MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

CONSOLIDATED FINANCIAL REPORT

30 JUNE 2017

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

CORPORATE DIRECTORY

Directors
Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Peter John Dempsey
Lead Independent Non-Executive Director

Christopher Percival Michelmore
Independent Non-Executive Director

Dietmar Robert Voss
Independent Non-Executive Director

Helen Jane Gillies
Independent Non-Executive Director

Company Secretaries
Kristy Glasgow
Philip Trueman

Principal Registered Office in Australia
59 Albany Highway
Victoria Park
Western Australia 6100
Telephone: +61 8 9316 1255
Facsimile: +61 8 9316 1950
Website: www.monadelphous.com.au

Postal Address
PO Box 600
Victoria Park
Western Australia 6979

Share Registry
Computershare Investor Services Pty Ltd
Level 11, 172 St George's Terrace
Perth
Western Australia 6000
Telephone: 1300 364 961
Facsimile: +61 8 9323 2033

ASX Code
MND – Fully Paid Ordinary Shares

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

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

Bankers (continued)

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

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

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

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

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Contents **Page**

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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 2017.

Revenue

Monadelphous recorded sales revenue of $1,264.7 million* for the year in line with the guidance provided to the market. This represents a decrease of 7.3 per cent compared to the previous corresponding period, with lower activity levels within the engineering construction market being partially offset by an increase in maintenance activity in the resources and energy sector.

Earnings

Net profit after tax (NPAT) attributable to equity holders of the parent was $57.6 million.

Earnings before interest, tax, depreciation and amortisation (EBITDA)^ was $98.2 million, a decrease of 13.6 per cent. Margins continue to remain under pressure as a result of high levels of competition in the market and a continued focus on cost reduction by customers.

Earnings per share (EPS) was 61.4 cents.

Dividend

The Board of Directors has declared a final dividend of 30 cents per share fully franked. This takes the full-year dividend to 54 cents per share fully franked, giving a dividend payout ratio of 88 per cent of net profit after tax. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the final dividend.

Strong balance sheet

Monadelphous ended the year with a record net cash balance of $228.1 million, a cash flow from operations of $111.2 million and a cash flow conversion rate of 130.8 per cent. The Company's strong cash balance will enable it to pursue acquisition opportunities and make the necessary investments in plant and equipment required for continued growth and diversification.

Secured $1.8 billion in new work

Monadelphous has secured new contracts and additional work valued at approximately $1.8 billion since the beginning of the financial year.

Several significant, long term oil and gas maintenance contracts valued in excess of $1 billion were secured during the period, strengthening the Company's position as the major provider of onshore and offshore services to the Australian oil and gas industry.

An increasing number of construction contracts, across a broad range of markets, were secured during the period, totalling approximately $800 million. The Company was awarded a number of additional packages of work at the Ichthys Project, underlining its strong performance on the project to date, and a growing number of new contracts were secured in the water, irrigation and renewable energy sectors across Australia and New Zealand. Monadelphous' China-based fabrication business secured a number of new contracts for both Australian and North American customers.

The Company's renewable energy joint venture, Zenviron, secured the balance of plant works for the construction of the Sapphire Wind Farm in NSW, and subsequent to the year-end announced the award of a contract, in consortium with Vestas – Australian Wind Technology, to provide engineering, procurement, construction and commissioning of the Salt Creek Wind Farm for Tilt Renewables, in Victoria.

Post year end, Monadelphous announced it had been awarded a number of new packages of work with a combined value of $55 million across a variety of markets, including an initial package of work on the Oyu Tolgoi Underground Project in Mongolia highlighting the continuing expansion of core services overseas.

* Includes Monadelphous' share of joint venture revenue - refer to page 10 for reconciliation
^ Refer to page 10 for reconciliation of EBITDA

Productivity

During the period, Monadelphous continued its strong focus on maximising productivity and developing and implementing innovative and cost competitive solutions for customers.

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

A number of technology solutions have been developed to increase productivity levels across the business, including an updated project information management system, a purpose-built capability library and customer relationship management database, a new resource management system and workforce optimisation tool, an innovation management platform that captures ideas, measures progress and reports the value attributed to each action, the development of robotic welding technology and automated 3D workpack creation. In addition, several new technologies were trialled during the year to digitise operations, including photogrammetry and remote visualisation technologies, such as smart helmets.

During the year, divisional and corporate structural reviews were undertaken, with support services further rationalised to ensure the most effective and efficient structure is in place to support the business to achieve its growth and diversification strategy. The Company is driving standardisation wherever possible to ensure lean and efficient support service delivery.

To effectively support an increasingly global operational presence and provide greater value to customers, the Company has expanded its offshore support service centres, delivering a growing number of cost effective business and project related services.

Strategic Progress

During the period, Monadelphous made good progress in its markets and growth strategy.

The Company has secured major onshore and offshore service contracts in the oil and gas sector with Shell, INPEX and Woodside. In addition to these maintenance works, the Company continued to maximise its position in the construction sector with the award of new works on the Ichthys LNG Project.

The recently acquired specialist coatings provider, Arc West, has been successfully integrated into the business, and the Company has further broadened its maintenance service offering to core markets to include rope access, dewatering, marine and expanded heavy lift capabilities. Subsequent to year end, the Company acquired Newcastle-based fabrication business RIG Installations (RIG), providing the Company with an opportunity to on-sell its diverse range of services to RIG's existing customer-base.

The Company's position in PNG was further strengthened with the award of a five year contract with Oil Search for engineering, procurement and construction (EPC) services, delivered in a joint operation with Jacobs Engineering Group.

The Company's objective to build a substantial infrastructure business has been focussed around the growth of the water and irrigation business. In the past year, the team has secured contracts for the construction of the Amuri Irrigation Scheme and water infrastructure projects in Hastings and Selwyn in New Zealand, along with further water and wastewater treatment plants in Australia.

In July 2016, the Company announced an entry into the renewable energy market through the creation of an incorporated joint venture, Zenviron, with renewable energy specialist, ZEM Energy. Zenviron brings together the complementary strengths of Monadelphous' multidisciplinary engineering and construction capabilities and ZEM Energy's technical experience, design capabilities and long term industry relationships. The formation of Zenviron is a key milestone in the Company's strategy to extend services into new infrastructure markets.

During the year, Monadelphous and engineering and project management consultancy, Lycopodium, together established the strategic joint venture, Mondium, to provide turnkey EPC solutions to customers in the mining and mineral processing market, both in Australia and overseas. Mondium has tendered EPC opportunities in the Australian minerals market during the year.

Monadelphous' strategy to deliver core services overseas has progressed with the award of a contract, subsequent to financial year end, to provide mechanical decommissioning and demolition, civil and SMP construction works at the Oyu Tolgoi LLC-operated Oyu Tolgoi Underground Project located in the South Gobi region of Mongolia.

The Company's China-based fabrication business, SinoStruct, continued to respond to changing market conditions and focused heavily on global business development opportunities, particularly in the North American oil and gas and resources sectors and has secured contracts and orders in the region during the period. To support these contracts, and to position for further work, SinoStruct has recently established a workshop and logistics facility in Houston, in the United States of America (USA). With the momentum of SinoStruct, and continuing unfavourable market conditions forecast for the Marcellus region of the USA, a decision was made in June 2017 to discontinue the Monaro joint venture.

OPERATIONAL OVERVIEW

Markets

Monadelphous provides construction, maintenance and industrial services to the resources, energy and infrastructure markets.

The resources and energy markets in Australia remained challenging with capital expenditure levels at historically low levels, and major greenfield LNG projects nearing completion. Investment in sustaining capital to maintain iron ore production levels is expected to increase, with some planned capital expenditure announced to replace existing mine operations.

