior executives of the Company for the financial years ended 30 June 2023 and 30 June 2022.

Hedging of equity awards

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

Non-executive director remuneration

Objective

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

Structure

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

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

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

REMUNERATION REPORT (Audited) (continued)

The table below summarises Board and Committee fees payable to non-executive directors for the financial year ended 30 June 2023 (inclusive of superannuation):

Board / Committee Chair Fees	$
Non-executive Director fee	128,000
Board Deputy Chair, Lead Independent Non-executive Director & Chair of Remuneration Committee additional fee	20,000
Chair of Audit Committee additional fee	15,000

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

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

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

The remuneration of non-executive directors for the year ended 30 June 2023 is detailed in Table 1 on page 29 of this report.

Employment contracts

All executives have non-fixed term employment contracts. On appointment during the year, the new Managing Director and Executive General Managers have an employment contract providing for a 6 month written notice, and the Chief Financial Officer a 3 month written notice, of termination of contract by the Company or the executive. The Company may terminate the contract at any time without notice if serious misconduct has occurred.

Company performance

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

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Profit after income tax expense attributable to equity holders of the parent	**53,543**	52,219	47,060	36,483	50,565
Basic earnings per share	**55.85c**	54.90c	49.70c	38.65c	53.72c
Share Price as at 30 June	**$11.72**	$9.95	$10.45	$10.82	$18.81

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

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2023

	Short Term Benefits				Post Employment	Long Term Benefits	Share-Based Payments [3]	Total	Total Performance Related	Total Rights and Options Related
	Salary & Fees	Leave [1]	Non-Monetary [2]	Cash Award	Super-annuation	Leave[1]	Rights and Options			
	$	$	$	$	$	$	$	$	%	%
Non- Executive Directors										
S. L. Murphy	133,937	-	-	-	14,063	-	-	148,000	-	-
P. J. Dempsey[4]	46,017	-	-	-	4,832	-	-	50,849	-	-
D. R. Voss	115,837	-	-	-	12,163	-	-	128,000	-	-
H. J. Gillies	129,412	-	-	-	13,588	-	-	143,000	-	-
E. P. Buratto	115,837	-	-	-	12,163	-	-	128,000	-	-
Subtotal Non-Executive Directors	**541,040**	**-**	**-**	**-**	**56,809**	-	-	**597,849**	**-**	**-**
Executive Directors										
C. G. B. Rubino[4]	163,671	18,112	-	-	10,048	4,490	-	196,321	-	-
R. Velletri[5]	823,682	(11,591)	8,360	-	25,292	(70,933)	605,579	1,380,389	43.87%	43.87%
Z. Bebic[5]	850,967	217,210	16,319	85,075	25,292	132,204	395,191	1,722,258	27.89%	22.95%
Subtotal Executive Directors	**1,838,320**	**223,731**	**24,679**	**85,075**	**60,632**	**65,761**	**1,000,770**	**3,298,968**	**32.91%**	**30.34%**
Other Key Management Personnel										
D. Foti[6]	402,390	8,449	7,331	-	12,057	31,405	179,913	641,545	28.04%	28.04%
A. Cook[7]	335,424	12,342	6,340	23,474	13,304	6,095	24,512	421,491	11.38%	5.82%
A. Reid[7]	384,340	2,770	7,265	25,014	15,244	7,472	107,289	549,394	24.08%	19.53%
P. Trueman	569,000	(36,442)	10,680	50,175	25,292	18,878	303,648	941,231	37.59%	32.26%
Subtotal Other Key Management Personnel	**1,691,154**	**(12,881)**	**31,616**	**98,663**	**65,897**	**63,850**	**615,362**	**2,553,661**	**27.96%**	**24.10%**
Total	**4,070,514**	**210,850**	**56,295**	**183,738**	**183,338**	**129,611**	**1,616,132**	**6,450,478**	**27.90%**	**25.05%**

[1] Leave reflects annual and long service leave accrual less annual and long service leave taken.
[2] Non-monetary benefits consist of Life and Salary Continuance insurance premiums.
[3] Relates to the 2022 and 2023 awards under the CR Plan, 2019 and 2020 awards under the Options Plan and 2021 awards under the ER Plan.
[4] C.G.B. Rubino retired as Chair and P.J. Dempsey retired as Non-Executive Director on 22 November 2022.
[5] R. Velletri appointed as Chair (previously Managing Director) and Z. Bebic appointed as Managing Director (previously Executive General Manager, Maintenance & Industrial Services) on 22 November 2022.
[6] D. Foti ceased to be KMP on 21 December 2022.
[7] A. Cook and A. Reid were appointed as Executive General Managers on 21 December 2022 and 23 November 2022 respectively.

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel (continued)

Table 2: Remuneration for the year ended 30 June 2022

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

[1] Leave reflects annual leave accrual less annual leave taken.
[2] Non-monetary benefits consist of Life and Salary Continuance insurance premiums.
[3] Relates to the 2019 award under the CR Plan, 2019 and 2020 awards under the Options Plan and 2021 awards under the ER Plan.
[4] E. P. Buratto was appointed as Non-Executive Director on 11 October 2021.

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel (continued)

Table 3: Performance Rights: Granted during the year ended 30 June 2023

	Terms and conditions for each Grant						
	Granted Number	**Grant Date**	**Fair value per right at grant date $**	**Exercise price per right $**	**Expiry date**	**First exercise date**	**Last exercise date**
Executive Directors							
R. Velletri[1]	29,020	22/11/2022	12.70	Nil	1/7/2025	1/7/2023	1/7/2025
Z. Bebic[1]	14,282	3/8/2022	9.79	Nil	1/7/2025	1/7/2023	1/7/2025
Other Key Management Personnel							
D. Foti[2]	16,577	3/8/2022	9.79	Nil	1/7/2025	1/7/2023	1/7/2025
P. Trueman	11,828	3/8/2022	9.79	Nil	1/7/2025	1/7/2023	1/7/2025
Total	**71,707**						

[1] Granted to R. Velletri and Z. Bebic in their previous roles as Managing Director and Executive General Manager, Maintenance & Industrial Services, respectively.
[2] Ceased to be a KMP on 21 December 2022.
No performance rights were issued to A. Reid or A. Cook, who were appointed as Executive General Managers during the year, during the period they were classified as KMP.

Table 4: Options: Granted during the year ended 30 June 2023

No options were granted during the year ended 30 June 2023.

Table 5: Retention Rights: Granted during the year ended 30 June 2023

	Terms and conditions for each Grant						
	Granted Number	**Grant Date**	**Fair value per right at grant date $**	**Exercise price per right $**	**Expiry date**	**First exercise date**	**Last exercise date**
Executive Directors							
R. Velletri[1]	43,600	22/11/2022	12.96	Nil	20/12/2024	20/12/2022	20/12/2024
Total	**43,600**						

[1] 43,600 Retention Rights were offered to R. Velletri on 20 December 2021, the Company's Managing Director at the time, under the terms of the ER Plan, with the issue being subject to shareholder approval. The timing of the grant did not allow for a resolution to be tabled at the 2021 Annual General Meeting. As a result, shareholder approval was sought and obtained at the Company's 2022 Annual General Meeting in November 2022.

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel (continued)

Table 6: Shares issued on exercise of performance rights during the year ended 30 June 2023

	Performance Rights Vested	Performance Rights Exercised	Shares Issued	Paid per Share $
Directors				
R. Velletri^	6,437	6,437	6,437	Nil
Z. Bebic^	3,401	3,401	3,401	Nil
Executives				
D. Foti^,[1]	3,357	3,357	3,357	Nil
P. Trueman^	2,568	2,568	2,568	Nil
Total	15,763	15,763	15,763	

^ On 1 July 2022, the date of exercise of the above performance rights, the closing share price was $9.95.

[1] Ceased to be KMP on 21 December 2022.

No shares were issued on exercise of performance rights to A. Reid or A. Cook, who were appointed as Executive General Managers during the year, during the period they were classified as KMP.

Table 7: Shares issued on exercise of options during the year ended 30 June 2023

	Options Vested	Options Exercised	Shares Issued	Exercise Price $
Directors				
R. Velletri^	75,000	75,000	20,465	9.30
Z. Bebic^	50,000	50,000	13,643	9.30
Executives				
D. Foti^[1]	50,000	50,000	13,643	9.30
P. Trueman^	40,000	40,000	10,914	9.30
Total	215,000	215,000	58,665	

^ On 7 September 2022, the date of exercise of the above options, the closing share price was $12.95.

[1] Ceased to be KMP on 21 December 2022.

No shares were issued on exercise of options to A. Reid or A. Cook, who were appointed as Executive General Managers during the year, during the period they were classified as KMP.

Table 8: Shares issued on exercise of retention rights during the year ended 30 June 2023

	Retention Rights Vested	Retention Rights Exercised	Shares Issued	Paid per Share $
Directors				
R. Velletri^	14,533	14,533	14,533	Nil
Z. Bebic^	10,900	10,900	10,900	Nil
Executives				
D. Foti^[1]	10,900	10,900	10,900	Nil
A. Reid^	5,433	5,433	5,433	Nil
P. Trueman^	9,066	9,066	9,066	Nil
Total	50,832	50,832	50,832	

^ On 20 December 2022, the date of exercise of the above retention rights, the closing share price was $13.03.
[1] Ceased to be KMP on 21 December 2022.
No shares were issued on exercise of retention rights to A. Cook, who was appointed as an Executive General Manager during the year, during the period he was classified as a KMP.

