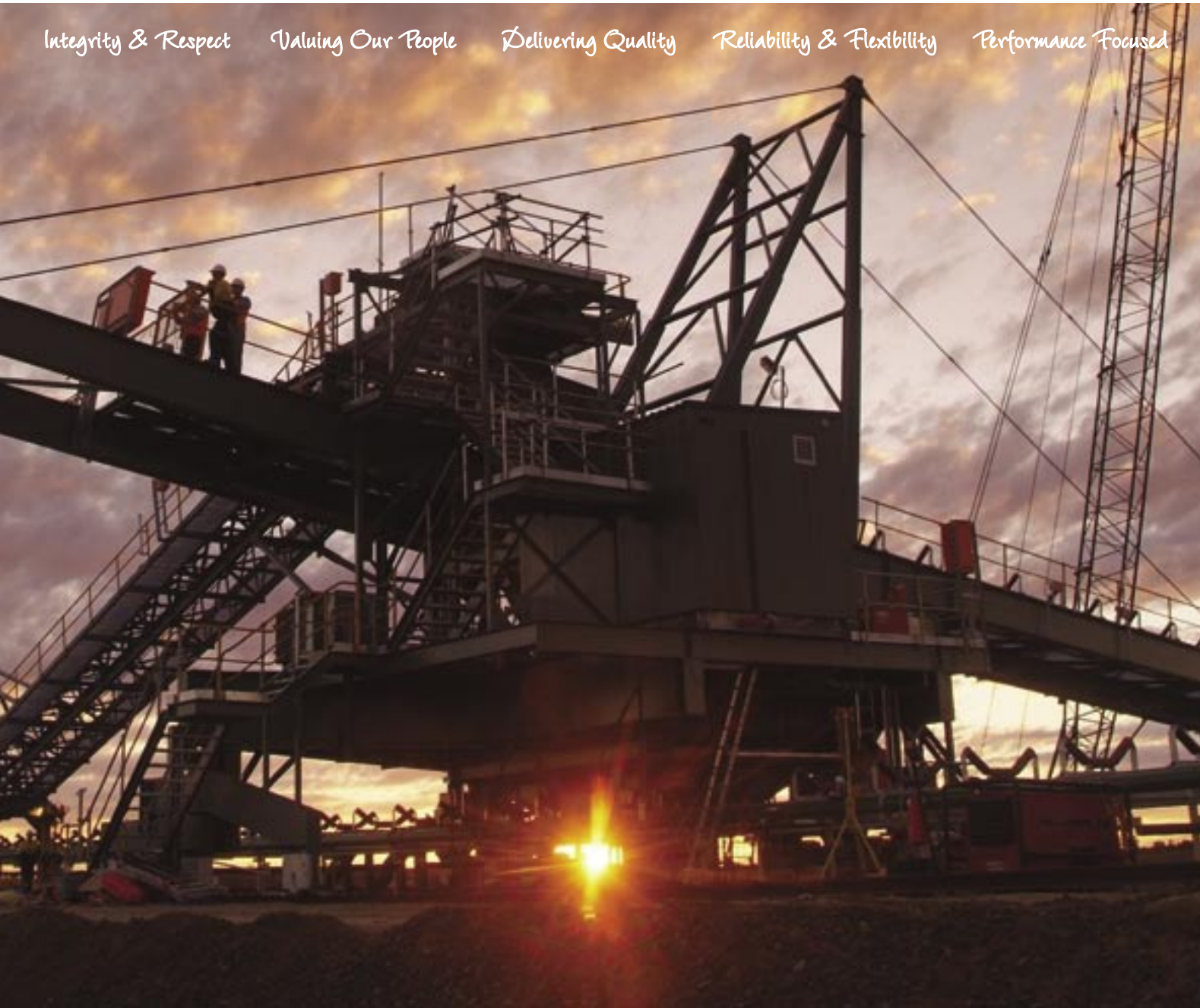
Engineering Success...

Annual Report 2005

Monadelphous

Integrity & Respect Valuing Our People Delivering Quality Reliability & Flexibility Performance Focused



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Cover Image: Stacker, Rolleston Coal Handling Facility

Shuttle Conveyor, Dampier Port Upgrade

Engineering Success...

Monadelphous is a leading national engineering group providing extensive engineering construction, maintenance and industrial services to the resources, energy and infrastructure industry sectors.

The company has operated for over 30 years and has a solid track record in the safe and reliable delivery of major multi-disciplinary construction projects and maintenance and industrial services for customers throughout Australia.

Recognised as a highly customer-focused organisation, Monadelphous is uniquely capable of providing value solutions for a diversity of customer requirements.

The company operates from major offices located in Perth and Brisbane with local engineering support services provided through fully equipped regional operations located in key resource industry centres around Australia.

Success Through Reputation

Monadelphous has earned a reputation for delivering quality work, providing reliable and flexible service and developing long-term customer relationships. The company's long history of consistently delivering in these areas has earned it a strong reputation and is fundamental to its success.

Our customers, our people and our owners are important to us. We remain committed to delivering excellence in customer service, providing a fulfilling and safe work environment and delivering a superior and sustainable return on investment.

Our Purpose

To deliver safe and reliable Construction, Maintenance and Industrial Service solutions to Australian Industry.

Monadelphous

Integrity & Respect

Irwin Tollman *Non-Executive Director*
Appointed to board 26 August 1992. Chartered Accountant, Member Institute of Chartered Accountants, Australia. Over 10 years experience in the construction and engineering services industry

Giles Everist *Company Secretary*
Chartered Accountant, Member Institute of Chartered Accountants in England and Wales. Over 10 years experience in the resources, construction and engineering services industries

John Rubino *Chairman*
Appointed to board 18 January 1991. Over 35 years experience in the construction and engineering services industry

Robert Velletri *Managing Director*

Appointed to board 26 August 1992. Mechanical Engineer, Corporate Member of the Institute of Engineers Australia. Over 25 years experience in the construction and engineering services industry

Peter Dempsey *Non-Executive Director*
Appointed to board 30 May 2003. Civil Engineer, Fellow of the Institution of Engineers Australia. Over 30 years experience in the construction industry

Irwin Tollman
Non-Executive Director

John Rubino
Chairman

Peter Dempsey
Non-Executive Director

Giles Everist
Company Secretary

Robert Velletri
Managing Director

Monadelphous

Chairman's Report

to the shareholders

John Rubino
Chairman

I am delighted to report that Monadelphous Group Limited has recorded an outstanding financial result for the year ended June 30, 2005.

Profit after tax for the year was up 95% to $16.7 million from a 77% increase in sales revenue to $390.6 million. Earnings before interest, tax, depreciation and amortisation was $29.2 million, up 81% on the previous corresponding period. Earnings per share increased 90% to 21.1 cents per share (on a post share split basis). Following the approval by shareholders at a General Meeting held on May 31 2005, the Company's shares were split in the ratio of four fully paid ordinary shares for each existing fully paid share on issue. The share split is expected to increase the liquidity of Monadelphous shares to the benefit of all shareholders. All financial information in this annual report, including historical information, is provided on a post share split basis (unless stated otherwise).

The Board declared a final dividend of 9 cents per share fully franked taking the full year's dividend to 19.25 cents per share fully franked. The full year dividend includes the special dividend of 5 cents per share that was paid in March 2005.

The final dividend was the equivalent of 36 cents per share on the previous basis. This represented an increase of 89% on the 2003/04 final dividend of 19 cents per share. Earnings per share for 2004/05 on the pre-split basis were 84.6 cents per share.

In the half year report, the Board flagged its intention to pay further special dividends in addition to its established policy of paying 60% to 70% of after tax profit as normal dividends. Based on forecast strong trading conditions and a healthy balance sheet and subject to unforeseen events, the Board has confirmed its intention to pay special dividends together with its final dividends for the 2005/06 and 2006/07 financial years.

The year's exceptional performance reflects a surge in sales revenue from the execution of an increasing number of major engineering construction and industrial services contracts in a very buoyant resources sector. Record levels of resource development activity have continued to provide numerous opportunities with most customers undergoing major expansions of their operations.

Skilled labour shortages continue to constrain capacity and remain a major challenge for Monadelphous and for the broader construction industry.