The outlook for the maintenance sector remains positive as new LNG projects are commissioned and production ramps up. The aging of assets in the resources sector will also drive higher volumes of maintenance and support services.

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

Health and Safety

The 12-month total case injury frequency rate (TCIFR) achieved at the end of the year was 4.27 incidents per million man-hours worked and the lost time injury frequency rate (LTIFR) was 0.08. The regression in safety performance during the period can be attributed in part to the new conditions experienced as part of the Company's diversification into new markets, working in new environments with different hazards and risks.

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

Oil and gas sector operations continued to deliver at world class safety standards and performance levels.

People

The Company's total workforce at 30 June 2017 was 6,164, an increase of 39 per cent on 12 months earlier. The increase in employee numbers is due to high levels of maintenance services activity, and a ramp-up of construction activity levels towards year end.

Monadelphous remains focused on attracting, developing and retaining high calibre employees who live our values and actively contribute to the achievement of our vision and strategic objectives. Key talent retention levels remain high and there was continued investment in training and development for supervisors and emerging leaders.

OPERATIONAL ACTIVITY

Engineering Construction

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

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

New contracts and additional work to the value of approximately $800 million was secured during the year, including awards in oil and gas, fabrication services, water infrastructure, irrigation and renewable energy.

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

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

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

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

During the period, Monadelphous was awarded a three year contract, with a two year extension option, to provide fixed plant maintenance and shutdown crane services to Fortescue Metals Group at the Solomon Hub site in the Pilbara Region, WA, further extending the Company's core service offering.

* Includes Engineering construction share of joint venture revenue

Other work undertaken during the year included:

- The design, construction and commissioning of a liquid fuel supply system for Rio Tinto Iron Ore at its Cape Lambert Port Facility near Karratha, in Western Australia (WA);
- The design and construction of a potable water treatment plant for the Western Downs Regional Council in Chinchilla, Queensland (Qld);
- Expansion of Monadelphous' existing Network and Facility Renewals Program contract with Sydney Water Corporation to include the provision of mechanical, electrical and civil services for water and waste water treatment facilities, pumping stations, pipelines, reservoirs, chemical dosing facilities and odour control facilities;
- A structural, mechanical and piping package associated with Newcrest's gold processing plant at its Cadia Valley operations, in New South Wales (NSW);
- The supply and fabrication of wellhead separator skids for Santos as part of its upstream CSG development in northern Queensland;
- The supply of additional wellhead skids for Australia Pacific LNG, under an existing agreement;
- The delivery, through the Company's renewable energy business, Zenviron, in consortium with Vestas – Australian Wind Technology Pty Ltd, of the civil and electrical balance of plant works in association with the Sapphire Wind Farm in northern NSW;
- An upgrade to the Water Treatment Plant providing the potable water supply, treatment and distribution system at BHP Billiton Western Australia Iron Ore's Mining Area C operation in the northwest of WA;
- Structural, mechanical and piping works for Nyrstar at its Port Pirie Smelter in South Australia (SA);
- The supply, fabrication, pre-assembly and delivery of structural steel, conveyers and plate work with Brolton Group at the Hanson Bass Point Quarry Expansion Project in Shellharbour, NSW;
- The supply of structural steel, fabricated spooling and preassembled modular pipe racks for Jacobs, as part of a plant expansion project in the USA; and
- The supply of approximately 7,000 tonnes of structural steel, plate work and conveyers to Kiewit Corporation.

Subsequent to the year end, new contracts announced included:

- A contract to provide mechanical decommissioning and demolition, civil and SMP works associated with Shaft 1 and Shaft 2 Surface Infrastructure at the Oyu Tolgoi LLC-operated Oyu Tolgoi Underground Project located in the South Gobi region of Mongolia; and
- A contract awarded to Zenviron, in consortium with Vestas – Australian Wind Technology Pty Ltd, to provide engineering, procurement, construction and commissioning of the 54 MW Salt Creek Wind Farm for Tilt Renewables.

Maintenance and Industrial Services

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustaining capital works and turnarounds, expanded its services in core markets and won major contracts in the onshore and offshore oil and gas sector.

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

Since the beginning of the year, Monadelphous has been awarded approximately $1 billion in new contracts.

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

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

Other contracts awarded were:

- A five year contract for BHP's Olympic Dam copper-uranium operation at Roxby Downs, SA;
- A five year contract, in joint operation with Jacobs Engineering Group Inc., for engineering, procurement and construction services on Oil Search's oil and gas production facilities in the Highlands region of Papua New Guinea;
- An order to provide facilities maintenance services at the Wheatstone LNG Project near Onslow, WA for a 12 month period, with two further one year options, under an existing agreement with Chevron Australia; and
- A contract to provide abrasive blasting, cleaning and relining of carbon steel ore wagons for The Pilbara Infrastructure Pty Limited (a wholly owned subsidiary of Fortescue Metals Group) in Port Hedland, WA.

Subsequent to the year end, the following new contracts were announced:

- A contract for piping modification and fabrication for TechnipFMC on the hook-up and commissioning phase of Shell Australia's Prelude Floating Liquefied Natural Gas (FLNG) project, in the Browse Basin, approximately 475 kilometres north-northeast of Broome, in WA.

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

The division continued its focus on productivity improvement, working with customers to reduce costs and implement innovative solutions.

Other contract activity undertaken during the year included:

- Facilities management and support services at the Chevron-operated Barrow Island assets, in WA;
- Maintenance and major shutdown services at the Woodside-operated Karratha Gas Plant at Karratha, WA;
- Shutdown and maintenance services for Rio Tinto's coastal and inland operations in the Pilbara, WA;
- Maintenance and shutdown services for BHP's Nickel West operations in the Goldfields, WA;
- Maintenance and dragline shutdown works for BM Alliance Coal Operations in Queensland;
- Capital works and maintenance events for BP at its Kwinana Refinery, in WA;
- Early works and modification services associated with Shell Australia's Prelude Floating Liquefied Natural Gas (FLNG) project, in Darwin, NT;
- Shutdown and maintenance services for QGC's Curtis LNG Plant, on Curtis Island, Qld;
- Shutdown and maintenance services for Incitec Pivot's Moranbah ammonia plant, in the Bowen Basin, Qld;
- Multi-disciplinary services to the Woodside-operated Karratha Gas Plant Life Extension Program, through MGJV, at Karratha, WA;
- Project fieldwork services for Oil Search Limited at its oil and gas production and support facilities in Papua New Guinea; and
- Projects and turnaround works at Citic Pacific Mining's Sino Iron Project in the Pilbara, WA.

Outlook

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

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

Revenues from infrastructure projects in the water, irrigation and renewable energy sector are expected to grow as a result of the high volume of new contracts secured this year. Prospects for new work remain positive, particularly in renewable energy, and Monadelphous will continue to pursue opportunities in infrastructure markets to further diversify revenues.

Productivity improvements and the delivery of cost competitive solutions for customers will continue to be a key focus area. Heightened levels of competition and a focus on cost reduction by customers will keep margins under pressure.

In summary, Monadelphous is in good shape. The Company remains in a leadership position in its core markets and is making good progress to diversify its business into new services and customer markets, both domestically and internationally.

Importantly, a strong balance sheet provides the Company with substantial capacity to invest in new business opportunities, particularly in the infrastructure sector where it will continue to pursue potential acquisitions.

I would like to take this opportunity to thank all our stakeholders for their loyalty and support, and particularly our people for their ongoing dedication, commitment and highly valued contribution.

John Rubino
Monadelphous Chairman
21 August 2017

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

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

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

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

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

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

Reconciliation of Statutory Sales Revenue

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

~ Represents Monadelphous' proportionate share of the revenue of joint ventures accounted for using the equity method.

Reconciliation of Statutory Revenue

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

~ Represents Monadelphous' proportionate share of the revenue of joint ventures accounted for using the equity method.