Additional disclosures relating to rights, options and shares

Table 9: Performance rights holdings of Key Management Personnel

Performance Rights held in Monadelphous Group Limited	**Balance at Beginning of Period 1 July 2022**	**Granted as Remuneration**	**Rights Exercised and Lapsed**	**Net Change Other**	**Balance at End of Period 30 June 2023**
Directors					
C. G. B. Rubino[1]	-	-	-	-	-
R. Velletri	6,437	29,020	(6,437)	-	29,020
Z. Bebic	3,401	14,282	(3,401)	-	14,282
S. L. Murphy	-	-	-	-	-
P. J. Dempsey[1]	-	-	-	-	-
D. R. Voss	-	-	-	-	-
H. J. Gillies	-	-	-	-	-
E. P. Buratto	-	-	-	-	-
Executives					
D. Foti[2]	3,357	16,577	(3,357)	(16,577)	-
A. Cook[3]	-	-	-	-	-
A. Reid[4]	-	-	-	7,972	7,972
P. Trueman	2,568	11,828	(2,568)	-	11,828
Total	15,763	71,707	(15,763)	(8,605)	63,102

[1] C.G.B. Rubino retired as Chair and P.J. Dempsey retired as Non-Executive Director on 22 November 2022.
[2] Ceased to be KMP on 21 December 2022.
[3] Appointed as Executive General Manager, Engineering Construction on 21 December 2022.
[4] Appointed as Executive General Manager, Maintenance & Industrial Services on 23 November 2022.

Table 10: Options holdings of Key Management Personnel

Options held in Monadelphous Group Limited	**Balance at Beginning of Period 1 July 2022**	**Granted as Remuneration**	**Options Exercised and Lapsed**	**Net Change Other**	**Balance at End of Period 30 June 2023**
Directors					
C. G. B. Rubino[1]	-		-	-	-
R. Velletri	600,000	-	(75,000)	-	525,000
Z. Bebic	400,000	-	(50,000)		350,000
S. L. Murphy	-	-	-	-	-
P. J. Dempsey[1]	-	-	-	-	-
D. R. Voss	-	-	-	-	-
H. J. Gillies	-	-	-	-	-
E. P. Buratto	-	-	-	-	-
Executives					
D. Foti[2]	400,000	-	(50,000)	(350,000)	-
A. Cook[3]	-	-	-	-	-
A. Reid[4]	-	-	-	175,000	175,000
P. Trueman	320,000	-	(40,000)	-	280,000
Total	1,720,000		(215,000)	(175,000)	1,330,000

The EPS performance hurdle was not met for the 2019 options, and these will lapse at the end of the window period commencing 1 September 2023.
[1] C.G.B. Rubino retired as Chair and P.J. Dempsey retired as Non-Executive Director on 22 November 2022.
[2] Ceased to be KMP on 21 December 2022.
[3] Appointed as Executive General Manager, Engineering Construction on 21 December 2022.
[4] Appointed as Executive General Manager, Maintenance & Industrial Services on 23 November 2022.

REMUNERATION REPORT (Audited) (continued)

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

Table 11: Retention rights holdings of Key Management Personnel

Retention Rights held in Monadelphous Group Limited	**Balance at Beginning of Period 1 July 2022**	**Granted as Remuneration**	**Rights Exercised and Lapsed**	**Net Change Other**	**Balance at End of Period 30 June 2023**
Directors					
C. G. B. Rubino[1]	-	-	-	-	-
R. Velletri[2]	-	43,600	(14,533)	-	29,067
Z. Bebic	32,700		(10,900)		21,800
S. L. Murphy	-	-	-	-	-
P. J. Dempsey[1]	-	-	-	-	-
D. R. Voss	-	-	-	-	-
H. J. Gillies	-	-	-	-	-
E. P. Buratto	-	-	-	-	-
Executives					
D. Foti[3]	32,700	-	(10,900)	(21,800)	-
A. Cook[4]	-	-	-	-	-
A. Reid[5]	-	-	(5,433)	16,300	10,867
P. Trueman	27,200	-	(9,066)	-	18,134
Total	92,600	43,600	(50,832)	(5,500)	79,868

[1] C.G.B. Rubino retired as Chair and P.J. Dempsey retired as Non-Executive Director on 22 November 2022.

[2] 43,600 Retention Rights were offered to Rob Velletri on 20 December 2021, the Company's Managing Director at that time, under the terms of the ER Plan, with the issue being subject to shareholder approval. The timing of the proposed grant did not allow for a resolution to be tabled at the 2021 Annual General Meeting. As a result, shareholder approval was sought and obtained at the Company's 2022 Annual General Meeting in November 2022.

[3] Ceased to be KMP on 21 December 2022.

[4] Appointed as Executive General Manager, Engineering Construction on 21 December 2022.

[5] Appointed as Executive General Manager, Maintenance & Industrial Services on 23 November 2022.

REMUNERATION REPORT (Audited) (continued)

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

Table 12: Shareholdings of Key Management Personnel

Shares held in Monadelphous Group Limited	**Balance at Beginning of Period 1 July 2022**	**Granted as Remuneration**	**On Exercise of Performance Rights, Options and Retention Rights**	**Net Change Other**	**Balance at End of Period 30 June 2023**
Directors					
C. G. B. Rubino[1]	1,022,653	-	-	(1,022,653)	-
R. Velletri	2,132,884	-	41,435	-	2,174,319
Z. Bebic	18,181		27,944	-	46,125
S. L. Murphy	8,000	-	-	5,000	13,000
P. J. Dempsey[1]	78,000	-	-	(78,000)	-
D. R. Voss	72,630	-	-	-	72,630
H. J. Gillies	9,260	-	-	373	9,633
E. P. Buratto	-	-	-	2,400	2,400
Executives					
D. Foti[2]	73,030	-	27,900	(100,930)	-
A. Cook[3]	-	-	-	-	-
A. Reid[4]	-	-	5,433	17,604	23,037
P. Trueman	5,135	-	22,548	-	27,683
Total	3,419,773	-	125,260	(1,176,206)	2,368,827

[1] C.G.B. Rubino retired as Chair and P.J. Dempsey retired as Non-Executive Director on 22 November 2022.
[2] Ceased to be KMP on 21 December 2022.
[3] Appointed as Executive General Manager, Engineering Construction on 21 December 2022.
[4] Appointed as Executive General Manager, Maintenance & Industrial Services on 23 November 2022.

Loans to Key Management Personnel and their related parties

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

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

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

END OF REMUNERATION REPORT

DIRECTORS' MEETINGS

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

		Meetings of Committees		
	Directors' Meetings	Audit	Remuneration	Nomination
Number of meetings held:	15	6	2	1
Number of meetings attended:				
C. G. B. Rubino[1]	4	-	-	-
R. Velletri	15	-	-	1
Z. Bebic[2]	7	-	-	-
P. J. Dempsey[3]	8	3	-	-
D. R. Voss	15	6	2	1
H. J. Gillies	15	6	2	1
S. L. Murphy	15	6	2	1
E. Buratto	15	6	2	1

[1] Retired as Chair on 22 November 2022.
[2] Appointed as Managing Director on 22 November 2022 and attended all meetings he was eligible to attend.
[3] Retired as a Non-Executive Director on 22 November 2022 and attended all meetings he was eligible to attend.

COMMITTEE MEMBERSHIP

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

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

Audit	Remuneration	Nomination
H. J. Gillies (c)	S. L. Murphy (c)	R. Velletri (c) – appointed on 22 November 2022
P. J. Dempsey – retired on 22 November 2022	D. R. Voss	C. G. B. Rubino (c) – retired on 22 November 2022
D. R. Voss	H. J. Gillies	P. J. Dempsey – retired on 22 November 2022
S. L. Murphy	E. P. Buratto	H. J. Gillies
E. P. Buratto		D. R. Voss
		S. L. Murphy
		E. P. Buratto

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

ROUNDING

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

CORPORATE GOVERNANCE

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received an independence declaration from the auditor of Monadelphous Group Limited, as shown on page 39.

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	38,095
Agreed upon procedures	5,200
	43,295

Signed in accordance with a resolution of the directors.

R. Velletri
Chair
Perth, 21 August 2023

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

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

As lead auditor for the audit of the financial report of Monadelphous Group Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;

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

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
21 August 2023

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Monadelphous Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

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

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

Key audit matters

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

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

Recognition of revenues and profits on long-term contracts

Why significant	How our audit addressed the key audit matter
The Group's business involves entering into contractual relationships with customers to provide a range of services. A significant proportion of the Group's revenues and profits are derived from long-term contracts. Revenue recognition involves a significant degree of judgement, with estimates being made to: ▶ Determine the transaction price under the customer contract ▶ Assess the total contract costs ▶ Measure the Group's progress towards the complete satisfaction of the performance obligations under the customer contract ▶ Appropriately provide for onerous contracts. The Group's accounting policies and disclosures for revenue are detailed in the financial report as follows: ▶ *General Information - Key Judgements And Estimates - Revenue* ▶ *Note 1 - Revenue and Other Income*, and ▶ *Note 7 - Contract Assets*.	We examined a sample of key contracts and held discussions with Group executives to understand the specific terms and risks of those contracts in order to assess the revenue recognition policies adopted by the Group. We assessed the operating effectiveness of controls over revenue recognised in the financial report, including controls relating to: ▶ Contract reviews performed by the Group that included estimating total costs, the stage of completion of contracts and contract profitability, including consideration of historical estimation accuracy ▶ Revenue recording and billing processes ▶ Contract cost recording processes including the purchases, payments and payroll processes. For a sample of contracts in progress at 30 June 2023, we performed the following additional procedures: ▶ Understood the performance and status of the contracts through enquiries with the key executives with oversight over the various contract portfolios ▶ Assessed the contract status through the examination of external evidence, such as approved variations and customer correspondence ▶ Analysed the Group's estimates of total contract costs and forecast costs to complete work under the contracts

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- For projects with known disputes, we sighted claim documentation, met with the Group's internal or external General Counsel and reviewed supporting documentation in relation to the status, entitlement, obligations and disclosure of these matters.