The Engineering Construction division has undergone rapid expansion with revenues surging 137% to $239 million from a number of increasingly larger construction contracts associated with some of Australia's major resource development projects.

Revenues from the Maintenance and Industrial Services division increased 26% to $151 million with growth being experienced in most of the division's operations. The division continued to develop its revenue base by securing a number of new long-term contracts and new major customers.

In May 2005, the Company announced it had acquired Queensland based electrical and instrumentation company MIE (Murray Instrumentation and Electrical). The acquisition is aimed at diversifying and growing the Maintenance and Industrial Services division as well as broadening the Company's services capability.

In line with the substantial increase in workload, the Company also significantly upgraded and expanded its construction plant and equipment fleet with significant capital expenditure on major heavy lift cranage and other key field construction equipment.

Monadelphous continued to advance its corporate development during the year with significant progress made in the development of the management structure, personnel and systems to support the rapidly growing business.

Dampier Port Upgrade

Financial Summary
2001 - 2005

	2005 $'000	2004 $'000	2003 $'000	2002 $'000	2001 $'000
Revenue from ordinary activities	394,497	223,415	244,891	155,622	130,820
Profit from ordinary activities before income tax expense	23,873	12,153	10,130	6,848	5,608
Income tax expense	7,215	3,625	3,060	2,075	2,218
Profit from ordinary activities after income tax expense	16,658	8,528	7,070	4,773	3,390
Basic earnings per share*	21.15c	11.13c	9.55c	6.50c	4.80c
Interim dividends per share (fully franked)*	5.25c	2.75c**	2.00c	1.38c	1.38c
Special dividends per share (fully franked)	5.00c	–	–	–	–
Final dividends per share (fully franked)*	9.00c	4.75c**	4.25c	2.13c	1.00c
Net tangible asset backing per share*	55.09c	50.25c	45.75c	38.00c	35.00c
Total equity and reserves	46,092	39,271	34,100	27,795	25,589
Depreciation	5,171	4,230	5,236	5,152	4,454
Return on equity (%)	36.1	21.7	20.7	17.2	13.2
EBITDA margin (%)	7.5	7.3	6.3	7.8	7.7

* Comparative figures have been restated to account for the effect of the one - to - four share split. The restatement has been calculated by proportionately adjusting the number of shares on issue at the relevant reporting date in line with the terms of the share split.

** The interim and final dividends for the year ended 30 June 2004 have been restated as described above. The interim and final dividends per share as disclosed in the financial report for the year ended 30 June 2004 was 11 cents per share and 19 cents per share respectively.

Outlook

A booming market, coupled with Monadelphous' strong competitive position, continues to give the Board and management a positive outlook.

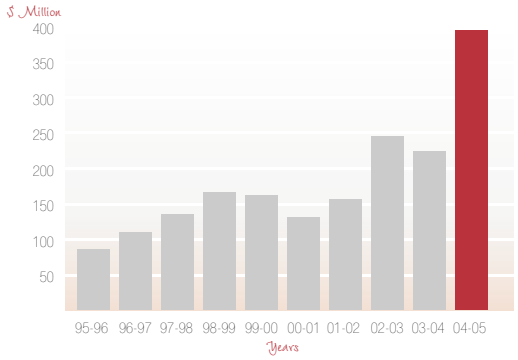
Monadelphous will continue to enjoy its broad exposure to the resources sector with record levels of investment in project developments forecast for at least the next two to three years. In particular, a vast range of major iron ore and coal development projects in Western Australia and Queensland, respectively, are expected to continue to provide Monadelphous with significant opportunities.

Whilst forward workload projections indicate revenues should increase for the 2005/06 financial year, revenues will be subject to timing of projects and resource constraints. Careful and selective matching of capacity with the availability and timing of projects is a key management issue in this environment.

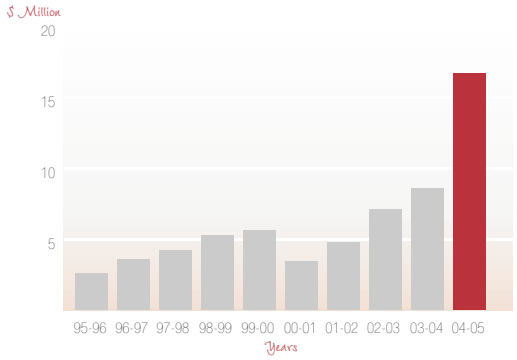
In conclusion, the Company's exceptional performance this year is testimony to the terrific team of people we have assembled at Monadelphous. I applaud them for engineering another milestone year of success and thank them for their ongoing dedication and commitment.

John Rubino
CHAIRMAN

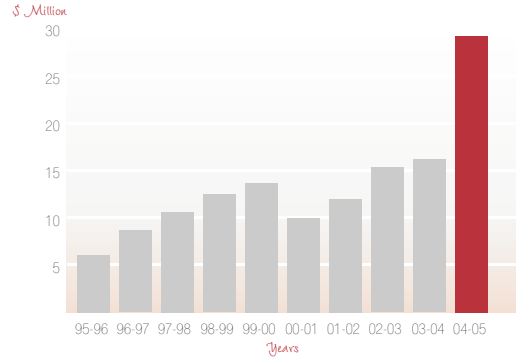
Revenue from ordinary activities



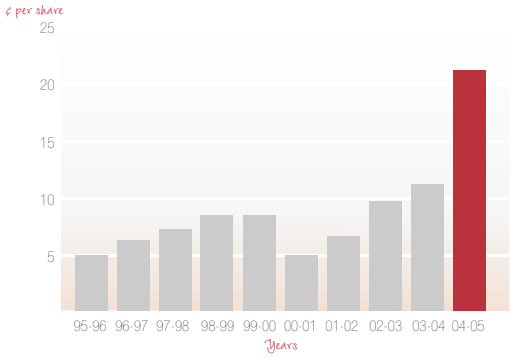
Profit after tax



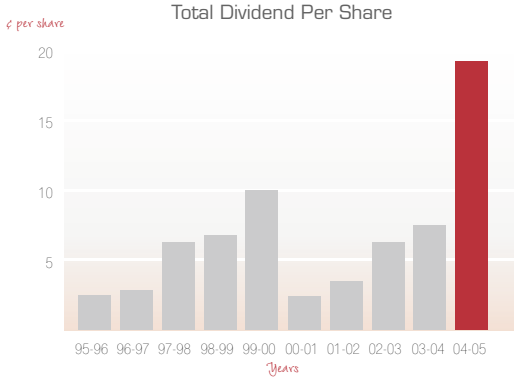
EBITDA



Earnings Per Share



Total Dividend Per Share



Monadelphous

Robert Velletri
Managing Director

Managing Director's Report

to the shareholders

"Monadelphous will continue to pursue growth of its recurring revenue base with further market expansion and development."

Monadelphous has continued to capitalise on its reputation as one of Australia's leading resource development contractors, rapidly expanding its capacity and capability throughout the year in response to increasing customer demand.

The second half of the year continued the trend set in the first half, with workload levels expected to, at least, continue at current levels for the 2005/06 financial year. The present outlook for new work looks very strong for the next two to three years.

Projects flowing from developments in the iron ore industry in Western Australia and the coal industry in Queensland, coupled with our broad exposure to the whole minerals and resources sector, should continue to drive healthy revenue growth for Monadelphous.

Engineering Construction

Major construction contracts completed or substantially completed by the Engineering Construction division during the year included:

- Structural, mechanical and electrical construction works for the expansion of Comalco's bauxite operations at Weipa in Queensland.
- The design and construction of coal handling facilities for Xstrata's Rolleston Coal Project in Queensland.
- Structural and mechanical works including the installation of a new iron ore rail car dumper for Rio Tinto's Dampier Port Upgrade project in WA.
- Structural and mechanical works for the Burrup Fertiliser Ammonia Plant in Karratha, WA.
- Major expansion of Rio Tinto's Yandi iron ore plant in the north west of WA.