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

DIRECTORS

The names and details of the directors of the Company in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Calogero Giovanni Battista Rubino
Chairman
Appointed 18 January 1991
Resigned as Managing Director on 30 May 2003 and continued as Chairman
51 years experience in the construction and engineering services industry
Also a director of one other publicly listed entity, Tech Mpire Limited (formerly Fortunis Resources Limited) (ASX: TMP) – appointed 20 March 2012, resigned 29 June 2015

Robert Velletri
Managing Director
Appointed 26 August 1992
Mechanical Engineer, Corporate Member of Engineers Australia
Appointed as Managing Director on 30 May 2003
38 years experience in the construction and engineering services industry

Peter John Dempsey
Lead Independent Non-Executive Director
Appointed 30 May 2003
Civil Engineer, Fellow of Engineers Australia, Member of the Australian Institute of Company Directors
45 years experience in the construction and engineering services industry
Also a non-executive director of the following other publicly listed entity, Service Stream Limited (ASX: SSM) – appointed 1 November 2010

Christopher Percival Michelmore
Independent Non-Executive Director
Appointed 1 October 2007
Civil Engineer, Fellow of Engineers Australia
45 years experience in the construction and engineering services industry

Dietmar Robert Voss
Independent Non-Executive Director
Appointed 10 March 2014
Chemical Engineer, Member of the Australian Institute of Company Directors
43 years experience in the oil and gas, and mining and minerals industries

Helen Jane Gillies
Independent Non-Executive Director
Appointed 5 September 2016
Solicitor, Master of Business Administration and Construction Law, Fellow of the Australian Institute of Company Directors
21 years experience in the construction and engineering services industry

COMPANY SECRETARIES

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

Kristy Glasgow
Company Secretary
Appointed 8 December 2014
Chartered Accountant, Member of Chartered Accountants Australia and New Zealand
12 years experience in the construction and engineering services industry

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

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

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

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	61.41
Diluted Earnings Per Share	61.34

DIVIDENDS

	Cents	$'000
Final dividends declared		
▪ on ordinary shares	30.00	28,174
Dividends paid during the year:		
Current year interim		
▪ on ordinary shares	24.00	22,519
Final for 2016		
▪ on ordinary shares	32.00	29,981

CORPORATE INFORMATION

Corporate structure

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

The registered office of Monadelphous Group Limited is located at:

59 Albany Highway
Victoria Park
Western Australia 6100

Nature of operations and principal activities

Engineering Services

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

Services provided include:

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

General

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

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

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

Employees

The consolidated entity employed 6,164 employees as of 30 June 2017 (2016: 4,438 employees).

OPERATING AND FINANCIAL REVIEW

Review

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

Operating results for the year

	2017	2016
	$'000	$'000
Revenue from services	**1,245,183**	1,364,685
Profit after income tax expense attributable to equity holders of the parent	**57,563**	67,014

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER REPORTING PERIOD

Dividends declared

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

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

Contracts update

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

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

The Company strives to continually improve its environmental performance.

SHARE OPTIONS

Unissued shares

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

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

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

Shares issued as a result of the exercise of options

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

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

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

INDEMNIFICATION OF AUDITORS

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

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

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

REMUNERATION REPORT (Audited)

This Remuneration Report for the year ended 30 June 2017 outlines the Key Management Personnel remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

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

Details of Key Management Personnel

(i) Directors

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

(ii) Executives

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

Remuneration Philosophy

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

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

Remuneration Committee

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

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

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

Remuneration Structure

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

REMUNERATION REPORT (Audited) (continued)

Non-executive director remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors based on their experience, contributions to the Company and the prevailing market conditions. The most recent determination was at the Annual General Meeting held on 22 November 2016 when shareholders approved an aggregate remuneration of $750,000 in the 'not to exceed sum' paid to non-executive directors.

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

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

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

The remuneration of non-executive directors for the year ending 30 June 2017 is detailed in Table 1 on page 21 of this report.

Executive remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:
- Reward executives for group, business unit and individual performance;
- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Structure

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

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

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

REMUNERATION REPORT (Audited) (continued)

Executive remuneration (continued)

The review lead to the implementation of a combined incentive model that rewards past performance of both the Company and the employee, continues to act as a retention mechanism and motivates the employee to grow the Company through long term share ownership. Details of the simplified combined incentive model are discussed on page 20. The review also concluded that the existing Monadelphous Group Limited Employee Option Plan should be retained, as an alternative or additional incentive scheme for the executive management team, for use as appropriate at the discretion of the Board.

The proportion of fixed remuneration and variable remuneration is established for each member of the executive management team by the Remuneration Committee. Tables 1 and 2 on pages 21 and 22 of this report detail the proportion of fixed and variable remuneration for each of the executive directors and the members of the executive management team of the Company.

Fixed remuneration

Objective

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

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

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

Structure

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

The fixed remuneration component of the executives of the Company is detailed in Tables 1 and 2 on pages 21 and 22 of this report.

Variable remuneration – Short term incentive (STI)

Objective

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

Structure

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

REMUNERATION REPORT (Audited) (continued)

Executive remuneration (continued)

Variable remuneration – Short term incentive (STI) (continued)

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

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

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

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

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

Variable remuneration – Long term incentive (LTI)

Objective

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

Structure

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

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

No Directors or KMP received options during the year ended 30 June 2017. No options were forfeited by KMP during the year. All executives are eligible to participate in the Monadelphous Group Limited Employee Option Plan.

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

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

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

REMUNERATION REPORT (Audited) (continued)

Executive remuneration (continued)

Simplified combined incentive plan

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

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

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

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

Hedging of equity awards

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

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

Employment contracts

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

Company performance

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

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Profit after income tax expense attributable to equity holders of the parent	**57,563**	67,014	105,825	146,510	156,314
Basic earnings per share	**61.41c**	71.77c	113.91c	159.05c	173.03c
Share Price as at 30 June	**$13.99**	$7.46	$9.37	$15.71	$16.14

A review of the Company's performance and returns to shareholders over the last five years has been provided on page 9 of this report.

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

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2017

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

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

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel (continued)

Table 2: Remuneration for the year ended 30 June 2016

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

REMUNERATION REPORT (Audited) (continued)

Remuneration of Key Management Personnel (continued)

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

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

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

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

Additional disclosures relating to options and shares

Table 5: Option holdings of Key Management Personnel

Options held in Monadelphous Group Limited	**Balance at Beginning of Period 1 July 2016**	**Granted as Remuneration**	**Options Exercised and Lapsed**	**Net Change Other**	**Balance at End of Period 30 June 2017**
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
C. P. Michelmore	-	-	-	-	-
D. R. Voss	-	-	-	-	-
H. J. Gillies	-	-	-	-	-
Executives					
D. Foti	-	-	-	-	-
Z. Bebic	-	-	-	-	-
P. Trueman	-	-	-	-	-
Total	-	-	-	-	-

REMUNERATION REPORT (Audited) (continued)

Additional disclosures relating to options and shares (continued)

Table 6: Shareholdings of Key Management Personnel

Shares held in Monadelphous Group Limited	Balance at Beginning of Period 1 July 2016	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance at End of Period 30 June 2017
Directors					
C. G. B. Rubino	2,022,653	-	-	-	2,022,653
R. Velletri	2,100,000	-	-	-	2,100,000
P. J. Dempsey	78,000	-	-	-	78,000
C. P. Michelmore	45,939	-	-	-	45,939
D. R. Voss	2,852	-	-	-	2,852
H. J. Gillies	-	-	-	-	-
Executives					
D. Foti	359,316	-	-	-	359,316
Z. Bebic	5,000	-	-	(5,000)	-
P. Trueman	-	-	-	-	-
Total	4,613,760	-	-	(5,000)	4,608,760

Loans to Key Management Personnel and their related parties

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

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

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

END OF REMUNERATION REPORT

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director are shown in the table below. Each director attended all meetings that they were eligible to attend, with the exception of D.R. Voss who was absent from one directors' meeting and one audit committee meeting.