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

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

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report, company performance and chairman's report that are to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

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

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

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

Responsibilities of the directors for the financial report

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

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

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Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

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

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Monadelphous Group Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Pierre Dreyer
Partner
Perth
21 August 2023

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 2023 and of its performance for the year ended on that date; and

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

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

   (c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed on page 52.

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 2023.

3) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 22 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

R. Velletri
Chair
Perth, 21 August 2023

	Notes	2023 $'000	2022 $'000
Continuing Operations			
REVENUE	1	**1,725,691**	1,810,390
Cost of services rendered		**(1,602,298)**	(1,686,937)
GROSS PROFIT		**123,393**	123,453
Other income	1	**5,306**	8,496
Business development and tender expenses		**(20,292)**	(16,959)
Occupancy expenses		**(3,544)**	(3,640)
Administrative expenses		**(35,637)**	(35,139)
Finance costs	2	**(3,495)**	(3,352)
Share of profit from joint ventures	11	**7,715**	652
PROFIT BEFORE INCOME TAX		**73,446**	73,511
Income tax expense	3	**(21,520)**	(21,227)
PROFIT AFTER INCOME TAX		**51,926**	52,284
ATTRIBUTABLE TO			
EQUITY HOLDERS OF THE PARENT		**53,543**	52,219
NON-CONTROLLING INTERESTS		**(1,617)**	65
		51,926	52,284
Basic earnings per share (cents per share)	4	**55.85**	54.90
Diluted earnings per share (cents per share)	4	**55.02**	54.54

	2023 $'000	2022 $'000
NET PROFIT FOR THE YEAR	**51,926**	52,284
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	**(3,275)**	(1,181)
Items that will not be reclassified subsequently to profit or loss:		
Net gain on equity instruments designated at fair value through other comprehensive income	**2,274**	181
Income tax effect	**(682)**	(54)
	1,592	127
Items that has been reclassified to profit or loss:		
Foreign currency translation	**1,940**	-
OTHER COMPREHENSIVE INCOME / LOSS FOR THE YEAR, NET OF TAX	**257**	(1,054)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**52,183**	51,230
ATTRIBUTABLE TO		
EQUITY HOLDERS OF THE PARENT	**53,800**	51,165
NON-CONTROLLING INTERESTS	**(1,617)**	65
	52,183	51,230

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**178,323**	183,329
Trade and other receivables	6	**333,745**	371,987
Contract assets	7	**5,770**	7,994
Inventories	8	**1,463**	3,220
Total current assets		**519,301**	566,530
Non-current assets			
Contract assets	7	**23,832**	15,779
Property, plant and equipment	9	**172,133**	161,904
Intangible assets and goodwill	10	**16,683**	4,902
Investment in joint ventures	11	**14,770**	11,181
Deferred tax assets	3	**21,455**	27,625
Other non-current assets	12	**-**	3,440
Total non-current assets		**248,873**	224,831
TOTAL ASSETS		**768,174**	791,361
LIABILITIES			
Current liabilities			
Trade and other payables	13	**158,087**	168,686
Interest bearing loans and borrowings	14	**342**	10,901
Lease liabilities	15	**24,130**	25,967
Income tax payable	3	**11,623**	14,753
Provisions	16	**64,562**	77,220
Total current liabilities		**258,744**	297,527
Non-current liabilities			
Interest bearing loans and borrowings	14	**428**	771
Lease liabilities	15	**63,828**	71,841
Provisions	16	**6,361**	5,832
Other financial liability	17	**835**	3,206
Total non-current liabilities		**71,452**	81,650
TOTAL LIABILITIES		**330,196**	379,177
NET ASSETS		**437,978**	412,184
EQUITY			
Contributed equity	20	**141,115**	136,096
Reserves	21	**48,685**	34,534
Retained earnings	21	**248,178**	241,554
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**437,978**	412,184
Non-controlling interests		**-**	-
TOTAL EQUITY		**437,978**	412,184

MONADELPHOUS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Attributable to equity holders							
	Issued Capital $'000	**Share-Based Payment Reserve $'000**	**Foreign Currency Translation Reserve $'000**	**Retained Earnings $'000**	**Non-controlling Interests $'000**	**Fair value reserve for Financial Assets $'000**	**Equity Reserve $'000**	**Total $'000**
At 1 July 2022	136,096	42,766	(3,137)	241,554	-	1,264	(6,359)	412,184
Other comprehensive income	**-**	**-**	**(1,335)**	**-**	**-**	**1,592**	**-**	**257**
Profit for the period	**-**	**-**	**-**	**53,543**	**(1,617)**	**-**	**-**	**51,926**
Total comprehensive income for the period	**-**	**-**	**(1,335)**	**53,543**	**(1,617)**	**1,592**	**-**	**52,183**
Transactions with owners in their capacity as owners								
Reclassification of non controlling interest to liabilities (Note 17)	**-**	**-**	**-**	**-**	**1,617**	**-**	**(1,617)**	**-**
Remeasurement of financial liability	**-**	**-**	**-**	**-**	**-**	**-**	**3,266**	**3,266**
Exercise of employee options	**186**	**-**	**-**	**-**	**-**	**-**	**-**	**186**
Share-based payments	**-**	**10,725**	**-**	**-**	**-**	**-**	**-**	**10,725**
Adjustment to deferred tax asset recognised on employee share trust	**-**	**1,520**	**-**	**-**	**-**	**-**	**-**	**1,520**
Dividend reinvestment plan	**4,833**	**-**	**-**	**-**	**-**	**-**	**-**	**4,833**
Dividends paid	**-**	**-**	**-**	**(46,919)**	**-**	**-**	**-**	**(46,919)**
At 30 June 2023	**141,115**	**55,011**	**(4,472)**	**248,178**	**-**	**2,856**	**(4,710)**	**437,978**

Attributable to equity holders

	Issued Capital $'000	Share-Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Non-controlling Interests $'000	Fair value reserve for Financial Assets $'000	Equity Reserve $'000	Total $'000
At 1 July 2021	132,608	37,337	(1,956)	232,097	9	1,137	(5,651)	395,581
Other comprehensive income	-	-	**(1,181)**	-	-	**127**	-	**(1,054)**
Profit for the period	-	-	-	**52,219**	**65**	-	-	**52,284**
Total comprehensive income for the period	-	-	**(1,181)**	**52,219**	**65**	**127**	-	**51,230**
Transactions with owners in their capacity as owners								
Reclassification of non controlling interest to liabilities (Note 17)	-	-	-	-	**82**	-	**(82)**	-
Remeasurement of financial liability	-	-	-	-	-	-	**(626)**	**(626)**
Share-based payments	-	**5,234**	-	-	-	-	-	**5,234**
Adjustment to deferred tax asset recognised on employee share trust	-	**195**	-	-	-	-	-	**195**
Dividend reinvestment plan	**3,488**	-	-	-	-	-	-	**3,488**
Dividends paid	-	-	-	**(42,762)**	**(156)**	-	-	**(42,918)**
At 30 June 2022	**136,096**	**42,766**	**(3,137)**	**241,554**	-	**1,264**	**(6,359)**	**412,184**

	Notes	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**1,881,560**	1,957,889
Payments to suppliers and employees (inclusive of GST)		**(1,773,958)**	(1,872,101)
Interest received		**4,300**	740
Finance costs paid		**(3,495)**	(3,352)
Other income		**1,992**	4,162
Income tax paid		**(21,669)**	(24,040)
Dividends received		**4,560**	1,573
NET CASH FLOWS FROM OPERATING ACTIVITIES	5	**93,290**	64,871
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**4,570**	8,246
Purchase of property, plant and equipment		**(19,042)**	(9,118)
Repayment of loan from joint venture		**-**	6,000
Payment of financial liability		**-**	(7,571)
Acquisition of intangible assets		**-**	(738)
Proceeds from sale of financial assets		**5,714**	-
Acquisition of controlled entities (note 23)		**(23,498)**	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(32,256)**	(3,181)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(42,086)**	(39,430)
Proceeds from issue of shares on exercise of options		**186**	-
Proceeds of borrowings		**3,090**	10,771
Payment of principal portion of hire purchase liabilities		**(19,410)**	(18,038)
Payment of principal portion of other lease liabilities		**(8,460)**	(7,892)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(66,680)**	(54,589)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(5,646)**	7,101
Net foreign exchange differences		**640**	520
Cash and cash equivalents at beginning of period		**183,329**	175,708
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	**178,323**	183,329

GENERAL INFORMATION

The consolidated financial report of Monadelphous Group Limited (the Group) and its subsidiaries for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of directors on 21 August 2023.

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

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

Basis of preparation

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

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as applicable to a for-profit entity.
- has also been prepared on a historical cost basis except for certain financial assets that have been measured at fair value.
- is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the legislative instrument applies.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or before 1 July 2022 (Refer to note 34).
- 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 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control.

A list of controlled entities (subsidiaries) at year end is contained in note 22. Consolidation of the subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

GENERAL INFORMATION (continued)

Business combinations

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

Foreign currency translation

Functional and presentation currency

Each entity in the Group determines its own functional currency. Both the functional and presentation currencies of Monadelphous Group Limited, are Australian dollars (A$).

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

Transactions and balances

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

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

Translation of Group companies' functional currency to presentation currency

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

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements or at note 34.