Photo courtesy of Hlsmelt (Operations) Pty Ltd

Head Chute, Dampier Port Upgrade

Valuing Our People

Other major construction contracts won and underway included:

- Major expansion of iron ore stockyards associated with Rio Tinto's Dampier Port Upgrade project in WA.
- Construction of the Sulphuric Acid Plant associated with BHP Billiton's Ravensthorpe Nickel Project in WA.
- Extension of stockpile capacity at the BHP Billiton Mitsubishi Alliance (BMA) Hay Point Coal Terminal in Queensland.

Subsequent to the end of the reporting period, Monadelphous won further work in the iron ore industry, securing a $65 million contract with BHP Billiton Iron Ore for construction work associated with the 'Rapid Growth Project 2' at the Nelson Point and Finucane Island port facilities in Port Hedland, WA.

The division has rapidly grown its management structure and resources in response to the increased customer demand. It has successfully produced record growth whilst enhancing its excellent service delivery record.

Stacker, Rolleston Coal Handling Facility

Maintenance and Industrial Services

The Maintenance and Industrial Services division continued to develop its revenue base by securing a number of new long-term contracts and new major customers during the year.

In particular, Monadelphous achieved significant growth in the Queensland market following the establishment of a long-term contract at the new Comalco Alumina Refinery in Gladstone as well as being selected as preferred contractor to provide mechanical services at Comalco's Boyne Smelter, also in Gladstone.

Other highlights of the reporting period included:

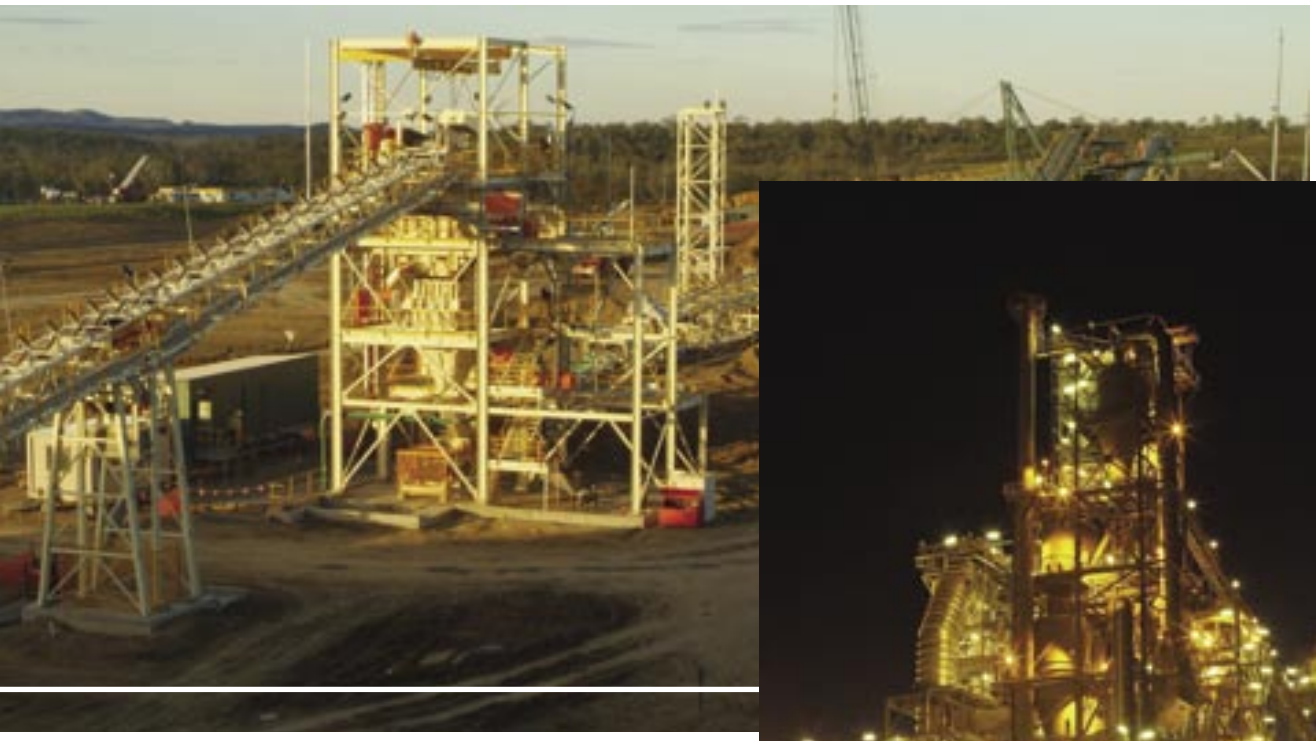
- Retention of all major contracts with contract extensions secured with Chevron at Barrow Island in WA and Alcan at the Gove Alumina Refinery in the Northern Territory.
- Successful completion and close out of the general services contract associated with Woodside Energy's North West Shelf LNG4 expansion project in Karratha, WA.
- Commencement of site operations for the provision of minor capital works at BHP Billiton's Worsley Alumina Refinery in the south west of WA.
- The award and commencement of a long-term contract for the provision of maintenance services at Rio Tinto's HIsmelt steel operations in Kwinana, WA.
- The selection as preferred contractor for a major maintenance shutdown contract for Incitec Pivot at their Gibson Island works in Brisbane.
- Substantial growth of the Company's subsidiary, Skystar Airport Services, with new contracts secured with Malaysia Airlines and Valuair in Perth and establishment of operations at Brisbane airport.

Skills Shortage a Challenge for Management

The challenge of continuing skilled labour shortages across our industry means that staff recruitment and retention strategies have been a major focus for Monadelphous during the year and will continue to be a significant management issue for some time.

In particular, the Company has invested heavily in its "Right People" strategy, implementing a number of initiatives aimed at retention and development of its key staff as well as the attraction and recruitment of the necessary additional human resources. Key developments for the year included leadership and management development programs and the implementation of enhanced remuneration and reward systems.

Monadelphous



Sizing Station, Rolleston Coal Handling Facility

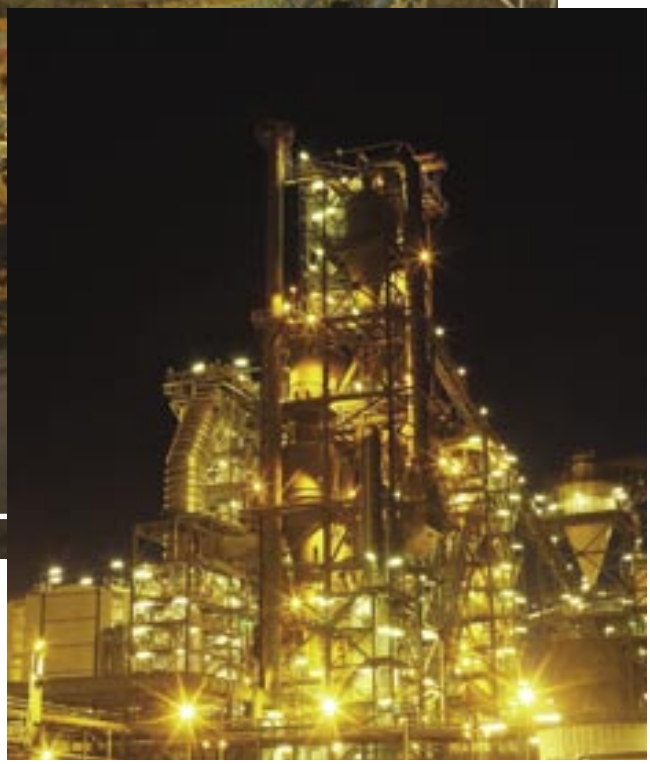


Photo courtesy of Hlsmelt (Operations) Pty Ltd

Safety Gains

Monadelphous' health and safety performance was commendable, with a 20% reduction in the total case injury frequency rate recorded for the year.

During the year, the Company's health and safety improvement program focused on the development of upgraded safety management systems and improvements in front line management and employee training.

The health and safety performance of the Engineering Construction division was most pleasing with the division achieving over one million man-hours lost time injury free.

Outlook

Monadelphous will continue to pursue growth of its recurring revenue base with further market expansion and development planned for the Maintenance and Industrial Services division.

A strong core market together with the expansion into electrical and instrumentation services from the MIE acquisition will provide further revenue growth opportunities.

Advancing our long-term strategies for more diversified and recurring revenue streams through acquisitions will also continue to be explored.