		Meetings of Committees		
	Directors' Meetings	**Audit**	**Remuneration**	**Nomination**
Number of meetings held:	13	7	4	4
Number of meetings attended:				
C. G. B. Rubino	13	-	-	4
R. Velletri	13	-	-	-
P. J. Dempsey*	13	7	-	4
C. P. Michelmore *	13	4	4	4
D. R. Voss*	12	6	3	1
H. J. Gillies*	9	3	3	1

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

COMMITTEE MEMBERSHIP

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

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

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

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

ROUNDING

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

CORPORATE GOVERNANCE

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received an independence declaration from the auditor of Monadelphous Group Limited, as shown on page 27.

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

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

	$
Tax compliance services	27,264
Assurance related	-
	27,264

MODIFICATION OF AUDITOR ROTATION REQUIREMENTS

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

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

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

Signed in accordance with a resolution of the directors.

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

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Auditor's Independence Declaration to the Directors of Monadelphous Group Limited

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

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

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

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

Ernst & Young

G H Meyerowitz
Partner
21 August 2017

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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 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

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

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

Basis for opinion

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

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

Key audit matters

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

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

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

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

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

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

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

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

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

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 24 of the directors' report for the year ended 30 June 2017.

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

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Responsibilities

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

Ernst & Young

G H Meyerowitz
Partner
Perth
21 August 2017

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

1) In the opinion of the directors:

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

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

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

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

(c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed on page 39.

2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2017.

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

On behalf of the Board

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

	Notes	2017 $'000	2016 $'000
Continuing Operations			
REVENUE	1	**1,249,085**	1,368,849
Cost of services rendered		**(1,121,827)**	(1,226,188)
GROSS PROFIT		**127,258**	142,661
Other income	1	**6,865**	6,914
Business development and tender expenses		**(22,096)**	(21,870)
Occupancy expenses		**(3,305)**	(3,041)
Administrative expenses		**(24,565)**	(25,891)
Finance costs	2	**(734)**	(1,025)
Unrealised foreign currency loss		**(759)**	(2,138)
PROFIT BEFORE INCOME TAX		**82,664**	95,610
Income tax expense	3	**(24,144)**	(28,702)
PROFIT AFTER INCOME TAX		**58,520**	66,908
ATTRIBUTABLE TO			
EQUITY HOLDERS OF THE PARENT		**57,563**	67,014
NON-CONTROLLING INTERESTS		**957**	(106)
		58,520	66,908
Basic earnings per share (cents per share)	4	**61.41**	71.77
Diluted earnings per share (cents per share)	4	**61.34**	71.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	2017 $'000	2016 $'000
NET PROFIT FOR THE YEAR	**58,520**	66,908
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Net gain on available-for-sale financial asset	**267**	-
Income tax effect	**(80)**	-
	187	-
Foreign currency translation	**(134)**	692
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**53**	692
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**58,573**	67,600
ATTRIBUTABLE TO		
EQUITY HOLDERS OF THE PARENT	**57,616**	67,706
NON-CONTROLLING INTERESTS	**957**	(106)
	58,573	67,600

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**241,909**	203,515
Trade and other receivables	6	**245,826**	326,087
Inventories	7	**69,774**	53,435
Total current assets		**557,509**	583,037
Non-current assets			
Property, plant and equipment	8	**79,052**	79,988
Intangible assets and goodwill	9	**3,345**	2,947
Investment in joint venture	10	**1,911**	729
Deferred tax assets	3	**25,980**	22,287
Other non-current assets	11	**1,901**	236
Total non-current assets		**112,189**	106,187
TOTAL ASSETS		**669,698**	689,224
LIABILITIES			
Current liabilities			
Trade and other payables	12	**183,063**	210,100
Interest bearing loans and borrowings	13	**6,904**	7,868
Income tax payable	3	**3,603**	1,124
Provisions	14	**86,042**	85,633
Total current liabilities		**279,612**	304,725
Non-current liabilities			
Interest bearing loans and borrowings	13	**6,856**	9,678
Provisions	14	**4,972**	5,711
Deferred tax liabilities	3	**14**	221
Total non-current liabilities		**11,842**	15,610
TOTAL LIABILITIES		**291,454**	320,335
NET ASSETS		**378,244**	368,889
EQUITY			
Contributed equity	17	**122,965**	120,723
Reserves	18	**31,048**	29,955
Retained earnings	18	**223,380**	218,317
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**377,393**	368,995
Non-Controlling Interests		**851**	(106)
TOTAL EQUITY		**378,244**	368,889

	Attributable to equity holders						
	Issued Capital $'000	**Share-Based Payment Reserve $'000**	**Foreign Currency Translation Reserve $'000**	**Retained Earnings $'000**	**Non-controlling Interests $'000**	**Available-for-sale reserve $'000**	**Total $'000**
At 1 July 2016	120,723	29,102	853	218,317	(106)	-	368,889
Other comprehensive income	**-**	**-**	**(134)**	**-**	**-**	**187**	**53**
Profit for the period	**-**	**-**	**-**	**57,563**	**957**	**-**	**58,520**
Total comprehensive income for the period	**-**	**-**	**(134)**	**57,563**	**957**	**187**	**58,573**
Transactions with owners in their capacity as owners							
Share-based payments	**-**	**1,040**	**-**	**-**	**-**	**-**	**1,040**
Dividend reinvestment plan	**2,242**	**-**	**-**	**-**	**-**	**-**	**2,242**
Dividends paid	**-**	**-**	**-**	**(52,500)**	**-**	**-**	**(52,500)**
At 30 June 2017	**122,965**	**30,142**	**719**	**223,380**	**851**	**187**	**378,244**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

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

GENERAL INFORMATION

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

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

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

Basis of preparation

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

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as applicable to a for-profit entity.
- has also been prepared on a historical cost basis.
- is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.* The Company is an entity to which the legislative instrument applies.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or before 1 July 2016 (Refer to note 31).
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

Basis of consolidation

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

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

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

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

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

GENERAL INFORMATION (continued)

Business combinations

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

Foreign currency translation

Functional and presentation currency

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

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

Transactions and balances

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

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

Translation of Group companies' functional currency to presentation currency

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

Other accounting policies

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

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:

Revenue

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

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

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

Taxation

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

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

Impairment

Refer to notes 8 and 9 for details.

Workers Compensation

Refer note 14 for details.

Consolidation of MGJV Pty Ltd

Refer to note 19 for details.

1. REVENUE AND OTHER INCOME

	2017 $'000	2016 $'000
Rendering of services and construction contract revenue	**1,245,183**	1,364,685
Finance revenue	**3,848**	4,164
Dividends received	**54**	-
Revenue	**1,249,085**	1,368,849
Net gains on disposal of property, plant and equipment	**4,139**	3,691
Other income	**2,726**	3,223
Other income	**6,865**	6,914

Recognition and measurement

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

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

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

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

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

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

2. EXPENSES

	2017 $'000	2016 $'000
Finance costs		
Loans and overdrafts	**107**	70
Finance charges payable under finance leases and hire purchase contracts	**627**	955
	734	1,025
Depreciation and amortisation		
Depreciation expense	**17,892**	21,094
Amortisation of intangible assets	**562**	65
	18,454	21,159
Employee benefits expense		
Employee benefits expense	**697,999**	686,084
Defined contribution superannuation expense	**43,615**	40,235
	741,614	726,319
Lease payments and other expenses		
Minimum lease payments – operating lease	**14,620**	22,566
Government grants included in the income statement	**6,028**	6,927

Recognition and measurement

Finance costs

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

Depreciation and amortisation

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

Employee benefits expense

Refer to note 14 for employee benefits expense and note 26 for share-based payments expense.
Contributions to defined contribution superannuation plans are recognised as an expense as they become payable.