GENERAL INFORMATION (continued)

Key judgements and estimates

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

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

Accounting for contracts with customers

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

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

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

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

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

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

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

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

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

GENERAL INFORMATION (continued)

Key judgements and estimates (continued)

Forecast Costs (continued)

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

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

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

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

Taxation

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

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

Impairment

Refer to notes 9 and 10 for details.

Workers Compensation

Refer note 16 for details.

Determination of the lease term of contracts with renewal options

Refer to note 15 for details.

1. REVENUE AND OTHER INCOME

	2023 $'000	2022 $'000
Revenue from contracts with customers		
Services revenue	**1,298,403**	1,166,004
Construction revenue	**422,553**	643,447
	1,720,956	1,809,451
Finance revenue	**4,300**	740
Dividends received	**435**	199
	1,725,691	1,810,390
Net gains on disposal of property, plant and equipment	**2,928**	4,334
Other income	**2,378**	4,162
	5,306	8,496
Disaggregation of revenue from contracts with customers by end customer industry:		
Iron ore	**576,164**	789,344
Energy transition metals and other minerals	**562,842**	632,068
Oil and gas	**545,521**	425,353
Infrastructure	**144,228**	83,275
	1,828,755	1,930,040
Less share of revenue from joint ventures accounted for using the equity method	**(107,799)**	(120,589)
	1,720,956	1,809,451
The following amounts are included in revenue from contracts with customers:		
Revenue recognised as a contract liability in the prior period	**12,280**	22,617
Revenue from performance obligations satisfied in prior periods	**2,389**	3,457

Unsatisfied Performance Obligations

Transaction price expected to be recognised in future years for unsatisfied performance obligations at 30 June 2023:

Services revenue	**1,389,560**	1,075,326
Construction revenue	**229,254**	62,912
Total	**1,618,814**	1,138,238

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

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

Services	1 to 5 years
Construction	1 to 2 years

1. REVENUE AND OTHER INCOME (continued)

Recognition and measurement

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

2. EXPENSES

	2023 $'000	2022 $'000
Finance costs		
Finance charges	**1,986**	1,841
Interest on other lease liabilities	**1,509**	1,511
	3,495	3,352
Depreciation and amortisation		
Depreciation expense of owned property, plant and equipment	**13,948**	13,158
Depreciation expense of right of use hire purchase assets	**11,180**	11,365
Depreciation expense of right of use assets	**8,029**	8,574
	33,157	33,097
Employee benefits expense		
Employee benefits expense	**895,702**	954,265
Defined contribution superannuation expense	**69,552**	67,561
	965,254	1,021,826
Lease payments and other expenses		
Expense relating to short-term leases and low value leases (included in cost of sales)	**2,638**	1,749

2. EXPENSES (continued)

Recognition and measurement

Finance costs

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

Depreciation and amortisation

Refer to notes 9 and 10 for details on depreciation and amortisation.

Employee benefits expense

Refer to note 16 for employee benefits expense and note 29 for share-based payments expense.

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

Lease payments

Refer to note 15 for details on lease payments.

Government grants

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

3. INCOME TAX

	2023 $'000	2022 $'000
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax charge	**18,197**	16,580
Adjustments in respect of previous years	**(494)**	173
Deferred income tax		
Temporary differences	**3,858**	4,446
Adjustments in respect of previous years	**(41)**	28
Income tax expense reported in the income statement	**21,520**	21,227
Statement of Comprehensive Income		
Deferred tax related to items recognised in Statement of Comprehensive income during the year:		
Unrealised gain on equity instrument designated at fair value through other comprehensive income	**682**	54
	682	54
Amounts credited directly to equity		
Share-based payment	**(1,520)**	(195)
Income tax expense reported in equity	**(1,520)**	(195)
Tax reconciliation		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	**73,446**	73,511
Income tax rate of 30% (2022: 30%)	**22,034**	22,053
- Share-based payment expense	**(579)**	413
- Other	**65**	(1,239)
Aggregate income tax expense	**21,520**	21,227

3. INCOME TAX (continued)

Recognised deferred tax assets and liabilities

	2023 $'000 Current Income Tax	**2023 $'000 Deferred Income Tax**	2022 $'000 Current Income Tax	2022 $'000 Deferred Income Tax
Opening balance	**(14,753)**	**27,625**	(22,093)	31,455
Charged to income	**(17,703)**	**(3,817)**	(16,753)	(4,474)
Charged to equity	**-**	**838**	-	141
Acquisition / loss of control of subsidiary	**(1,420)**	**(3,933)**	-	-
Other / payments	**22,253**	**742**	24,093	503
Closing balance	**(11,623)**	**21,455**	(14,753)	27,625
Amounts recognised on the consolidated statement of financial position:				
Deferred tax assets		**21,455**		27,625
		21,455		27,625

	2023 $'000	2022 $'000
Deferred income tax at 30 June relates to the following:		
Deferred tax assets		
Employee provisions	**26,021**	26,087
Provisions for doubtful debts	**831**	659
Other provisions	**3,802**	882
Lease liabilities	**14,091**	13,877
Tax losses	**1,725**	2,979
Other	**144**	3,148
Gross deferred tax assets	**46,614**	47,632
Set-off of deferred tax liabilities	**(25,159)**	(20,007)
Net deferred tax assets	**21,455**	27,625
Deferred tax liabilities		
Accelerated depreciation	**(13,841)**	(7,723)
Right of use assets	**(11,318)**	(10,853)
Other	**-**	(1,431)
Gross deferred tax liabilities	**(25,159)**	(20,007)
Set-off against deferred tax assets	**25,159**	20,007
Net deferred tax liabilities	**-**	-

Unrecognised temporary differences

At 30 June 2023, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries (2022: no unrecognised temporary differences).

3. INCOME TAX (continued)

Tax consolidation

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

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

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

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

Recognition and measurement

Current taxes

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

Deferred taxes

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

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

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

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

4. EARNINGS PER SHARE

	2023 $'000	2022 $'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	**53,543**	52,219
Earnings used in calculation of basic and diluted earnings per share	**53,543**	52,219
	Number	Number
Number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**95,870,712**	95,107,986
Effect of dilutive securities		
Rights and options	**1,446,468**	637,870
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**97,317,180**	95,745,856

Conversions, calls, subscriptions or issues after 30 June 2023:

On 1 July 2023, 163,080 performance rights vested and were exercised.

Calculation of earnings per share

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

Diluted EPS is calculated as net profit attributable to members of the parent, adjusted for:
- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

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

5. CASH AND CASH EQUIVALENTS

	2023 $'000	2022 $'000
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash balances comprise:		
Cash at bank	**167,180**	183,329
Short term deposits	**11,143**	-
	178,323	183,329
Reconciliation of net profit after tax to the net cash flows from operating activities		
Net profit	**51,926**	52,284
Adjustments for		
Depreciation of non-current assets	**33,157**	33,097
Net profit on sale of property, plant and equipment	**(2,928)**	(4,334)
Share-based payment expense	**10,725**	5,234
Share of profits from joint ventures	**(7,715)**	(652)
Dividends from joint ventures	**4,125**	1,375
Other	**455**	(1,454)
Changes in assets and liabilities		
Decrease/(increase) in receivables	**7,798**	(53,339)
Decrease/(increase) in inventories	**1,127**	380
(Increase)/decrease in contract assets	**(5,829)**	35,912
Decrease in deferred tax assets	**4,444**	4,098
Increase in payables	**11,128**	569
Decrease in provisions	**(12,410)**	(959)
Decrease in income tax payable	**(2,713)**	(7,340)
Net cash flows from operating activities	**93,290**	64,871

Non-cash financing and investing activities

Hire purchase transactions:
During the year, the consolidated entity acquired right of use plant and equipment assets by means of hire purchase agreements with an aggregate fair market value of $12,234,905 (2022: $26,128,243).

Dividend reinvestment plan
During the year, the participation in the dividend reinvestment plan totalled $4,833,202 (2022: $3,488,000)

Reconciliation of liabilities arising from financing activities

	2022 $'000	**Cash flows $'000**	**Non-cash changes new leases/ terminations $'000**	**Other $'000**	**2023 $'000**
Hire purchase liabilities	47,102	**(19,410)**	**12,235**	**(2,770)**	**37,157**
Other lease liabilities	50,706	**(8,460)**	**8,552**	**3**	**50,801**
Loan	11,672	**3,090**	**-**	**(13,992)**	**770**
	109,480	**(24,780)**	**20,787**	**(16,759)**	**88,728**

5. CASH AND CASH EQUIVALENTS (continued)

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

Recognition and measurement

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

6. TRADE AND OTHER RECEIVABLES

	2023 $'000	2022 $'000
CURRENT		
Trade receivables	**257,161**	284,776
Less allowance account for expected credit losses	**(2,884)**	(2,226)
	254,277	282,550
Other debtors	**79,997**	90,007
Less allowance account for expected credit losses	**(529)**	(570)
	79,468	89,437
	333,745	371,987

Trade receivables generally have 30 to 60 days terms.

Allowance account for trade receivables impairment losses

Movements in loss allowance based on lifetime ECL:

Balance at the beginning of the year	2,226	2,504
Increase/(decrease) in loss allowance	**658**	(278)
Balance at the end of the year	**2,884**	2,226

Recognition and measurement

Trade receivables

Refer to accounting policies of financial assets in note 34.

6. TRADE AND OTHER RECEIVABLES (continued)

Other debtors

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

	2023 $'000	2022 $'000
7. CONTRACT ASSETS		
CURRENT		
Contract assets	**5,770**	7,994
NON CURRENT		
Contract assets	**23,832**	15,779

Contract assets are net of expected credit losses of $275,803 (2022: $154,818).