Managing and controlling growth remains the challenge. Skill and resource shortages make for a volatile cost environment and prudent management of the consequent commercial risks is required to ensure that costs remain under control.

I take this opportunity to thank our valued customers and other business partners for their terrific support throughout the year. We look forward to building on our excellent long-term relationships with them into the future.

Rob Velletri
MANAGING DIRECTOR

Engineering Construction

Dampier Port Upgrade

Delivering Quality

Scrubbing & Screening Building, Yandi 36

Monadelphous

With a solid reputation as the foundation, Engineering Construction is well positioned to continue its success in the significant resources market and forge new opportunities further afield.

The Engineering Construction division provides large scale, multi-disciplinary project management and construction services, including:

- Structural, mechanical, tankage and piping construction
- Complete design and construction services

The division has an extensive track record in the mineral resources sector.

The Engineering Construction division has undergone rapid growth throughout 2004/05 and has completed a very successful year. This follows earlier efforts in strategic planning, business development and a continued focus on client satisfaction to capitalise on repeat business.

Resource development activity throughout the sector is at record levels with most of the company's major customers planning and/or undergoing expansions of their operations. Consequently the Engineering Construction division is experiencing rapid growth in demand for its services having established a reputation as one of Australia's leading resource development contractors.

By the end of the financial year Monadelphous had secured a number of major engineering construction contracts. Among the largest were the Sulphuric Acid Plant at BHP Billiton's Ravensthorpe nickel project in Western Australia; the expansion of Rio Tinto's iron ore operations in Western Australia's Pilbara region; and the installation of new facilities and the stockpile capacity extension at BMA's Hay Point Coal Terminal Facility located south east of Mackay, Queensland.

Dump Hopper Discharge Chute and Apron Feeder, Dampier Port Upgrade.

Several major projects were successfully completed during the year including Comalco's NeWeipa Project Andoom and Lorim Point process facilities at Weipa in Queensland and the expansion of Hamersley Iron's Yandicoogina iron ore plant in north west, Western Australia. Substantial progress was made throughout the year on a number of significant projects including Hamersley Iron's Parker Point expansion in Karratha, Western Australia and the Rolleston Coal Handling Facility for Xstrata in the Bowen Basin, which is nearing completion and is scheduled for commissioning in September 2005.

The Engineering Construction division continues to focus on health and safety as a priority with planning and training a major initiative. During the period the division achieved the milestone of one million man-hours with no lost time injuries recorded. The division is further investing in business development systems and processes to ensure that it is well positioned to take advantage of the current market conditions and to develop the business to ensure growth outside of the mining and minerals sector in the event of a downturn in that sector.

Forward workload for the division is at record levels with numerous construction opportunities forecast during the next couple of years. China's demand for iron ore and coal remain major drivers behind the continued growth in construction activity. With a solid reputation as the foundation, combined with an aggressive plan to win larger contracts, the Engineering Construction division is well positioned to continue its success in the mining and minerals market and forge new opportunities further afield.

Monadelphous

Major Projects

Engineering Success...

Yandi 36

Rolleston Coal

Rolleston Coal

Project NeWeipa

Rio Tinto

Yandi 36 Mt/a Expansion Project, Yandicoogina Mine, Western Australia

Monadelphous was awarded the contract for the construction of a complete ore processing circuit increasing the Yandi mine production capacity to 36 million tonnes per annum. At the time this was the largest lump sum project undertaken by Monadelphous.

The scope of works involved shop detailing, fabrication, surface treatment and installation of 4000 tonnes of steel and eight kilometres of pipe work for various crushing and screening buildings and conveying systems. The challenge for Monadelphous was the 9 month timeframe for completion, however, extensive and detailed scheduling and planning ensured the project was completed on-time in January 2005. Monadelphous continues to operate a crew on the Yandi site assisting the client in ramping up the facility to full production capacity.

Xstrata Coal

Rolleston Coal Handling Facility, Bowen Basin, Queensland

Xstrata is currently the world's largest producer of export thermal coal. The new open cut thermal coal mine at Rolleston in Queensland consists of crushing, sizing and stockpiling equipment along with a rail load out facility. The project involved the greenfield design and construction of the coal handling facility and the rail load out facility.

Monadelphous was awarded the contract to provide the design, supply, detailing, fabrication, transport, installation and commissioning of the coal handling facility. This includes all civil, structural, mechanical, electrical and control system works.

The Rolleston coal handling facility is nearing completion and is scheduled for commissioning in September 2005.

BHP Billiton

Ravensthorpe Acid Plant, Ravensthorpe, Western Australia

The Ravensthorpe Nickel Project (RNP) is the development of a mine, treatment plant and associated infrastructure to produce a mixed nickel and cobalt hydroxide intermediate product (MHP). In November 2004 Monadelphous was awarded a major construction contract from Aker Kvaerner Chemetics (AKC) for the installation of a sulphuric acid plant, which forms part of the RNP.

Monadelphous has been working closely with AKC to optimise the construction methodology ahead of mobilisation to site, scheduled for the third quarter of 2005. The scope of work involves the site installation of several carbon and stainless steel pressure vessels, tanks, structural steel and piping of various carbon steel and exotic materials. Mechanical completion for the works is due May 2006.

Comalco Aluminium Limited

Project NeWeipa, Weipa, Queensland

Comalco is a major producer of bauxite, with operations at Weipa in far north Queensland. Monadelphous was awarded the contract for the construction of new process facilities at Andoom and the expansion of the materials handling capacity at Lorim Point for Comalco's Weipa bauxite operations.

The scope of work included project management and erection of all structural, mechanical, piping and electrical works for the greenfields Andoom facilities and brownfields works for Lorim Point facilities. Construction works undertaken include a beneficiation plant, dump bin, apron feeder, sizer, wet scrubber facility, process piping, diesel power station and water supply pumps.

This project was commissioned in December 2004.

Major Projects

Engineering Success...

Finucane Island BHP Billiton

Dampier Port Upgrade

Mining Area C BHP Billiton

BHP Billiton Iron Ore

Nelson Point, Port Hedland, Western Australia

Nelson Point is located in the north west of Western Australia at Port Hedland. It is home of one of the major iron ore ports in Australia exporting iron ore transported from various mine sites in the Pilbara region. Monadelphous was awarded the contract to perform conveyor modifications and various retrofits on existing transfer stations at Nelson Point. Undertaking the work in a fully operating environment presented Monadelphous a challenge. All works needed to be tightly scheduled and performed during a number of planned and highly controlled shutdowns. This was essential so as to minimise any impact on normal ore dumping and ship loading operations.

Working around the clock with a workforce in excess of 100 personnel, Monadelphous completed the project on-schedule and with an impeccable safety record.

Rio Tinto

Dampier Port Upgrade, Dampier, Western Australia

The Port of Dampier is one of the major industrial ports of the Pilbara region in Western Australia. The Dampier Port Upgrade project will increase port capacity from 74 million tonnes per annum to 116 million tonnes. The upgrade includes the addition of a twin cell car dumper and ore handling facility used to load iron ore for export onto bulk carriers.

Monadelphous was awarded the contract for shop detailing, fabrication, surface treatment, supply, installation and commissioning of structural, mechanical, piping and electrical works of the car dumper system and the ore conveying system, including the installation of 22 conveyors. In the current environment of unprecedented price rises in products, along with the skills shortage, Monadelphous assembled the 200 on-site work force plus the fabrication of 6000 tonnes of steel.

Efficient team planning and scheduling of the required shutdowns ensured completion without any delays or lost time injuries.

BHP Billiton Mitsubishi Alliance (BMA)

Hay Point Coal Terminal, Mackay, Queensland

The Hay Point Coal Terminal is in the top quartile of the World's coal export terminals. The Hay Point Coal Terminal project will increase the stockpile capacity of the facility as well as improve ship-loading capabilities resulting in a higher throughput rate.

Monadelphous was awarded the contract to install new facilities and extend stockpile capacity. This includes the construction of the civil, structural, mechanical and electrical works, involving the installation of two new conveyor systems, two new transfer towers, the extension to the existing stacking conveyor and deconstruction of the original feed conveyor.

Off-site management coordination commenced in May 2005. On-site installation will progress through the year with a plant wide shut down scheduled for June 2006.