Operating leases

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

Government Grants

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

3. INCOME TAX

	2017 $'000	2016 $'000
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax charge	**28,484**	23,303
Adjustments in respect of previous years	**(360)**	(721)
Deferred income tax		
Temporary differences	**(3,441)**	6,212
Adjustments in respect of previous years	**(539)**	(92)
Income tax expense reported in the income statement	**24,144**	28,702

Tax reconciliation

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2017 $'000	2016 $'000
Accounting profit before income tax	**82,664**	95,610
Income tax rate of 30% (2016: 30%)	**24,799**	28,683
- Share based payment expense	**440**	(354)
- R&D	**(1,808)**	(2,078)
- Other	**713**	2,451
Aggregate income tax expense	**24,144**	28,702

Recognised deferred tax assets and liabilities

	2017 $'000 Current Income Tax	2017 $'000 Deferred Income Tax	2016 $'000 Current Income Tax	2016 $'000 Deferred Income Tax
Opening balance	(1,124)	22,066	(4,288)	28,204
Charged to income	**(28,124)**	**3,980**	(22,582)	(6,120)
Charged to equity	**-**	**(80)**	-	-
Other / payments	**25,645**	**-**	25,746	(18)
Closing balance	**(3,603)**	**25,966**	(1,124)	22,066
Amounts recognised on the consolidated statement of financial position:				
Deferred tax asset		**25,980**		22,287
Deferred tax liability		**(14)**		(221)
		25,966		22,066

3. INCOME TAX (continued)

	2017 $'000	2016 $'000
Deferred income tax at 30 June relates to the following:		
Deferred tax assets		
Provisions	**25,992**	24,490
Other	**1,900**	1,274
Gross deferred tax assets	**27,892**	25,764
Set-off of deferred tax liabilities	**(1,912)**	(3,477)
Net deferred tax assets	**25,980**	22,287
Deferred tax liabilities		
Accelerated depreciation	**1,915**	3,489
Other	**11**	209
Gross deferred tax liabilities	**1,926**	3,698
Set-off against deferred tax assets	**(1,912)**	(3,477)
Net deferred tax liabilities	**14**	221

Unrecognised temporary differences

At 30 June 2017, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2016: $nil).

Tax consolidation

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

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

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

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

3. INCOME TAX (continued)

Recognition and Measurement

Current taxes

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

Deferred Taxes

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

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

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

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

4. EARNINGS PER SHARE

	2017 $'000	2016 $'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	**57,563**	67,014
Earnings used in calculation of basic and diluted earnings per share	**57,563**	67,014
	Number	Number
Number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**93,730,313**	93,371,865
Effect of dilutive securities		
Shares issuable associated with Arc West Group Pty Ltd acquisition (refer to note 20)	**119,031**	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**93,849,344**	93,371,865

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

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

Calculation of earnings per share

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

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

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

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

5. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'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	**156,909**	163,515
Short term deposits	**85,000**	40,000
	241,909	203,515
Reconciliation of net profit after tax to the net cash flows from operating activities		
Net profit	**58,520**	66,908
Adjustments for		
Depreciation of non-current assets	**17,892**	21,094
Amortisation and impairment of intangible assets	**943**	65
Net profit on sale of property, plant and equipment	**(4,139)**	(3,691)
Impairment of other non-current assets	**236**	1,011
Share-based payment expense/(credit)	**1,040**	(1,178)
Unrealised foreign exchange loss	**759**	2,138
Dividend income	**(54)**	-
Interest receivable	**(453)**	-
Other	**2,718**	918
Changes in assets and liabilities		
Decrease in receivables	**79,482**	48,541
(Increase)/decrease in inventories	**(16,225)**	27,109
(Increase)/decrease in deferred tax assets	**(3,773)**	5,917
Decrease in payables	**(27,607)**	(67,904)
Decrease in provisions	**(418)**	(20,016)
Increase/(decrease) in income tax payable	**2,479**	(3,164)
Increase/(decrease) in deferred tax liabilities	**(207)**	221
Net cash flows from operating activities	**111,193**	77,969

Non-cash financing and investing activities

Hire purchase transactions:

During the year, the consolidated entity acquired plant and equipment by means of hire purchase agreements with an aggregate fair market value of $4,069,735 (2016: $7,741,790).

Recognition and measurement

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

	Notes	2017 $'000	2016 $'000
6. TRADE AND OTHER RECEIVABLES			
CURRENT			
Trade receivables		**166,660**	244,398
Less allowance for impairment loss		**(2,794)**	(2,508)
		163,866	241,890
Other debtors		**81,960**	84,197
		245,826	326,087

Allowance for impairment loss

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

Trade receivables past due not impaired

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

	2017 $'000	2016 $'000
31 – 60 Days	**33,904**	22,186
61 – 90 Days	**9,470**	3,606
91+ Days	**10,160**	9,517
TOTAL	**53,534**	35,309

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

Receivables not impaired nor past due

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

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

6. TRADE AND OTHER RECEIVABLES (continued)

Other debtors

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

Recognition and measurement

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

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

	Notes	2017 $'000	2016 $'000
7. INVENTORIES			
Construction work in progress			
Cost incurred to date plus profit recognised		**1,422,765**	1,694,307
Consideration received and receivable as progress billings		**(1,454,382)**	(1,798,104)
		(31,617)	(103,797)
Represented by:			
Amounts due to customers	12	**101,391**	157,232
Amounts due from customers		**69,774**	53,435

Amounts due to customers

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

Credit risk of amounts due from customers

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

Recognition and measurement

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

8. PROPERTY, PLANT AND EQUIPMENT

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

	PROPERTY		PLANT AND EQUIPMENT			
	Freehold land $'000	Buildings $'000	Leasehold improve-ments $'000	Plant and equipment $'000	Plant and equipment under hire purchase $'000	Total $'000
Year ended 30 June 2017						
Net carrying amount at 1 July 2016	13,411	16,660	696	27,682	21,539	79,988
Additions	**-**	**12**	**-**	**12,356**	**4,070**	**16,438**
Acquired through business combination (Note 20)	**-**	**1,041**	**-**	**2,270**	**-**	**3,311**
Assets transferred	**-**	**587**	**(587)**	**4,487**	**(4,487)**	**-**
Disposals	**-**	**(31)**	**-**	**(2,696)**	**-**	**(2,727)**
Depreciation charge	**-**	**(1,072)**	**(109)**	**(12,912)**	**(3,799)**	**(17,892)**
Exchange differences	**-**	**-**	**-**	**(66)**	**-**	**(66)**
Net carrying amount at 30 June 2017	**13,411**	**17,197**	**-**	**31,121**	**17,323**	**79,052**
At 30 June 2017						
Gross carrying amount – at cost	**13,411**	**27,380**	**-**	**150,237**	**25,275**	**216,303**
Accumulated depreciation	**-**	**(10,183)**	**-**	**(119,116)**	**(7,952)**	**(137,251)**
Net carrying amount	**13,411**	**17,197**	**-**	**31,121**	**17,323**	**79,052**

	PROPERTY		PLANT AND EQUIPMENT			
	Freehold land $'000	Buildings $'000	Leasehold improve-ments $'000	Plant and equipment $'000	Plant and equipment under hire purchase $'000	Total $'000
Year ended 30 June 2016						
Net carrying amount at 1 July 2015	13,411	17,754	1,333	34,793	28,899	96,190
Additions	-	-	84	836	7,742	8,662
Assets transferred	-	539	(539)	9,417	(9,417)	-
Disposals	-	(276)	-	(3,494)	-	(3,770)
Depreciation charge	-	(1,357)	(182)	(13,870)	(5,685)	(21,094)
Net carrying amount at 30 June 2016	13,411	16,660	696	27,682	21,539	79,988
At 30 June 2016						
Gross carrying amount – at cost	13,411	24,959	1,485	143,858	33,969	217,682
Accumulated depreciation	-	(8,299)	(789)	(116,176)	(12,430)	(137,694)
Net carrying amount	13,411	16,660	696	27,682	21,539	79,988