Recognition and measurement

Contract assets

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

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

	2023 $'000	2022 $'000
8. INVENTORIES		
Raw materials and consumables	**1,463**	3,220

Recognition and measurement

Raw materials and consumables

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

9. PROPERTY, PLANT AND EQUIPMENT

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

				Right of Use Assets			
	Freehold Land and buildings $'000	**Assets under construction $'000**	**Plant and equipment $'000**	**Plant and equipment under hire purchase $'000**	**Land and buildings $'000**	**Plant and equipment $'000**	**Total $'000**
Year ended 30 June 2023							
Net carrying amount at 1 July 2022	30,917	-	34,553	57,279	39,080	75	161,904
Additions	**120**	**6,809**	**14,669**	**12,235**	**6,192**	**-**	**40,025**
Additions from business combination	**321**	**-**	**7,335**	**-**	**2,360**	**-**	**10,016**
Assets transferred	**-**	**-**	**3,620**	**(3,620)**	**-**	**-**	**-**
Disposals	**-**	**-**	**(1,381)**	**(261)**	**-**	**-**	**(1,642)**
Assets derecognised from loss of control of subsidiary	**-**	**-**	**(1,060)**	**(5,471)**	**-**	**-**	**(6,531)**
Depreciation charge	**(873)**	**-**	**(13,075)**	**(11,180)**	**(7,984)**	**(45)**	**(33,157)**
Exchange differences	**68**	**-**	**250**	**1,251**	**(50)**	**(1)**	**1,518**
Net carrying amount at 30 June 2023	**30,553**	**6,809**	**44,911**	**50,233**	**39,598**	**29**	**172,133**
At 30 June 2023							
Gross carrying amount – at cost	**43,475**	**6,809**	**169,769**	**76,173**	**67,233**	**1,400**	**364,859**
Accumulated depreciation	**(12,922)**	**-**	**(124,858)**	**(25,940)**	**(27,635)**	**(1,371)**	**(192,726)**
Net carrying amount	**30,553**	**6,809**	**44,911**	**50,233**	**39,598**	**29**	**172,133**

9. PROPERTY, PLANT AND EQUIPMENT (continued)

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

			Right of Use Assets			
	Freehold Land and buildings $'000	**Plant and equipment $'000**	**Plant and equipment under hire purchase $'000**	**Land and buildings $'000**	**Plant and equipment $'000**	**Total $'000**
Year ended 30 June 2022						
Net carrying amount at 1 July 2021	30,206	37,456	48,674	46,173	382	162,891
Additions	154	6,752	26,128	937	-	33,971
Additions from business combination	1,370	842	-	-	-	2,212
Assets transferred	-	5,981	(5,981)	-	-	-
Disposals	-	(3,804)	(108)	(54)	(12)	(3,978)
Depreciation charge	(847)	(12,311)	(11,365)	(8,270)	(304)	(33,097)
Exchange differences	34	(363)	(69)	294	9	(95)
Net carrying amount at 30 June 2022	30,917	34,553	57,279	39,080	75	161,904
At 30 June 2022						
Gross carrying amount – at cost	44,148	149,918	79,628	59,305	1,399	334,398
Accumulated depreciation	(13,231)	(115,365)	(22,349)	(20,225)	(1,324)	(172,494)
Net carrying amount	30,917	34,553	57,279	39,080	75	161,904

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Recognition and measurement

Property, plant and equipment

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

Assets under construction is stated at cost, net of accumulated impairment losses, if any.

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

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

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

Right of use assets

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

Impairment of non-financial assets other than goodwill

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

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.

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

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

10. INTANGIBLE ASSETS AND GOODWILL

	Goodwill $'000	Total $'000
Year ended 30 June 2023		
At 1 July 2022	4,902	4,902
On business combination (Note 23)	**12,478**	**12,478**
Other	**(697)**	**(697)**
At 30 June 2023	**16,683**	**16,683**
Year ended 30 June 2022		
At 1 July 2021	3,917	3,917
On business combination	1,085	1,085
Exchange differences	(100)	(100)
At 30 June 2022	4,902	4,902

Impairment testing of the Group's intangible assets and goodwill

Goodwill acquired through business combinations has been allocated to cash generating units ("CGU") for impairment testing purposes. The CGUs are the entity Monadelphous Electrical & Instrumentation Pty Ltd, the Hunter Valley business unit, the RTW business unit, the entity Monadelphous Energy Services Pty Ltd, the entity Arc West Group Pty Ltd, the entity R.I.G. Installations (Newcastle) Pty Ltd and the entity BMC Holdings (Vic) Pty Ltd. The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five year period and applying a pre-tax discount rate to the cash flow projections in the range of 12% to 15%. No reasonably possible changes in key assumptions would result in the carrying amount of the individual CGUs exceeding their recoverable amount.

Recognition and measurement

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration over the fair value of the Group's identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. On 9 June 2023, the Group acquired BMC Holdings (Vic) Pty Ltd which resulted in a provisional goodwill of $12,478,000. Refer to note 23. (2022: the Group acquired RTW business for a purchase price consideration of $2,950,000 which resulted in goodwill of $1,085,057).

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

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

11. INVESTMENT IN JOINT VENTURES

Mondium Pty Ltd

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

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

Zenviron Pty Ltd

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

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

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

	2023 **$'000**	2022 $'000
Group's share of net assets of joint ventures	**14,770**	11,181
Group's share of profit after tax from continuing operations	**7,715**	652
Group's share of profit and total comprehensive income	**7,715**	652

Commitments and contingent liabilities relating to Joint Ventures

The Group's share of insurance bond guarantees issued by Joint Ventures at 30 June 2023 was $14,840,863 (2022: $45,604,100).

Joint ventures had $nil capital commitments at 30 June 2023 (2022: nil).

Recognition and measurement

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

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

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

12. OTHER NON-CURRENT ASSETS

	2023 $'000	2022 $'000
Other non-current assets	**-**	3,440

13. TRADE AND OTHER PAYABLES

	2023 $'000	2022 $'000
CURRENT		
Trade payables	**91,089**	123,451
Contract liabilities	**15,919**	12,539
Sundry creditors and accruals	**51,079**	32,696
	158,087	168,686

Recognition and measurement

Trade and other payables

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

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

Contract liability

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

14. INTEREST BEARING LOANS AND BORROWINGS

	2023 $'000	2022 $'000
CURRENT		
Loan – secured	**342**	10,901
NON-CURRENT		
Loan – secured	**428**	771

Terms and conditions

Interest bearing loans and borrowings for the year ended 30 June 2023 relates to property loans. (2022: property loans and a $8.9 million working capital facility secured against trade receivables)

Defaults and breaches

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

Recognition and measurement

Interest bearing loans and borrowings

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

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

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

15. LEASE LIABILITIES

	2023 $'000	2022 $'000
CURRENT		
Hire purchase lease liabilities	**14,812**	17,922
Other lease liabilities	**9,318**	8,045
	24,130	25,967
NON-CURRENT		
Hire purchase lease liabilities	**22,345**	29,180
Other lease liabilities	**41,483**	42,661
	63,828	71,841
Carrying amount at the beginning of the financial year	97,808	96,688
Additions	**18,427**	27,065
Accretion of interest	**2,941**	3,288
Payments	**(30,811)**	(29,218)
Acquisition/loss of control of subsidiary	**(2,315)**	-
Other	**1,908**	(15)
Carrying amount at the end of the financial year	**87,958**	97,808

Terms and conditions

Hire purchase agreements have an average term of three years. The average discount rate implicit in the hire purchase liability is 4.2% (2022: 2.8%).

Other lease liabilities have an average term of 1.3 years. The average discount rate implicit in the other lease liability is 4.9% (2022: 4.6%).

The Group has total cash outflows for other lease liabilities (including short term leases) during 30 June 2023 of $12,607,000 (2022: $11,152,000).

The maturity analysis of lease liabilities is set out in note 25.

Recognition and measurement

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

Group as a lessee

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

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

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

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

15. LEASE LIABILITIES (continued)

Recognition and measurement

Lease assets are subject to impairment.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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

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

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

16. PROVISIONS

	2023 $'000	2022 $'000
CURRENT		
Employee benefits	**55,807**	60,952
Workers' compensation	**8,387**	13,036
Other	**368**	3,232
	64,562	77,220
NON-CURRENT		
Employee benefits – long service leave	**6,361**	5,832
	6,361	5,832

Movements in provisions

Workers compensation		
Carrying amount at the beginning of the year	13,036	11,938
Additional provision	**16,044**	11,951
Amounts utilised during the year	**(20,693)**	(10,853)
Carrying amount at the end of the financial year	**8,387**	13,036

Recognition and measurement

Provisions

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

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

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

16. PROVISIONS (continued)

Employee benefits

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

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

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

Workers' compensation

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

17. OTHER FINANCIAL LIABILITY

The Group has an option (put and call) to acquire 10% of the share capital of MAQ Rent from the Minority Interest owner. Similarly, the existing holders of the remaining 10% have the option to require the Group to purchase the remaining shares on the same terms and conditions as the option held by the Group.

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

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

At 30 June 2023, the financial liability associated with the option held by the minority shareholders was $835,179 (2022: $3,206,357).

18. CAPITAL MANAGEMENT

Capital is managed by the Group's Chief Financial Officer in conjunction with the Group's Finance and Accounting department. Management continually monitor the Group's net cash/debt position and the gearing levels to ensure efficiency and compliance with the Group's banking facility covenants, including the gearing ratio, operating leverage ratio and fixed charge coverage ratio. At 30 June 2023, the Group is in a net cash position of $140,396,000 (2022: $124,555,000) and has a debt to equity ratio of 8.7% (2022: 14.3%) which is within the Group's net cash and debt to equity target levels.