Scrubbing & Screening Building & Thickener, Yandi 36

Construction Managers, Yandi 36

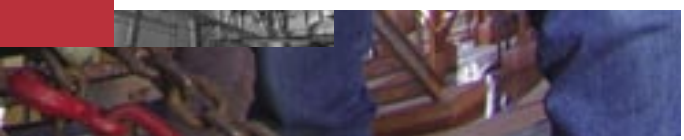
Monadelphous

Reliability & Flexibility

Maintenance & Industrial Services

Comalco Alumina Refinery

Barrow Island



The Maintenance & Industrial Services division renewed several large contracts and expanded its capability to take on a broader range of projects in current and other industry sectors.

The Maintenance and Industrial Services division offers services in the following areas:

- Fixed and mobile plant maintenance
- Minor capital works
- Shutdown planning, management and execution
- Specialist concrete and structural maintenance
- Mill reline services
- Labour and equipment hire
- Airport ground handling services

The last twelve months have seen the division grow significantly on the back of the buoyant resources industry sector. Following the establishment of Maintenance and Industrial Services in eastern Australia, the division has focused on establishing the business structure nationally and developing its management team for future growth. With additional resources and management strength, and encouraged by an increasingly buoyant resources sector across the country, the division has had a successful year, securing a number of long-term contracts and new major customers during the period.

Major successes for the year included being selected as the preferred contractor to provide mechanical trade services at Comalco's Boyne Smelter in Gladstone and being selected as the preferred tenderer for a major maintenance shutdown contract with Australia's largest fertiliser supplier, Incitec Pivot, at Gibson Island in Brisbane.
In Western Australia's south west, Monadelphous has secured a maintenance services contract for the newly constructed HIsmelt steel operations in Kwinana and established site operations for the provision of minor capital works at BHP Billiton's Worsley Alumina Refinery. These achievements reflect the increasing strength of the Maintenance and Industrial Services division and the commitment to building strong client relationships and customer satisfaction.

In May 2005 Monadelphous announced the acquisition of specialist electrical and instrumentation contractor, Murray Instrumentation & Electrical (MIE). This is a strategic milestone for the Company and a significant step forward to achieving the Company's corporate objective to diversify and grow the Maintenance and Industrial Services division.

In line with the strategic direction of broadening its base into other industry sectors the division established Skystar operations at Brisbane Airport, the second Skystar operation at a capital city within Australia. This coincides with securing two new contracts with Malaysia Airlines and Valuair in Perth, illustrating Skystar's growing reputation in its industry.

Monadelphous

Other major achievements during the year included the ongoing performance of the Chevron Barrow/Thevenard Islands maintenance contract, which was extended for an additional 12 months and the ongoing development of two major maintenance services contracts at the Comalco Alumina Refinery (CAR) in Gladstone and WMC's Olympic Dam Operations at Roxby Downs.

During the past 12 months there have been improvements in health and safety performance across the division. The challenge ahead will be to continuously improve safety performance to ensure that challenging targets will be met and to create a culture and environment that will ensure the health and safety of employees.

The division attributes its successful year to its capable people and a solid strategic direction that focuses on broadening its customer base, building on its existing client relationships and maintaining a strong focus on customer satisfaction. In keeping with this focus, the Maintenance and Industrial Services division is looking forward to continuing to grow the business, strengthening its position in the market place and using this to further explore market opportunities in other industry sectors.

Major Contracts

Engineering Success...

Alcan Gove

Structural, Mechanical and Civil Capital Works

The Alcan Gove bauxite mine and alumina refinery is located on the Gove Peninsula in the East Arnhem Land region of Australia's Northern Territory. Expansion of the Alumina Refinery, known as the 'G3' Expansion Project is the largest investment ever undertaken in the Northern Territory. Plant capacity will increase from 2.1 to 3.8 million tonnes of alumina per annum by 2007.

Following the inclusion of civil and building works into the contract in May 2004, and the commencement of the G3 Expansion Project (which has been the catalyst for additional maintenance and support work on site) Monadelphous has achieved record levels of business with Alcan during the period.

This original contract, which commenced in 1996, was awarded for a three-year period and has been extended annually. The contract is now based on an open-book arrangement and is evergreen in nature. The longevity of the original contract and the inclusion of civil and building maintenance services into the work scope reflect the client's continued satisfaction with Monadelphous' consistently sound performance.

Chevron General Maintenance Services Contract

Barrow and Thevenard Islands

Monadelphous completed its fourth year of service provision to Chevron's oil and gas operations at Barrow and Thevenard Islands, located off the coast of Karratha, Western Australia. The scope of works for the 2004/05 financial year was extended to include the Glass Reinforced Epoxy (GRE) Pipeline Project on Barrow Island and the replacement of high-pressure waterflood piping.

Monadelphous provides a comprehensive maintenance service to all above-sea facilities including: flowlines, waterflood system, stations, well sites, beam pumps, pumps, tanks (including 50m diameter terminal tanks), vessels, the central processing facility and offshore platforms.

The longevity of the original contract and the continued work awarded to Monadelphous reflect the strength of the relationship with Chevron. Chevron's continued satisfaction with the quality of work performed, combined with Monadelphous' management commitment and focus to the ongoing development of a safety culture, are key factors contributing to the success of the relationship.

Incitec Pivot

Gibson Island 2007 Shutdown Alliance

Incitec Pivot Limited (Incitec) is an Australian owned fertiliser manufacturer with facilities in Queensland, Victoria and New South Wales. With annual sales of approximately $1 billion, Incitec is the largest supplier of fertilisers in Australia. Incitec is 70% owned by Orica Limited.

In December 2004 Monadelphous was selected as the preferred tenderer to become Incitec Pivot's "Alliance Partner" for their Gibson Island (Brisbane) March 2007 Shutdown.

Securing this contract presents an outstanding opportunity for Monadelphous as it involves the overall management of this major shutdown, including scoping, budgeting and planning in addition to execution.

Strategically, the award of this contract is important as it will raise the profile of the division as a major player in the maintenance and shutdown industry in Eastern Australia. It also presents an opportunity to work with Orica on a major project, which is a new "blue chip" customer for the Company.

Boyne Smelter

Comalco Alumina Refinery

Barrow Island

Boyne Smelters Limited
Mechanical Trades Contract

Monadelphous was selected as the preferred tenderer for the provision of mechanical trades services to the Comalco managed Boyne Smelter in Gladstone, Queensland. Boyne Smelters Limited (BSL) is Australia's largest aluminium smelter. The smelter produces more than half a million tonnes of aluminium each year from its three reduction lines.

Monadelphous has been actively providing mechanical support services at BSL for many years and the award of this contract is a reflection of the relationship that Monadelphous has established with Comalco and the Rio Tinto Group of Companies. This contract is a significant milestone for the division and will assist in further developing the business in central Queensland.

Monadelphous' scope of work is broad and will involve undertaking maintenance and project works on a lump sum and schedule of rates basis and providing supplementary labour to BSL as required.

During the period work commenced on a number of major projects on site including the "S230 Project" and the "T307 Project". The "S230 Project" involves the de-construction of existing unused plant in the Carbon Bake area and the reconstruction of the new materials handling system. This improvement will enable the plant to handle the increased capacity of the new anodes. The "T307 Project" involves removing and replacing chutework in the main plant feed transfer tower.

Comalco Alumina Refinery
Reliability Support Services

Fluor Monadelphous Services (FMS), a joint venture between Fluor Australia Pty Ltd and Monadelphous Engineering Pty Ltd, was awarded a five-year integrated Reliability Support Services contract for the Comalco Alumina Refinery (CAR) in Gladstone, Queensland, that commenced on site in March 2004. The refinery is located on a greenfield site and will be developed in three stages using the Bayer process - the most economic means of producing alumina from bauxite. The plant will initially produce nearly 1.4 million tonnes of alumina per annum.

The reliability services at CAR are being uniquely delivered under an alliance contract between Fluor Monadelphous Services (FMS), Transpacific Industrial Solutions and Comalco.