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment pledged as security

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

	2017 **$'000**	2016 $'000
Assets pledged as security	**17,323**	22,235

Recognition and measurement

Property, plant and equipment

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

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

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

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

Impairment of non-financial assets other than goodwill

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

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

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

9. INTANGIBLE ASSETS AND GOODWILL

	Intangible Assets $'000	Goodwill $'000	Total $'000
Year ended 30 June 2017			
At 1 July 2016	-	2,947	2,947
On business combination (Note 20)	**1,187**	**154**	**1,341**
Amortisation	**(562)**	**-**	**(562)**
Impairment	**-**	**(381)**	**(381)**
At 30 June 2017	**625**	**2,720**	**3,345**
Year ended 30 June 2016			
At 1 July 2015	65	2,947	3,012
Amortisation	(65)	-	(65)
At 30 June 2016	-	2,947	2,947

Description of the Group's intangible assets

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

Impairment testing of the Group's intangible assets and goodwill

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

Recognition and measurement

Goodwill

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

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

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

9. INTANGIBLE ASSETS AND GOODWILL (continued)

Recognition and measurement (continued)

Intangible assets

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

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

10. INTEREST IN JOINT VENTURES

Monaro LLC

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

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

Mondium Pty Ltd

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

Zenviron Pty Ltd

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

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

Commitments and contingent liabilities relating to Joint Ventures

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

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

Recognition and measurement

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

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

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

11. OTHER NON-CURRENT ASSETS

	2017 $'000	2016 $'000
Other non-current assets	**1,901**	236

Other non-current assets consists of investments as follows:

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

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

Recognition and measurement

Investments in associates

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

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

12. TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
CURRENT		
Trade payables	**54,109**	34,119
Advances on construction work in progress – Amounts due to customers	**101,391**	157,232
Sundry creditors and accruals	**27,563**	18,749
	183,063	210,100

Recognition and measurement

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

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

13. INTEREST BEARING LOANS AND BORROWINGS

	2017 $'000	2016 $'000
CURRENT		
Hire purchase liability – secured	**5,363**	6,732
Loan – unsecured	**1,541**	1,136
	6,904	7,868
NON-CURRENT		
Hire purchase liability – secured	**6,856**	9,303
Loan – unsecured	**-**	375
	6,856	9,678

Terms and conditions

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

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

Defaults and breaches

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

Recognition and measurement

Interest bearing loans and borrowings

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

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

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

Leases

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

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

13. INTEREST BEARING LOANS AND BORROWINGS (continued)

Recognition and measurement (continued)

Finance leases

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

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

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

14. PROVISIONS

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

Movements in provisions

	2017 $'000
Workers compensation	
Carrying amount at the beginning of the year	28,998
Additional provision	**5,794**
Amounts utilised during the year	**(8,371)**
Carrying amount at the end of the financial year	**26,421**

14. PROVISIONS (continued)

Recognition and measurement

Provisions

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

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

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

Employee benefits

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

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

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

Workers' compensation

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

15. CAPITAL MANAGEMENT

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

During the year ended 30 June 2017, management paid dividends of $52,500,168. The policy is to payout dividends of 80% to 100% of annual net profit after tax, subject to the working capital requirements of the business, potential investment opportunities and business and economic conditions generally.

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

16. DIVIDENDS PAID AND PROPOSED

	2017 $'000	2016 $'000
Declared and paid during the year		
Current year interim		
Interim franked dividend for 2017 (24 cents per share) (2016: 28 cents per share)	**22,519**	26,175
Previous year final		
Final franked dividend for 2016 (32 cents per share) (2015: 46 cents per share final)	**29,981**	42,869
Unrecognised amounts		
Current year final		
Final franked dividend for 2017 (30 cents per share) (2016: 32 cents per share)	**28,174**	29,981
Franking credit balance		
Franking credits available for future reporting years at 30% adjusted for franking credits that will arise from the payment of income tax payable as at the end of the financial year	**45,103**	48,234
Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	**(12,075)**	(12,849)
	33,028	35,385

Tax rates

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

Recognition and measurement

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

17. CONTRIBUTED EQUITY

	2017 $'000	2016 $'000
Ordinary shares – Issued and fully paid	**124,234**	121,992
Reserved shares	**(1,269)**	(1,269)
	122,965	120,723

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	2017		2016	
	Number of Shares	**$'000**	Number of Shares	$'000
Beginning of the financial year	**93,703,963**	**121,992**	93,194,159	118,579
Dividend reinvestment plan	**224,301**	**2,242**	496,054	3,313
Acquisition of subsidiary	**-**	**-**	13,750	100
End of the financial year	**93,928,264**	**124,234**	93,703,963	121,992

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

Reserved shares

	2017		2016	
	Number of Shares	**$'000**	Number of Shares	$'000
Beginning of the financial year	85,500	(1,269)	85,500	(1,269)
End of the financial year	**85,500**	**(1,269)**	85,500	(1,269)

Recognition and measurement

Contributed equity

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

Reserved shares

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

18. RESERVES AND RETAINED EARNINGS

	2017 $'000	2016 $'000
Foreign currency translation reserve	**719**	853
Share-based payment reserve	**30,142**	29,102
Available-for-sale reserve	**187**	-
	31,048	29,955
Retained earnings	**223,380**	218,317

Movements in retained earnings

	2017 $'000	2016 $'000
Balance at the beginning of the year	218,317	220,347
Net profit attributable to equity holders of the parent	**57,563**	67,014
Total available for appropriation	**275,880**	287,361
Dividends paid	**(52,500)**	(69,044)
Balance at the end of the year	**223,380**	218,317

Movements in reserves

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

Nature and purpose of reserves

Foreign currency translation reserve

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

Share-based payment reserve

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

Available-for-sale reserve

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

19. SUBSIDIARIES

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

Name	Country of Incorporation	Percentage Held by Consolidated Entity		Parent Entity Investment	
		2017	2016	**2017**	2016
		%	%	**$'000**	$'000
Parent:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
#Monadelphous Engineering Associates Pty Ltd	Australia	**100**	100	26,132	26,133
#Monadelphous Properties Pty Ltd	Australia	**100**	100	1,941	1,788
#Monadelphous Engineering Pty Ltd	Australia	**100**	100	4,066	4,219
#Genco Pty Ltd	Australia	**100**	100	342	342
#Monadelphous Workforce Pty Ltd	Australia	**100**	100	370	370
#Monadelphous Electrical & Instrumentation Pty Ltd	Australia	**100**	100	5,343	5,343
#Monadelphous KT Pty Ltd	Australia	**100**	100	15,729	16,112
#Monadelphous Energy Services Pty Ltd	Australia	**100**	100	4,434	4,434
#M Workforce Pty Ltd	Australia	**100**	100	-	-
#M Maintenance Services Pty Ltd	Australia	**100**	100	-	-
M&ISS Pty Ltd	Australia	**100**	100	-	-
SinoStruct Pty Ltd	Australia	**100**	100	125	125
Monadelphous Group Limited Employee Share Trust	Australia	**100**	100	-	-
Monadelphous Holdings Pty Ltd	Australia	**100**	100	-	-
MGJV Pty Ltd	Australia	**70 ^**	70 ^	-	-
Evo Access Pty Ltd	Australia	**100**	100	-	-
Monadelphous Investments Pty Ltd*	Australia	**100**	-	-	-
MWOG Pty Ltd*	Australia	**100**	-	-	-
MOAG Pty Ltd*	Australia	**100**	-	-	-
Monadelphous International Holdings Pty Ltd*	Australia	**100**	-	-	-
Monadelphous PNG Ltd	Papua New Guinea	**100**	100	-	-
Moway International Limited	Hong Kong	**100**	100	443	443
Moway AustAsia Steel Structures Trading (Beijing) Company Limited	China	**100**	100	-	-
Monadelphous Singapore Pte Ltd	Singapore	**100**	100	144	144
Monadelphous Mongolia LLC	Mongolia	**100**	100	-	-
Monadelphous Inc.	USA	**100**	100	1,806	1,806
Monadelphous Marcellus LLC	USA	**100**	100	-	-
MKT Pipelines Ltd	Canada	**100**	100	-	-
Monadelphous Engineering NZ Pty Ltd	New Zealand	**100**	100	-	-
Monadelphous Sdn Bhd*	Malaysia	**100**	-	-	-
Arc West Group Pty Ltd (Refer to Note 20)	Australia	**100**	-	5,440	-
				66,315	61,259