During the year ended 30 June 2023, management paid dividends of $46,919,000 (2022: $42,762,000). The policy is to payout dividends of 80% to 100% of annual net profit after tax, subject to the working capital requirements of the business, potential investment opportunities and business and economic conditions generally.

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

	2023 $'000	2022 $'000
19. DIVIDENDS PAID AND PROPOSED		
Declared and paid during the year		
Current year interim		
Interim franked dividend for 2023 (24 cents per share) (2022: 24 cents per share)	**23,028**	22,829
Previous year final		
Final franked dividend for 2022 (25 cents per share) (2021: 21 cents per share)	**23,891**	19,933
Unrecognised amounts		
Current year final		
Final franked dividend for 2023 (25 cents per share) (2022: 25 cents per share)	**24,126**	23,834
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	**35,933**	39,101
Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	**(10,340)**	(10,215)
	25,593	28,886

Tax rates

The tax rate at which paid dividends have been franked is 30% (2022: 30%). Dividends payable will be franked at the rate of 30% (2022: 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.

	2023 $'000	2022 $'000
20. CONTRIBUTED EQUITY		
Ordinary shares – Issued and fully paid	**141,115**	136,096

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.

	2023		2022	
	Number of Shares	**$'000**	Number of Shares	$'000
Beginning of the financial year	95,262,705	136,096	94,761,152	132,608
Dividend reinvestment plan	**408,080**	**4,833**	345,997	3,488
Exercise of performance rights and retention rights	**445,626**	**-**	-	-
Exercise of options	**225,309**	**186**	155,556	-
End of the financial year	**96,341,720**	**141,115**	95,262,705	136,096

Recognition and measurement

Contributed equity

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

21. RESERVES AND RETAINED EARNINGS

	2023 $'000	2022 $'000
Foreign currency translation reserve	**(4,472)**	(3,137)
Share-based payment reserve	**55,011**	42,766
Fair value reserve for financial asset at FVOCI	**2,856**	1,264
Equity reserve	**(4,710)**	(6,359)
	48,685	34,534
Retained earnings	**248,178**	241,554

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 29 for further details of these plans.

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

Equity reserve
The equity reserve is used to record the changes in the carrying amount of the financial liability representing the minority put and call option over the remaining 10% (2022: 10%) of the shares on issue of MAQ Rent SpA.

22. SUBSIDIARIES

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

Name	Country of Incorporation	Percentage Held by Consolidated Entity 2023	2022
Parent:			
Monadelphous Group Limited			
Controlled entities of Monadelphous Group Limited:			
#Monadelphous Engineering Associates Pty Ltd	Australia	**100**	100
#Monadelphous Properties Pty Ltd	Australia	**100**	100
#Monadelphous Engineering Pty Ltd	Australia	**100**	100
#Genco Pty Ltd	Australia	**100**	100
#Monadelphous Workforce Pty Ltd	Australia	**100**	100
#Monadelphous Electrical & Instrumentation Pty Ltd	Australia	**100**	100
#Monadelphous KT Pty Ltd	Australia	**100**	100
#Monadelphous Energy Services Pty Ltd	Australia	**100**	100
#M Workforce Pty Ltd	Australia	**100**	100
#M Maintenance Services Pty Ltd	Australia	**100**	100
M&ISS Pty Ltd	Australia	**100**	100
Inteforge Pty Ltd (formerly SinoStruct Pty Ltd)	Australia	**100**	100
Monadelphous Group Limited Employee Share Trust	Australia	**100**	100
Monadelphous Holdings Pty Ltd	Australia	**100**	100
MGJV Pty Ltd	Australia	**100**	100
Evo Access Pty Ltd	Australia	**100**	100
Monadelphous Investments Pty Ltd	Australia	**100**	100
MWOG Pty Ltd	Australia	**100**	100
MOAG Pty Ltd	Australia	**100**	100
Monadelphous International Holdings Pty Ltd	Australia	**100**	100
Arc West Group Pty Ltd	Australia	**100**	100
R.I.G. Installations (Newcastle) Pty Ltd	Australia	**100**	100
RE&M Services Pty Ltd	Australia	**100**	100
Pilbara Rail Services Pty Ltd	Australia	**100**	100
EC Projects Pty Ltd	Australia	**100**	100
Monadelphous RTW Pty Ltd	Australia	**100**	100
MMW Projects Pty Ltd	Australia	**100**	100
Monadelphous PNG Ltd	Papua New Guinea	**100**	100
Moway International Limited	Hong Kong	**100**	100
Moway AustAsia Steel Structures Trading (Beijing) Company Limited	China	**100**	100
Inteforge Engineering & Fabrication (Tianjin) Co. Ltd (formerly SinoStruct Engineering & Fabrication (Tianjin) Co. Ltd)	China	**100**	100
Monadelphous Singapore Pte Ltd[2]	Singapore	**-**	100
Monadelphous Mongolia LLC	Mongolia	**100**	100
Monadelphous Inc.	USA	**100**	100
Monadelphous Engineering NZ Pty Ltd	New Zealand	**100**	100
Monadelphous Chile SpA	Chile	**100**	100
MAQ Rent SpA (Note 17)	Chile	**90**	90
Buildtek SpA[1]	Chile	**-**	90
BMC Holdings (Vic) Pty Ltd	Australia	**100**	-
BMC Welding & Construction Pty Ltd	Australia	**100**	-
BMC HV Electrical & Instrumentation Pty Ltd	Australia	**100**	-
BMC Civil Pty Ltd	Australia	**100**	-

Controlled entities subject to the Class Order (refer to note 33)
[1] Control ceased March 2023. Gain associated with loss of control of $389,870 was recognised in the income statement.
[2] Deregistered during 2022

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 (2022: none).

23. BUSINESS COMBINATION

Acquisition of BMC

On 9 June 2023, Monadelphous Group Limited acquired 100% of the share capital of a Victorian-based mechanical and electrical services business, BMC Holdings (Vic) Pty Ltd ('BMC'). The acquisition of BMC is a key enabler to Monadelphous' strategic efforts in developing its presence in the east coast-based energy generation, transmission and storage market, supporting Australia's transition to clean energy.

The provisional fair values of the identifiable assets and liabilities acquired from BMC as of date of acquisition were:

	Provisional fair value at acquisition date $'000
Cash	2
Trade and other receivables	14,273
Property, plant and equipment	7,656
Right of use assets	2,360
Other	1,386
Total assets	25,677
Trade and other payables	7,409
Lease liabilities	2,360
Provisions	4,886
Total liabilities	14,655
Fair value of identifiable net assets	11,022
Goodwill arising on acquisition (Note 10)	12,478
Purchase consideration	23,500
Acquisition-date fair-value of consideration transferred:	
Cash paid	23,500
Total consideration	23,500
The cash outflow on acquisition is as follows:	
Net cash acquired with the business	(2)
Cash paid	23,500
Net consolidated cash outflow	23,498

The net assets recognised in the 30 June 2023 financial statements were based on a provisional assessment due to the timing of the finalisation of the completion statements.

Sales revenue and net profit from BMC for the period were not material.

24. 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 2023 %	2022 %
Monadelphous Worley JV PNG	Engineering, Procurement and Construction & Maintenance Support Work in PNG	PNG	**65**	65
Monadelphous Worley JV	Engineering, Procurement and Construction & Maintenance Support Work	Brisbane, QLD	**65**	65

During 2022, Monadelphous established an unincorporated joint venture, Alevro JV, to provide turnkey heavy lift solutions. The Group's interest in the JV is dependent on each party's contribution on a contract by contract basis.

Commitments and contingent liabilities relating to joint operations

There were no capital commitments or contingent liabilities relating to the joint operations at 30 June 2023 (2022: $nil).

Impairment

There were no assets employed in the joint operations during the year ended 30 June 2023 (2022: $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.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

Risk exposures and responses

Interest rate risk

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

	Notes	2023 $'000	2022 $'000
Financial assets/liabilities			
Cash and cash equivalents	5	**178,323**	183,329
Loan – secured	14	**(770)**	(10,013)
Net exposure		**177,553**	173,316

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 2023, reasonably possible movements in variable interest rates, based on a review of historical movements and forward rate curves for forward rates would not have had a material impact on the Group.

Foreign currency risk

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

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. Where possible, Monadelphous does not take on foreign exchange risk. At 30 June 2023, the Group has foreign exchange forward contracts in place for Euro 8,900,000 for future capital commitments (2022: nil).

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

Foreign currency risk (continued)

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

At 30 June 2023, the Group had the following exposure to foreign currency:

Year ended 30 June 2023	**PGK AUD$'000**	**USD AUD$'000**
Financial assets		
Cash and cash equivalents	**38,588**	**5,594**
Trade and other receivables	**9,516**	**8,961**
Financial liabilities		
Trade and other payables	**(1,346)**	**(2,711)**
Net Exposure	**46,758**	**11,844**

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

At 30 June 2023, 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 (2022: no material impact).

At 30 June 2023, if the PGK foreign exchange rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements relating to financial assets and liabilities denominated in PGK:	**Post Tax Profit Higher/(Lower)**		**Other Comprehensive Income Higher/(Lower)**	
	2023 $'000	2022 $'000	**2023 $'000**	2022 $'000
+5% (2022: +5%)	**(1,637)**	(1,535)	**-**	-
-5% (2022: -5%)	**1,637**	1,535	**-**	-

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's maximum exposure to credit risk is its cash, trade and other receivables and contract assets representing $541,670,000 at 30 June 2023 (2022: $579,089,000).