During the period FMS has worked integrally with Comalco to commission the plant and work towards increasing production to nameplate capacity. FMS is involved in all aspects of reliability and maintenance support, including project works and is responsible to manage all plant shutdowns. In June 2005 FMS successfully managed the first major shutdown for the plant that required in excess of 200 additional personnel on site for a two-week period.

MBFjv – BHP Billiton Olympic Dam Operations
Alliance Maintenance Services Contract

The Olympic Dam Operations near Roxby Downs in South Australia produce refined copper, uranium oxide, gold and silver. The site includes the third largest copper ore body and the largest uranium ore body in the world.

The Monadelphous BroadSpectrum Fluor Joint Venture (MBFjv) provides maintenance support and shutdown services at the Olympic Dam site. MBFjv has completed the first year of a three year alliance contract and is working closely with BHP Billiton to develop a relationship that will enable further efficiencies to be gained through the refinement of contracting strategies.

HIsmelt Operations Pty Ltd
Shutdown and Maintenance Contract

In January 2005, Monadelphous was awarded the shutdown, minor works and supplementary maintenance contract for the HIsmelt Operations at Kwinana, Western Australia. The scope of the contract includes on site supervision and planning, minor works and modifications and general maintenance. As principle contractor Monadelphous is responsible for all aspects of the shutdowns including planning, management and execution.

Having performed previous work for the HIsmelt Operations the award of this contract reflects the client's confidence in Monadelphous' quality of work.

Regional Operations

Engineering Success...

Roxby Downs Operations

The operation has achieved record levels of business at Olympic Dam for a third successive year. It has successfully completed several piping contracts and shutdown activities across the site. The consolidation of the Maintenance Services Contract through MBFjv should continue to provide growth opportunities for the coming year. A major achievement for the year is the completion of 7.5 years, over 1.8 million man hours, without a Lost Time Injury. The focus for the business for 2005/06 is to consolidate the core business, which will provide additional opportunities in relation to projects and shutdown activities.

Mt Isa Operations

During the year Monadelphous achieved record levels of business at Mt Isa. The continued focus has been to support Xstrata's operations in central Queensland. In November 2004 Monadelphous was awarded a major contract to upgrade the lead/zinc concentrator. This contract consisted of approximately 100 projects across the concentrator, crushing plant, grinding area and the heavy medium plant. The work was a combination of lump sum and schedule of rates and the final contract value will exceed $3 million. In March 2005 Monadelphous was awarded a shutdown maintenance contract to undertake six shutdowns at the lead smelter during the remainder of 2005. The first two shutdowns were successfully executed in April and June 2005. The outlook for the future remains positive with a focus on further developing the relationship with Xstrata and diversifying the client base.

Gladstone Operations

Gladstone continues to provide maintenance support services and undertake minor capital projects to the local industry in the immediate Gladstone area, including Queensland Alumina (QAL), Comalco's Boyne Smelters (BSL) and Alumina Refinery (CAR), Gladstone Port Authority and Cement Australia. In 2004/05, the Gladstone operation achieved near record levels of business. In the year ahead the Gladstone operation will play a significant role supporting major maintenance services contracts with Comalco at BSL and CAR. In addition, a significant emphasis will be placed on leveraging from the MIE acquisition to develop growth opportunities in both the immediate Gladstone area and new opportunities in central Queensland. The strategic focus is to diversify the customer base in central Queensland and expand operations into coal, oil and gas.

Darwin Operations

Although there has been a decline in activity in the mining industry in the Northern Territory, the Darwin operation has maintained a steady workload. During the year the Darwin operation successfully executed fabrication works for the new Darwin LNG Plant, pipelay installation aids were fabricated for the Multiplex - Saipem Joint Venture and marine walkways and pump wells were fabricated for Thiess. The workshop is supporting the Alcan G3 Expansion Project and undertaking minor capital projects and maintenance shutdowns for Xstrata. Consistent with the company's long term vision, the Darwin operation is looking further afield for growth opportunities in the energy and infrastructure industries.

Kalgoorlie Operations

The Kalgoorlie operations continue to focus efforts in the areas of minor fabrication, mechanical, piping, general mechanical installation projects, plant/mobile equipment corrosion protection and labour hire services. There has been an increase in activity in the corrosion protection services through higher market penetration. Following on from previous years the operation has focused on greater safety awareness through focused workshops and training. The coming year will see a concentrated effort in broadening the current client base and the completion of the 2005 major shutdown at the Kalgoorlie Nickel Smelter.

Worsley Operations

During 2004/05 Monadelphous established operations on-site at Worsley Alumina. The operations will conduct minor capital works, including fabrication and installation of new plant and modifications to existing on-site plant and equipment. The focus of the business unit since its inception has been to establish itself as a key on-site operation and to deliver a quality product with zero injuries. Looking forward to 2005/06 the operation will continue to work with Worsley to forge a long term, mutually beneficial relationship.

Muswellbrook Operations

Monadelphous continues to develop its business in Muswellbrook and is now recognised as a major provider of engineering support services, including coal handling preparation plant (CHPP) shutdowns in the upper Hunter Valley. On the back of increased demand for coal, Monadelphous achieved record levels of business at Muswellbrook during the period. Importantly, relationships have been consolidated and further developed with blue chip customers including BHP Billiton and Rio Tinto Coal and Allied. For the year ahead the Muswellbrook operation will focus on diversifying its client base and expanding operations into the middle and lower Hunter Valley areas.

Specialist Services

Engineering Success...

Concrete and Structural Maintenance

During 2004/05 Concrete and Structural Maintenance focused on developing core expertise and consolidating its position within the resources sector. This strategic focus has lead to a period of rapid growth within its core markets resulting in a very successful year. The focus on the delivery of core business has seen works undertaken for major companies including Chevron, TransAlta, Rio Tinto and Kalgoorlie Consolidated Goldmines. Successfully completed projects include repair works at Paraburdoo for Pilbara Iron, façade repairs to Princess Margaret Hospital and Dampier Ports and ongoing works at Fimiston for Kalgoorlie Consolidated Goldmines.

2005/06 is anticipated to be a year of continued growth for the business unit with future committed work, strong expectations of ongoing work with current clients and a stream of major opportunities within the resources sector.

Mill Relines

The Mill Relines business unit has experienced steady growth this year. In response to an increasingly competitive market there has been a strong emphasis on marketing and business development, specifically throughout the Goldfields and Pilbara region. This has been rewarded through repeat business from existing clients as well as increasing the client base. A significant achievement this financial year was completing 250,000 man hours with no lost time injuries, clearly positioning the Mill Relines business unit as a leader in safety in this market.

The focus for 2005/06 will be on revenue growth, to strengthen the financial reliability of the business unit and position it as the leader in mill relines. This will be achieved by further growing existing markets and expanding into new geographical territories.

Workforce

On the back of exceptional growth in 2003/04, the Workforce business unit has achieved record levels of business for 2004/05, increasing revenues by 25%. As well as supplying labour for projects secured by Monadelphous' own divisions, the business experienced an overall increase in demand for labour from external clients resulting from the current surge in the resources industry.

Major works for the year included providing labour, plant and equipment hire to Multiplex for the erection of Qantas' new hangar at Brisbane Airport and the provision of services through the labour hire contract with Alcoa at the Kwinana, Pinjarra and Wagerup alumina refineries. Significant growth was achieved in the fly-in, fly-out mining sector, major clients including Agincourt Resources and Newmont Mining.

Safety education will continue as a top priority for Workforce with all team members undergoing rigorous inductions prior to mobilising to work sites. The safety of workers is paramount and all projects are assessed in relation to Monadelphous safety work standards.

The Workforce business expects continued growth during the 2005/06 year. Although the current industry boom has meant a shortage of skilled labour, Workforce is meeting this challenge by actively diversifying into new markets and applying 'best practice' human resources principals and systems to focus on recruitment, development and retention of people.

Gladstone Operation

Monadelphous

Performance Focused

MIE, Comalco Alumina Refinery

Monadelphous

Skystar, Perth Airport

Skystar

Skystar Airport Services, a wholly owned subsidiary of Monadelphous, has earned an enviable reputation as a ground handler of choice in the Australian aviation market place. Skystar offer a complete ground handling service from landing to take-off.