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

* Incorporated during the year

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

Ultimate parent

Monadelphous Group Limited is the ultimate holding company.

Material partly-owned subsidiaries

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

20. BUSINESS COMBINATION

Acquisition of Arc West Group Pty Ltd

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

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

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

The cash outflow on acquisition is as follows:

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

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

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

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

21. INTEREST IN JOINT OPERATIONS

Joint operations interests

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

Joint Arrangement	**Principal Activity**	**Principal place of business**	**Group Interest 2017 %**	2016 %
Monadelphous Muhibbah Marine Joint Venture (MMM)	To construct the approach jetty and ship berth associated with the Wiggins Island Coal Export Terminal.	Gladstone, QLD	**-**	50
KT-OSD Joint Venture	Design and construction of a transmission pipeline and associated facilities for Hamersley Iron.	West Angelas, WA	**-**	60

Commitments and contingent liabilities relating to joint operations

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

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

Impairment

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

Recognition and Measurement

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

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

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

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

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

(a) Risk exposures and responses

Interest rate risk

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

	Notes	**2017 $'000**	2016 $'000
Financial assets			
Cash and cash equivalents	5	**241,909**	203,515
Net exposure		**241,909**	203,515

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

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

Foreign currency risk

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

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

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

Foreign currency risk (continued)

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

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

Year ended 30 June 2017	**PGK AUD$'000**	**USD AUD$'000**	**EURO AUD$'000**
Financial assets			
Cash and cash equivalents	**11,562**	**11,537**	**8,392**
Trade and other receivables	**4,582**	**27,886**	**-**
Financial liabilities			
Trade and other payables	**(1,292)**	**(4,003)**	**-**
Net Exposure	**14,852**	**35,420**	**8,392**
Year ended 30 June 2016			
Financial assets			
Cash and cash equivalents	23,184	8,026	753
Trade and other receivables	18	11,060	-
Financial liabilities			
Trade and other payables	(6)	(715)	-
Net Exposure	23,196	18,371	753

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

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

Judgements of reasonably possible movements relating to financial assets and liabilities denominated in PGK:	**Post Tax Profit Higher/(Lower)**		**Other Comprehensive Income Higher/(Lower)**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
+10% (2016: +10%)	**(1,040)**	(1,624)	**-**	-
-10% (2016: -10%)	**1,040**	1,624	**-**	-

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

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

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

Judgements of reasonably possible movements relating to financial assets and liabilities denominated in USD:	**Post Tax Profit Higher/(Lower)**		**Other Comprehensive Income Higher/(Lower)**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
+5% (2016: +5%)	**(1,240)**	(643)	**-**	-
-5% (2016: -5%)	**1,240**	643	**-**	-

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

Credit risk

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

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

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

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

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

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

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

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

Liquidity risk

Financing facilities available	**2017 $'000**	2016 $'000
At balance date the following financing facilities had been negotiated and were available		
Total facilities:		
- Bank guarantee and performance bonds	**490,000**	575,000
- Revolving credit	**67,053**	98,995
	557,053	673,995
Facilities used at balance date:		
- Bank guarantee and performance bonds	**147,704**	209,797
- Revolving credit	**13,760**	17,546
	161,464	227,343
Facilities unused at balance date:		
- Bank guarantee and performance bonds	**342,296**	365,203
- Revolving credit	**53,293**	81,449
	395,589	446,652

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

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

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

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

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

	2017 $'000	2016 $'000
Financial liabilities		
6 months or less	**186,252**	214,848
6 – 12 months	**4,112**	3,689
1 – 5 years	**7,007**	10,227
	197,371	228,764

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Risk exposures and responses (continued)

Maturity analysis of financial liabilities:

Year ended 30 June 2017	6 months or less $'000	6 months to 1 year $'000	1 year to 5 years $'000	Total Contractual Cash Flows $'000	Total Carrying Amount $'000
Financial liabilities					
Trade and other payables	**183,063**	**-**	**-**	**183,063**	**183,063**
Loan	**-**	**1,575**	**-**	**1,575**	**1,541**
Hire purchase liability	**3,189**	**2,537**	**7,007**	**12,733**	**12,219**
Net maturity	**186,252**	**4,112**	**7,007**	**197,371**	**196,823**

Year ended 30 June 2016	6 months or less $'000	6 months to 1 year $'000	1 year to 5 years $'000	Total Contractual Cash Flows $'000	Total Carrying Amount $'000
Financial liabilities					
Trade and other payables	210,100	-	-	210,100	210,100
Loan	409	761	376	1,546	1,511
Hire purchase liability	4,339	2,928	9,851	17,118	16,035
Net maturity	214,848	3,689	10,227	228,764	227,646

(b) Net fair values of financial assets and liabilities

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

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

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

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

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

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

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

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

23. COMMITMENTS AND CONTINGENCIES

Hire purchase commitments

	Notes	2017 $'000	2016 $'000
Payable:			
- Within one year		**5,726**	7,267
- Later than one year but not later than five years		**7,007**	9,851
Minimum lease payments		**12,733**	17,118
Less future finance charges		**(514)**	(1,083)
Present value of minimum lease payments		**12,219**	16,035
Current liability	13	**5,363**	6,732
Non-current liability	13	**6,856**	9,303
		12,219	16,035

Hire purchase agreements have an average term of three years.

Operating lease commitments	**2017 Properties $'000**	**2017 Other $'000**	**2017 Total $'000**	2016 Total $'000
Minimum lease payments				
- Within one year	**13,470**	**207**	**13,677**	16,616
- Later than one year but not later than five years	**44,156**	**132**	**44,288**	38,585
- Later than five years	**700**	**-**	**700**	8,403
Aggregate lease expenditure contracted for at balance date but not provided for	**58,326**	**339**	**58,665**	63,604

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

Capital commitments

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

Guarantees

	2017 $'000	2016 $'000
Guarantees given to various clients for satisfactory contract performance	**147,704**	209,797

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

Contingent Liabilities

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

24. SUBSEQUENT EVENTS

Dividends declared

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

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

Contracts update

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

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

25. PARENT ENTITY INFORMATION

Information relating to Monadelphous Group Limited parent entity

	Notes	**2017 $'000**	2016 $'000
Current assets		**240,478**	187,508
Total assets		**1,544,283**	1,349,016
Current liabilities		**(1,345,267)**	(1,131,878)
Total liabilities		**(1,352,122)**	(1,141,181)
Net assets		**192,161**	207,835
Contributed equity		**122,965**	120,723
Share-based payment reserve		**28,943**	29,102
Retained earnings		**40,253**	58,010
Total equity		**192,161**	207,835
Profit after tax		**34,743**	33,708
Total comprehensive income of the parent entity		**34,930**	33,708

Contingent liabilities

	Notes	**2017 $'000**	2016 $'000
Guarantees	23	**147,704**	209,797

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

Capital commitments

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

26. SHARE BASED PAYMENT EXPENSE

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

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

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

The ability to exercise options during each applicable window period is subject to the financial performance of the Company during the option vesting period. The options outstanding at 30 June 2017 shall only be capable of exercise during that window period where the Company's Earnings Per Share (EPS) metric is growing at a rate of at least 10% per year on average. If, however, this hurdle is not achieved for a particular window period, rather than lapsing, the options will be re-tested during all later window periods in respect of that issue and may become exercisable at that later date.