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

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

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

Trade receivables and contract assets

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

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

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

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

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

Credit risk (continued)

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

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

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

		Trade receivables					
			Days past due				
	Contract assets	Current	<31 days	31-60 days	61-90 days	>91 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2023							
Expected credit loss rate	0.9%	0.7%	0.6%	0.6%	0.6%	30.5%	
Total estimated gross carrying amount at default	**29,878**	**199,673**	**42,261**	**8,377**	**3,142**	**3,708**	**257,161**
Expected credit loss	**276**	**1,403**	**276**	**54**	**19**	**1,132**	**2,884**

		Trade receivables					
			Days past due				
	Contract assets	Current	<31 days	31-60 days	61-90 days	>91 days	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2022							
Expected credit loss rate	0.6%	0.6%	0.6%	0.6%	0.6%	17.0%	
Total estimated gross carrying amount at default	23,928	236,840	36,095	4,927	3,335	3,579	284,776
Expected credit loss	155	1,349	218	30	21	608	2,226

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

Credit risk (continued)

Financial instruments and cash deposits

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

Write off policy

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

Liquidity risk

Financing facilities available	**2023 $'000**	2022 $'000
At balance date the following financing facilities had been negotiated and were available		
Total facilities:		
- Bank guarantee and performance bonds	**390,000**	390,000
- Revolving credit	**126,303**	121,230
	516,303	511,230
Facilities used at balance date:		
- Bank guarantee and performance bonds	**146,557**	140,370
- Revolving credit	**37,927**	58,774
	184,484	199,144
Facilities unused at balance date:		
- Bank guarantee and performance bonds	**243,443**	249,630
- Revolving credit	**88,376**	62,456
	331,819	312,086

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

Liquidity risk (continued)

Nature of bank guarantees and performance bonds

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

Nature of revolving credit

The revolving credit includes hire purchase/leasing facilities. Refer to note 15 for terms and conditions.

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

The table below reflects all contractually fixed pay-offs, repayments and interest resulting from financial liabilities as of 30 June 2023.

Maturity analysis of financial liabilities:

Year ended 30 June 2023	6 months or less $'000	6 months to 1 year $'000	1 year to 5 years $'000	5 years or more $'000	Total Contractual Cash Flows $'000	Total Carrying Amount $'000
Financial liabilities						
Trade and other payables	**158,087**	**-**	**-**	**-**	**158,087**	**158,087**
Hire purchase liability	**7,794**	**8,400**	**22,772**	**-**	**38,966**	**37,157**
Other lease liabilities	**5,438**	**5,263**	**33,406**	**11,410**	**55,517**	**50,801**
Bank loans	**180**	**178**	**436**	**-**	**794**	**770**
Other financial liability	**-**	**-**	**903**	**-**	**903**	**835**
Net maturity	**171,499**	**13,841**	**57,517**	**11,410**	**254,267**	**247,650**

Year ended 30 June 2022	6 months or less $'000	6 months to 1 year $'000	1 year to 5 years $'000	5 years or more $'000	Total Contractual Cash Flows $'000	Total Carrying Amount $'000
Financial liabilities						
Trade and other payables	168,686	-	-	-	168,686	168,686
Hire purchase liability	9,019	10,256	30,202	-	49,477	47,102
Other lease liabilities	4,898	4,434	30,576	15,546	55,454	50,706
Bank loans	184	10,801	794	-	11,779	11,672
Other financial liability	-	-	3,577	-	3,577	3,206
Net maturity	182,787	25,491	65,149	15,546	288,973	281,372

Net fair values of financial assets and liabilities

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk exposures and responses (continued)

Liquidity risk (continued)

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

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

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

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

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

Level 1: The fair value is calculated using quoted prices in active markets.
Level 2: The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

There were no material financial assets or liabilities measured at fair value at 30 June 2023 or 30 June 2022.

26. COMMITMENTS AND CONTINGENCIES

Capital commitments

The consolidated group has capital commitments of $72,826,123 at 30 June 2023 (2022: $5,066,769), of which $15,120,000 relates to the construction of a facility in Gap Ridge, Karratha.

Guarantees

	2023	2022
	$'000	$'000
Guarantees given to various clients for satisfactory contract performance	**146,557**	140,370

Monadelphous Group Limited and all controlled entities marked # in note 22 have entered into a deed of cross guarantee. Refer to note 33 for details.

Contingent liabilities

On 26 July 2023, Monadelphous was notified that Northern SEQ Distributor – Retailer Authority, trading as UnityWater ("UnityWater"), has served a Claim and Statement of Claim ("the Claim") in the Supreme Court of Queensland against one of Monadelphous' wholly owned subsidiaries, Monadelphous Engineering Pty Ltd ("ME"). The Claim is in an amount of approximately $80 million and relates to a contract entered into between UnityWater and ME in 2016 for the design and construction of an upgrade to the Kawana Sewerage Treatment Plant on the Sunshine Coast in Queensland. ME denies the claimed losses contained in the Claim and will vigorously defend those claims, as well as pursuing available counterclaims.

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

27. SUBSEQUENT EVENTS

Notification of claim and statement of claim

On 26 July 2023, Monadelphous was notified that Northern SEQ Distributor – Retailer Authority, trading as UnityWater, has served a Claim and Statement of Claim in the Supreme Court of Queensland against one of Monadelphous' wholly owned subsidiaries, Monadelphous Engineering Pty Ltd ("ME").

Refer to note 26 for further details.

Dividends declared

On 21 August 2023, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2023 financial year. The total amount of the dividend is $24,126,200 which represents a fully franked final dividend of 25 cents per share. This dividend has not been provided for in the 30 June 2023 financial statements. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the dividend.

28. PARENT ENTITY INFORMATION

	Notes	**2023 $'000**	2022 $'000
Information relating to Monadelphous Group Limited parent entity			
Current assets		**118,399**	121,851
Total assets		**254,506**	253,369
Current liabilities		**-**	-
Total liabilities		**(28,290)**	(30,293)
Net assets		**226,216**	223,076
Contributed equity		**141,115**	136,096
Share-based payment reserve		**54,585**	41,578
Fair value reserve for financial asset at FVOCI		**2,856**	1,264
Retained earnings		**27,660**	44,138
Total equity		**226,216**	223,076
Profit after tax		**30,063**	49,714
Total comprehensive income of the parent entity		**31,656**	50,218
Contingent liabilities			
Guarantees	26	**146,557**	140,370

Guarantees entered into by the Group are via the parent entity. Details are contained in note 26.

Capital commitments

The parent entity has capital commitments of $nil at 30 June 2023 (2022: $nil).

29. SHARE BASED PAYMENT EXPENSE

The share-based payment expense for the year ended 30 June 2023 was $10,724,607 (2022: $5,234,640) for the consolidated entity.

Performance Rights

During the year 501,295 performance rights were granted by Monadelphous Group Limited under the Combined Reward Plan ("CR Plan") in respect of the 2022 award. The performance rights vest into shares in equal instalments, one, two and three years subsequent to award, subject to the employee remaining in the employ of the company at those particular dates.

The fair value of each performance right issued during the period was estimated on the date of grant using a discounted cash flow calculation. Specifically, the Monadelphous Group Limited share price has been discounted at the dividend yield in order to account for the dividends that the rights holder forgoes over the life of the rights.

The weighted average fair value of performance rights granted in the period was $9.96.

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

	2023		2022	
	Number of Performance Rights	**Weighted Average Exercise Price $**	Number of Performance Rights	Weighted Average Exercise Price $
Balance at the beginning of the year	**75,224**	**nil**	236,193	nil
Issued during the year	**501,295**	**nil**	-	nil
Exercised during the year	**(75,224)**	**nil**	(155,556)	nil
Forfeited during the year	**(11,956)**	**nil**	(5,413)	nil
Balance at the end of the year	**489,339**	**nil**	75,224	nil
Exercisable during the next year	**163,080**	**nil**	75,224	nil

Retention Rights

In November 2022, 43,600 retention rights which had been offered in December 2021 to the Company's Managing Director at the time, R Velletri, were approved to be granted at the Company's Annual General Meeting.

The retention rights were issued in the form of performance rights and vest into shares in equal instalments, one, two and three years subsequent to award, subject to the employee remaining in the employment of the company at those particular dates.

The fair value of each retention right issued during the period was estimated on the date of grant using a discounted cash flow calculation. The weighted average fair value of retention rights granted in the period was $12.96.

29. SHARE BASED PAYMENT EXPENSE (continued)

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

	2023		2022	
	Number of Retention Rights	**Weighted Average Exercise Price $**	Number of Retention Rights	Weighted Average Exercise Price $
Balance at the beginning of the year	**1,086,800**	**nil**	-	nil
Issued during the year	**43,600**	**nil**	1,115,200	nil
Exercised during the year	**(370,402)**	**nil**	-	nil
Forfeited during the year	**(39,002)**	**nil**	(28,400)	nil
Balance at the end of the year	**720,996**	**nil**	1,086,800	nil
Exercisable during the next year	**349,503**	**nil**	362,202	nil

Options

The exercise price of the options granted under the Employee Option Plan was calculated as the average closing market price of the shares for the five trading days prior to the invitation date to apply for the options of 5 November 2020. The fair value of each option issued during the year was estimated on the date of grant using a Binomial option-pricing model.