Skystar has experienced tremendous growth since its inception and this success continued throughout 2004/05. Major successes include winning long-term service contracts with Malaysia Airlines and Valuair at Perth Airport and Air Paradise International at Brisbane Airport. Skystar now ground handle up to 6,000 aircraft per annum across five airports throughout Australia for carrier airlines including Emirates, Air Paradise International, Royal Brunei Airlines, Malaysia Airlines, Valuair, Skywest Airlines, Jetstar Airways, Sunstate (Qantaslink) and Qantas Airways.

Beyond the carrier airlines, Skystar also provide ground-handling services to charter operators within Australia. This year's highlights include being the preferred ground handling service for HRH Prince Charles and the Sultan of Brunei during their visits. A major contributor to Skystar's success is the total commitment to providing exceptional customer service. This has been recognised throughout the year with Skystar receiving several awards from its carrier airlines and the industry.

Skystar attributes its successful year to having a solid strategic direction that focuses on broadening the customer base through the delivery of unparalleled customer service and continuing to seek and retain the best and brightest personnel within the industry. In keeping this focus the outlook for Skystar is exciting with structured growth plans in place to ensure the delivery of reliable and sustainable growth.

Murray Instrumentation & Electrical

In May 2005, Monadelphous announced that it had acquired Queensland based specialist instrumentation and electrical services company MI&E Holdings Pty Ltd.

MIE is a leading instrumentation and electrical supplier to heavy industry throughout Australia, New Zealand and South East Asia. Their client base includes major resource and energy companies such as Queensland Alumina, Wesfarmers, BHP Billiton, Santos, Comalco, Origin Energy and Anglo Coal.

MIE, a family run business established in 1975, has successfully grown to over 120 employees by matching its specialist engineering expertise to the specific needs of its clients' projects. Based in Gladstone, central Queensland, the business achieved revenues in excess of $15 million in the 12 months to 31 December 2004.

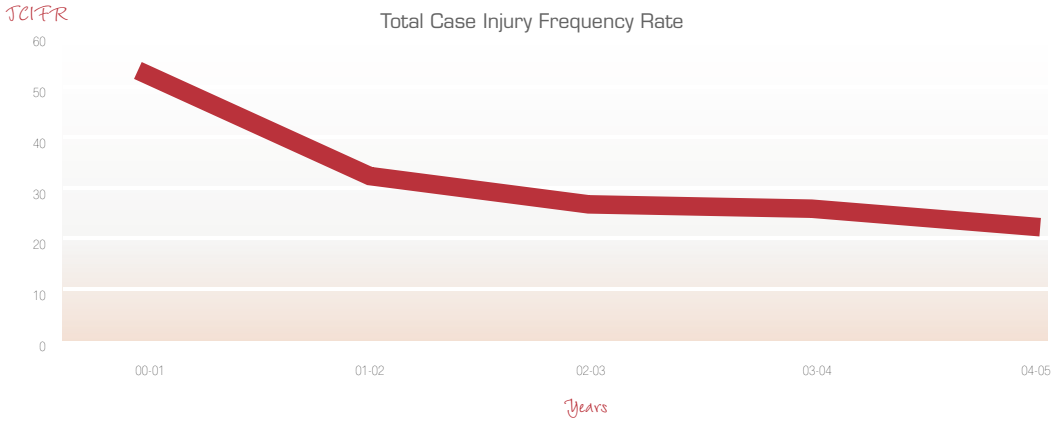
Recent key projects have included Wesfarmers Curragh Coal Wash Plant Upgrade Project, Enertrade's North Queensland Gas Pipeline (NQGP) Project and Comalco's CAR Capital Works Project. International projects have also been successfully completed by MIE in Myanmar, Thailand, Singapore, Saudi Arabia and Papua New Guinea.

With the retention of the current management team the focus will be on integrating MIE's electrical and instrumentation capability throughout Monadelphous' Maintenance and Industrial Services division.

Significant emphasis will be placed on leveraging from the MIE acquisition to develop growth opportunities for the business, illustrating the synergy between the two companies. MIE will utilise the strength of Monadelphous' client relationships to grow its client base whilst Monadelphous will expand the service offering to include electrical and instrumentation, thereby, offering a truly multi-disciplined service.

In May/June 2005 MIE secured $9 million of new work that will provide an excellent springboard to take the business to record levels in the coming year. Strategically, the acquisition is in line with the corporate objective to diversify and grow the Maintenance and Industrial Services business. It also demonstrates to the market that Monadelphous is in a position to grow and diversify through bolt on acquisitions that add value to the business.

Corporate Services



The Corporate Services division brings together the various management systems within a single integrated business process workflow.

The division has been instrumental in providing a strategic framework through which the business can grow and develop. The success of which is evidenced by the exceptional growth Monadelphous has experienced, particularly during the past 12 months. This, however, creates its own challenges, not least of which is managing the risks associated with growth. Therefore, Corporate Services has had an extremely busy year supporting the operations and the senior management team with an emphasis on:

- Further integrated strategic planning and more effective risk management over Group wide operations
- Matching resources against operational service requirements
- Performance enhancing business systems development
- Management and exploitation of the company's knowledge

Although there has been increased activity in all departments of the Corporate Services division, major areas of emphasis continue to be Health, Safety and Environment and Human Resources.

Health, Safety & Environment

The management of health, safety & environmental (HSE) risk is of major importance as is the progress towards achieving 'zero harm' to employees and the environment across all business operations.

The continued focus and company wide commitment to improving HSE has produced significant results during the past five years. There has been a steady downward trend in the 'total case injury frequency rate' (TCIFR) with a reduction of 20% during the 2004/05 period across the entire company.

Major HSE initiatives contributing to this improvement include:

- Senior and line management teams being responsible and accountable for managing HSE risk
- A restructuring of the Group HSE team
- Senior management participation in an accredited leadership development program and accepting a higher commitment to HSE risk management
- Recruitment of HSE specialists
- A review of project HSE management plans combined with auditing and feedback guidance on improvement opportunities

The establishment of these key initiatives in partnership with the frontline management teams will build the foundation for the journey to achieving 'zero harm' work environments across all business operations.

Human Resources

The well publicised 'skills shortage' continues to be a major challenge facing the industry. During this financial year the Human Resources department has invested significantly in new systems and processes to ensure maximum efficiency and effectiveness from all initiatives. These include streamlining all recruitment across the business units with the implementation of a group-wide recruiting system, development of a nation-wide database tracking a pool of suitably qualified applicants, salary packaging initiatives and an employee referral program.

In an environment of increased demand for skilled employees, there has also been a major investment in employee relations with Monadelphous understanding the importance of retaining quality employees. This has seen increased activity in the areas of employee performance management, career development and on-going training.

With the resources boom expected to continue into the foreseeable future, the focus for the coming year will be to maintain the emphasis on the implementation of a people strategy to recruit, develop and retain quality personnel.

Monadelphous

Engineering Success...

Financial Report 30 June 2005

Monadelphous

Integrity & Respect Valuing Our People Delivering Quality Reliability & Flexibility Performance Focused

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Corporate Directory

Year ended 30 June 2005

DIRECTORS

Calogero Giovanni Battista Rubino
Chairman
Robert Velletri
Managing Director
Irwin Tollman
Non-Executive Director
Peter John Dempsey
Non-Executive Director

COMPANY SECRETARY

Charles Roland Giles Everist

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

1 - 4 Sleat Road
APPLECROSS
Western Australia 6153
Telephone: 08 9316 1255
Facsimile: 08 9316 1950
Website: www.monadel.com.au

POSTAL ADDRESS

PO Box 365
APPLECROSS
Western Australia 6953

SHARE REGISTRY

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
PERTH
Western Australia 6000
Telephone: 08 9323 2000
Facsimile: 08 9323 2033

AUDITORS

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

SOLICITORS

Mallesons Stephen Jaques
Level 10, Central Park
152 St George's Terrace
PERTH
Western Australia 6000

Freehills
Level 22, AMP Building
140 St George's Terrace
PERTH
Western Australia 6000

Minter Ellison
Level 49, Central Park
152 St George's Terrace
PERTH
Western Australia 6000

BANKERS

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

ASX CODE

MND – Fully Paid Ordinary Shares

CONTROLLED ENTITIES

Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Monadelphous Workforce Pty Ltd
Skystar Airport Services Pty Ltd
Monadelphous Properties Pty Ltd
Genco Pty Ltd
MBF Workforce Pty Ltd
MI & E Holdings Pty Ltd
MIE – PNG

Engineering

Your directors submit their report for the year ended 30 June 2005.