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

	2017		2016	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance at the beginning of the year	365,000	19.26	2,105,000	17.70
Forfeited during the year	**(335,000)**	**19.46**	(1,740,000)	18.16
Balance at the end of the year	**30,000**	**17.05**	365,000	19.26
Exercisable during the next year	**30,000**	**17.05**	335,000	19.46

No options were exercised during the year.

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

Number	**Grant Date**	**Final Vesting Date**	**Fair Value Per Option at Grant Date**
30,000	5/11/2013	14/09/2017	$2.91

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

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

26. SHARE BASED PAYMENT EXPENSE (continued)

Options held as at the end of the reporting period

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

Number of Options	Grant Date	Vesting Date	Expiry Date	Exercise Price
30,000	5/11/2013	01/09/2017	14/09/2017	$17.05

Recognition and Measurement

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

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

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

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

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

27. AUDITORS' REMUNERATION

The auditor of Monadelphous Group Limited is Ernst & Young.

	2017 $	2016 $
Amounts received or due and receivable by Ernst & Young Australia for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated entity	**209,764**	215,931
- Other services in relation to the entity and any other entity in the consolidated entity		
- tax compliance	**27,264**	33,195
- assurance related	**-**	-
	237,028	249,126
Amounts received or due and receivable by other accounting firms for:		
- tax compliance *	**712,555**	893,469
- other services	**114,914**	47,737
	827,469	941,206

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

* Tax compliance fees paid to other accounting firms during the financial year ended 30 June 2017 relate predominantly to the application for Research and Development Tax Concessions and overseas tax compliance services.

28. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	2017 $	2016 $
Short term benefits	**3,702,728**	3,309,687
Post-employment	**135,459**	126,862
Long term benefits	**77,500**	52,096
Total compensation	**3,915,687**	3,488,645

28. RELATED PARTY DISCLOSURES (continued)

Loans to associates and joint ventures

Anaeco

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

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

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

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

Zenviron

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

29. OPERATING SEGMENTS

Revenue is derived by the consolidated entity from the provision of engineering services to the resources, energy and infrastructure industry sector. For the year ended 30 June 2017, the Engineering Construction division contributed revenue of $615.4 million (2016: $757.6 million) and the Maintenance and Industrial Services division contributed revenue of $652.9 million (2016: $608.4 million). Included in these amounts is $3.5 million (2016: $1.3 million) of inter-entity revenue and $19.6 million (2016: $nil) of revenue of joint ventures, which is eliminated on consolidation. The operating divisions are exposed to similar risks and rewards from operations, and are only segmented to facilitate appropriate management structures.

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

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

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

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

Geographical Information

	2017 **$'000**	2016 $'000
Revenue from external customers		
Australia	**1,160,062**	1,310,481
Overseas	**85,121**	54,204
	1,245,183	1,364,685

30. DEED OF CROSS GUARANTEE

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

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

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

	2017 $'000	2016 $'000
Consolidated Income Statement and Comprehensive Income		
Profit before income tax	**80,298**	108,779
Income tax expense	**(20,907)**	(31,195)
Net profit after tax for the period	**59,391**	77,584
Reconciliation of Retained Earnings		
Retained earnings at the beginning of the period	207,036	198,496
Dividends paid	**(52,500)**	(69,044)
Net profit after tax for the period	**59,391**	77,584
Retained earnings at the end of the period	**213,927**	207,036
Consolidated Statement of Financial Position		
ASSETS		
Current assets		
Cash and cash equivalents	**214,576**	164,322
Trade and other receivables	**251,647**	345,968
Inventories	**42,291**	33,681
Total current assets	**508,514**	543,971
Non-current assets		
Investments in subsidiaries	**6,151**	711
Property, plant and equipment	**70,164**	75,827
Deferred tax assets	**24,345**	20,830
Intangible assets and goodwill	**2,720**	2,946
Other non-current assets	**1,901**	236
Total non-current assets	**105,281**	100,550
TOTAL ASSETS	**613,795**	644,521
LIABILITIES		
Current liabilities		
Trade and other payables	**148,843**	181,899
Interest bearing loans and borrowings	**5,363**	6,732
Income tax payable	**2,046**	1,823
Provisions	**80,443**	82,634
Total current liabilities	**236,695**	273,088
Non-current liabilities		
Interest bearing loans and borrowings	**6,856**	9,302
Provisions	**4,409**	5,270
Total non-current liabilities	**11,265**	14,572
TOTAL LIABILITIES	**247,960**	287,660
NET ASSETS	**365,835**	356,861
EQUITY		
Contributed equity	**122,965**	120,723
Reserves	**28,943**	29,102
Retained earnings	**213,927**	207,036
TOTAL EQUITY	**365,835**	356,861

31. OTHER ACCOUNTING STANDARDS

Other accounting policies

Goods and services tax (GST)

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

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

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

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

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

Changes in accounting policies

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

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

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

31. OTHER ACCOUNTING STANDARDS (continued)

New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2017.

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

Reference	Summary	Application date of standard	Application date for Group
2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*	This Standard amends AASB 112 *Income Taxes (July 2004)* and AASB 112 *Income Taxes (August 2015)* to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	This Standard amends AASB 107 *Statement of Cash Flows (August 2015)* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017
AASB 9 *Financial Instruments*	AASB 9 contains accounting requirement for financial instruments, replacing AASB 139. The standard: (a) contains a simpler model for classification and measurement of financial assets; (b) a single, forward looking ‘expected loss’ impairment model that will require more timely recognition of expected credit losses; (c) a substantially reformed approach to hedge accounting including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. The Group has not yet completed its review of the application of this Standard.	1 January 2018	1 July 2018
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	AASB 2014-10 amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2018	1 July 2018
IFRS 2 (Amendments) *Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]*	This standard amends to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: • The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations • A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	1 July 2018
AASB 16 *Leases*	The key features of AASB 16 are as follows: Lessee accounting • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. Lessor accounting	1 January 2019	1 July 2019

Reference	Summary	Application date of standard	Application date for Group
	• AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. As at the reporting date, the Group has non-cancellable operating lease commitments as set out in note 23. The Group has not quantified the effect of the new standard, however the impacts will include: • Total assets and liabilities on the Statement of Financial Position will increase; and • Interest expense will increase due to the unwinding of the effective interest rate implicit in the lease.		
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Guidance is provided on topics such as when revenue should be recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The new revenue standard will supersede all current revenue recognition requirements under IFRS. In particular, the standard replaces AASB 118 'Revenue' and AASB 11 'Construction Contracts', upon which the Group's current revenue recognition policies are based. Either a full retrospective application or a modified retrospective application is required for the reporting period beginning on 1 July 2018. The Group is in the process of evaluating which transition method will be applied. The Group will continue to carry out a systematic review of the impact of AASB 15 on existing contracts and new contracts as they are awarded. The quantitative impact of AASB 15 will not be reasonably estimable until the review is completed. However, AASB 15 will have a material impact on the disclosures required in the Group's consolidated financial reports. A further update will be provided as part of the 31 December 2017 interim financial reporting.	1 January 2018	1 July 2018