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

Dividend yield	5.44%
Volatility	44.0%
Risk-free interest rate	0.21% - 0.95%
Expected life of option	25% - 1 years 25% - 2 years 50% - 3 years

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

The resulting weighted average fair values for options outstanding at 30 June 2023 are:

Number	**Grant Date**	**Final Vesting Date**	**Fair Value Per Option at Grant Date**
562,500	14/10/2019	14/09/2023	$1.84
562,500	14/10/2019	14/09/2023	$2.10
1,125,000	14/10/2019	14/09/2023	$2.27
75,000	24/11/2020	14/09/2023	$1.84
75,000	24/11/2020	14/09/2023	$2.10
150,000	24/11/2020	14/09/2023	$2.27
692,500	05/11/2020	14/09/2024	$2.04
1,385,000	05/11/2020	14/09/2024	$2.23
75,000	23/11/2021	14/09/2024	$1.69
150,000	23/11/2021	14/09/2024	$1.96

29. SHARE BASED PAYMENT EXPENSE (continued)

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

	2023		2022	
	Number of Options	**Weighted Average Exercise Price $**	Number of Options	Weighted Average Exercise Price $
Balance at the beginning of the year	**5,640,000**	**11.80**	5,590,000	11.92
Granted during the year	**-**	**-**	300,000	9.30
Exercised during the year	**(772,500)**	**9.30**	-	-
Forfeited during the year	**(15,000)**	**9.30**	(250,000)	11.29
Balance at the end of the year	**4,852,500**	**12.21**	5,640,000	11.80
Exercisable during the next year	**3,317,500**	**13.55**	2,047,500	11.43

2,550,000 options in respect of the 2019 award will lapse in September 2023 as a consequence of the performance hurdle not having been achieved.

Recognition and measurement

The Group provides benefits to employees (including Key Management Personnel) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). These benefits are provided through the Monadelphous Group Limited Combined Reward Plan, the 2021 Monadelphous Group Limited Employee Retention Plan and the Monadelphous Group Limited Employee Option Plan.

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

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

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

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

30. AUDITOR'S REMUNERATION

	2023 $	2022 $
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	**336,546**	375,282
• Other services in relation to the entity and any other entity in the consolidated entity		
• tax compliance	**38,095**	28,200
• other agreed upon procedure services where there is discretion as to whether the service is provided by the auditor of another firm	**5,200**	-
Total fees to Ernst & Young (Australia)	**379,841**	403,482
Amounts received or due and receivable by overseas member firms of Ernst & Young for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated entity	**8,382**	9,174
• Other services in relation to the entity and any other entity in the consolidated entity		
• tax compliance	**9,022**	9,510
Total fees to overseas member firms of Ernst & Young	**17,404**	18,684
Total auditor's remuneration	**397,245**	422,166

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.

31. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	2023 $	2022 $
Short term benefits	**4,521,397**	4,527,670
Post-employment	**183,338**	175,345
Long term benefits	**129,611**	134,970
Share-based payments	**1,616,132**	989,875
Total compensation	**6,450,478**	5,827,860

Zenviron

The Group had sales to the joint venture during the year totalling $1,768,321 (2022: $3,413,805)

Mondium

The Group had sales to the joint venture during the year totalling $2,828,390 (2022: $94,357,476).

32. 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 2023, the Engineering Construction division contributed revenue of $541.9 million (2022: $774.4 million) and the Maintenance and Industrial Services division contributed revenue of $1,298.4 million (2022: $1,166.0 million). Included in these amounts is $11.5 million (2022: $10.3 million) of inter-entity revenue and $107.8 million (2022: $120.6 million) of revenue of joint ventures, which is eliminated on consolidation. The operating divisions are exposed to similar risks and rewards from operations and are only segmented to facilitate appropriate management structures.

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The CODM 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 17% (2022: 26%) of the Group's revenue. Two other customers individually contributed 12% (2022: 23%) of the Group's revenue. There are multiple contracts with these customers, across a number of their subsidiaries and divisions within those subsidiaries and locations.

Geographical Information

	2023 $'000	2022 $'000
Revenue from external customers		
Australia	**1,548,379**	1,624,561
Chile	**84,233**	97,727
Papua New Guinea	**57,436**	83,289
Mongolia	**23,651**	153
Other overseas locations	**7,257**	3,721
	1,720,956	1,809,451
Total non-current assets		
Australia	**212,788**	202,538
Chile	**6,111**	14,854
Papua New Guinea	**4,979**	6,647
Mongolia	**443**	48
Other overseas locations	**720**	744
	225,041	224,831

33. DEED OF CROSS GUARANTEE

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

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

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

	2023 $'000	2022 $'000
Consolidated Income Statement and Comprehensive Income		
Profit before income tax	**50,460**	72,234
Income tax expense	**(15,702)**	(20,546)
Net profit after tax for the period	**34,758**	51,688
Reconciliation of Retained Earnings		
Retained earnings at the beginning of the period	207,294	198,368
Dividends paid	**(46,919)**	(42,762)
Net profit after tax for the period	**34,758**	51,688
Retained earnings at the end of the period	**195,133**	207,294
Consolidated Statement of Financial Position		
ASSETS		
Current assets		
Cash and cash equivalents	**102,900**	118,863
Trade and other receivables	**295,597**	278,894
Contract assets	**6,533**	9,869
Total current assets	**405,030**	407,626
Non-current assets		
Contract assets	**23,832**	15,779
Investments in subsidiaries	**32,348**	18,948
Property, plant and equipment	**140,174**	140,191
Deferred tax assets	**12,339**	15,629
Intangible assets and goodwill	**4,203**	4,203
Other non-current assets	**-**	3,440
Total non-current assets	**212,896**	198,190
TOTAL ASSETS	**617,926**	605,816
LIABILITIES		
Current liabilities		
Trade and other payables	**96,514**	67,593
Interest bearing loans and borrowings	**343**	-
Lease liabilities	**21,140**	21,708
Income tax payable	**9,895**	15,154
Provisions	**32,647**	46,311
Total current liabilities	**160,539**	150,766
Non-current liabilities		
Interest bearing loans and borrowings	**428**	771
Lease liabilities	**57,617**	64,530
Provisions	**5,654**	5,056
Total non-current liabilities	**63,699**	70,357
TOTAL LIABILITIES	**224,238**	221,123
NET ASSETS	**393,688**	384,693
EQUITY		
Contributed equity	**141,115**	136,096
Reserves	**57,440**	41,303
Retained earnings	**195,133**	207,294
TOTAL EQUITY	**393,688**	384,693

34. OTHER ACCOUNTING STANDARDS

Other accounting policies

Financial assets

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

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

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

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

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

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

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

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

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

34. OTHER ACCOUNTING STANDARDS (continued)

Other accounting policies (continued)

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

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

Goods and services tax (GST)

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

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

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

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

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

New and amended Accounting Standards and Interpretations

Monadelphous Group Limited and its subsidiaries has adopted all new and amended Australian Standards and Interpretations mandatory for reporting periods beginning on or before 1 July 2022.

Revised Standards and Interpretations which apply from 1 July 2022 did not have any material effect on the financial position or performance of the Group.

34. OTHER ACCOUNTING STANDARDS (continued)

New accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective (including those below) have not been adopted by the Group for the annual reporting period ended 30 June 2023.

Reference	Summary	Application date of standard	Application date for Group
Amendments to AASB 112 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	AASB 112 Income Taxes requires entities to account for income tax consequences when economic transactions take place, and not at the time when income tax payments or recoveries are made. Accounting for such tax consequences, means entities need to consider the differences between tax rules and accounting standards. These differences could either be: • Permanent – e.g., when tax rules do not allow a certain expense to ever be deducted Or • Temporary – e.g., when tax rules treat an item of income as taxable in a period later than when included in the accounting profit Deferred taxes representing amounts of income tax payable or recoverable in the future must be recognised on temporary differences unless prohibited by AASB 112 in certain circumstances. One of these circumstances, known as the initial recognition exception, applies when a transaction affects neither accounting profit nor taxable profit, and is not a business combination. Views differ about applying this exception to transactions that, on initial recognition, create both an asset and liability (and could give rise to equal amounts of taxable and deductible temporary differences) such as: • Recognising a right-of-use asset and a lease liability when commencing a lease • Recognising decommissioning, restoration and similar liabilities with corresponding amounts included in the cost of the related asset Some entities have previously recognised deferred tax consequences for these types of transactions, having concluded that they did not qualify for the initial recognition exception. The amendments to AASB 112 clarify that the exception would not normally apply. That is, the scope of this exception has been narrowed such that it no longer applies to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments apply from the beginning of the earliest comparative period presented to: • All transactions occurring on or after that date • Deferred tax balances, arising from leases and decommissioning, restoration and similar liabilities, existing at that date The cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.	1 January 2023	1 July 2023

34. OTHER ACCOUNTING STANDARDS (continued)

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

Reference	Summary	Application date of standard	Application date for Group
Amendments to AASB 101 - Disclosure of Accounting Policies	The amendments aim to help entities provide accounting policy disclosures that are more useful by: • Replacing the requirement for entities to disclose their 'significant accounting policies' with a requirement to disclose 'material accounting policy information' • Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures Replacement of the term 'significant' with 'material'. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and their nature.	1 January 2023	1 July 2023
Amendments to AASB 8 - Definition of Accounting Estimates	The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.	1 January 2023	1 July 2023
Amendments to AASB 101 – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants	The amendments clarify: • What is meant by a right to defer settlement • That a right to defer settlement must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification • Disclosures If an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Existence at the end of the reporting period - The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies to covenants which the entity is required to comply with on or before the reporting date regardless of whether the lender tests for compliance at that date or at a later date. Management expectations – paragraph has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance. However, in these circumstances an entity may need to disclose information about the timing of settlement to enable users to understand the impact on its financial position.	1 January 2024	1 July 2024
Amendments to AASB 10 and AASB 128 - Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture	1 January 2025	1 July 2025