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
39 years experience in the construction and engineering services industry

Robert Velletri

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

Irwin Tollman

Non-Executive Director
Appointed 26 August 1992
Chartered Accountant, Member Institute of Chartered Accountants in Australia
14 years experience in the construction and engineering services industry
Retired as Executive Director on 25 July 2003 and continued as a Non-Executive Director

Peter John Dempsey

Non-Executive Director
Appointed 30 May 2003
Civil Engineer, Fellow of the Institution of Engineers Australia
32 years experience in the construction industry

No director has held a directorship of any other public company for the past three years.

COMPANY SECRETARY

Charles Roland Giles Everist

Company Secretary and Chief Financial Officer
Chartered Accountant, Member Institute of Chartered Accountants in England and Wales
11 years experience in the resources, construction and engineering services industries

Directors' Report (cont'd)

Year ended 30 June 2005

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	8,004,000	Nil
R. Velletri	1,400,000	1,000,000
I. Tollman	756,152	Nil
P. J. Dempsey	48,000	Nil

EARNINGS PER SHARE	**Cents**
Basic Earnings Per Share	21.15
Diluted Earnings Per Share	20.64

DIVIDENDS PAID OR DECLARED	**Cents**	**$'000**
Final dividends declared		
• on ordinary shares	9.00	7,190
Dividends paid during the year: Current year interim plus special		
• on ordinary shares *	10.25	8,115
Final for 2004 shown as recommended in the 2004 report		
• on ordinary shares *	4.75	3,721

* Figures have been restated to account for the effect of the one-to-four share split that was approved by shareholders in General Meeting on 31 May 2005. The share split took effect from 1 June 2005. The restatement has been calculated by proportionately adjusting the dividends per share in line with the terms of the share split.

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 11(b) in the financial report).

The registered office of Monadelphous Group Limited is located at:

1 - 4 Sleat Road
Applecross, Western Australia, 6153

Nature of operations and principal activities

Engineering Construction

Providing larger-scale multi-disciplinary project management and construction services, including:
- structural, mechanical, tankage and piping construction
- design and construct

Engineering

Maintenance and Industrial Services

Providing comprehensive, single-source support services to operating facilities, including:
- maintenance of above and below ground mining and mineral processing facilities and mobile plant
- maintenance of oil and gas production and processing facilities
- shutdown planning, management and execution
- specialist concrete and structural repairs
- mill reline services
- labour and equipment hire
- airport ground handling services

The Monadelphous Group operates from major offices in Perth and Brisbane with a network of regional offices and workshop facilities in Kalgoorlie, Darwin, Gove, Roxby Downs, Gladstone, Mt Isa and Muswellbrook.

The consolidated entity's revenue is earned predominantly from the mining and resources sector.

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

Employees
The consolidated entity employed 1,740 employees as of 30 June 2005 (2004: 1,539 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

Operating results for the year were:

	2005 $'000	2004 $'000
Revenue from services	**390,564**	220,760
Profit from ordinary activities after income tax	**16,658**	8,528

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

On 3 May 2005, Monadelphous Group Limited announced that it had acquired 100% of the voting share capital of MI & E Holdings Pty Ltd, an unlisted Australian Company specialising in the provision of electrical and instrumentation services. MI & E Holdings is a leading instrumentation and electrical supplier to heavy industry throughout Australia, New Zealand and South East Asia.

On 31 May 2005, shareholders in General Meeting voted to approve the directors recommendation of a one-to-four share split. The share split took effect from 1 June 2005.

Directors' Report (cont'd)

Year ended 30 June 2005

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There are no matters or circumstances that 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.

Subsequent to the end of the reporting period, the Company won further work in the iron ore industry, securing a $65 million contract with BHP Billiton Iron Ore for construction work associated with the Rapid Growth Project 2 at the Nelson Point and Finucane Island port facilities in Port Hedland, Western Australia.

On 22 August 2005, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2005 financial year. The total amount of the dividend is $7,189,957, which represents a fully franked dividend of 9 cents per share. This dividend has not been provided for in the 30 June 2005 Financial Statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Other than as referred to in this report, further information as to likely developments in the operations of the consolidated entity would, in the opinion of the directors, be likely to result in unreasonable prejudice to the consolidated entity.

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 aims to continually improve its environmental performance.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 6,430,000 unissued ordinary shares under options as follows:

- 1,580,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $0.42. The options expire on 31 January 2006.
- 150,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $0.71. The options expire between 31 January 2006 and 31 January 2007.
- 200,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $1.14. The options expire between 31 January 2006 and 31 January 2008.
- 4,500,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $1.95. The options expire between 31 January 2007 and 31 January 2009.

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, employees and directors have exercised the option to acquire 1,004,000* fully paid ordinary shares at a weighted average exercise price of $0.49*. No options have been exercised since the end of the financial year.

* Figures have been restated to account for the effect of the one-to-four share split that was approved by shareholders in General Meeting on 31 May 2005. The share split took effect from 1 June 2005. The restatement has been calculated by proportionately adjusting the number of shares issued and the weighted average exercise price in line with the terms of the share split.

Shares forfeited as a result of the failure to exercise options

Since the end of the financial year no shares have been forfeited as a result of the failure to exercise options.

Engineering

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the end of 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 was $61,699 (2004: $40,951).

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

This report outlines the remuneration arrangements in place for the directors and executives of Monadelphous Group Limited.

Remuneration philosophy
The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

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 assesses the appropriateness of the nature and amount of remuneration of directors and the executive management team on a periodic basis. 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.

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

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 as agreed. The latest determination was at the Annual General Meeting held on 20 November 2003 when shareholders approved an aggregate remuneration of $100,000 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 remuneration of non-executive directors for the period ending 30 June 2005 is detailed in Table 1 on page 33 of this report.

Directors' Report (cont'd)

Year ended 30 June 2005

Executive director and executive management 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:

- Align the interests of executives with those of shareholders;
- Ensure total remuneration is competitive by market standards.

Structure
In determining the level and make-up of executive remuneration, the Remuneration Committee considers market levels of remuneration 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 and Long Term Incentives.

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 page 33 of this report detail the variable component (%) of the executive directors and the five most highly remunerated members of the executive management team.

Fixed remuneration

Objective
The level of fixed remuneration is set so as 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 company-wide, business unit and individual performance, relevant comparative remuneration in the market and internally, and where appropriate, external advice on policies and practices.

Structure
Executive team members are given the opportunity to receive their fixed (primary) 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 executive directors and the five most highly remunerated members of the executive management team is detailed in Tables 1 and 2 on page 33 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 operational targets with the remuneration received by the executives charged with meeting those targets. The total STI is 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, 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 executive.

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

Variable Remuneration – Long Term Incentive (LTI)

Objective
The objective of the LTI plan is to retain and reward the members of the executive management team in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure
LTI grants to executives are delivered at the discretion of the Remuneration Committee in the form of options.

Options granted as part of director and executive remuneration for the year ended 30 June 2005 are detailed in Note 26 (e) on page 68 of the Financial Statements. All executives are eligible to participate in the Monadelphous Group Limited Option Plan.

Engineering

Company Performance

A review of the company's performance over the last five years has been provided on page 4 of this report.

Table 1: Director Remuneration for the year ended 30 June 2005

		PRIMARY BENEFITS			POST EMPLOYMENT		EQUITY	OTHER	TOTAL
		Salary & Fees	Non Monetary	Cash STI	Super	Retirement Benefits	Options LTI		
C. G. B. Rubino*	2005	289,999	-	-	11,562	-	-	-	301,561
	2004	289,999	-	-	11,000	-	-	-	300,999
R. Velletri*	2005	317,697	-	10,000	11,562	-	46,878	-	386,137
	2004	297,596	-	-	11,000	-	35,865	-	344,461
I. Tollman**	2005	27,500	-	-	-	-	-	-	27,500
	2004	22,917	-	-	-	-	4,198	-	27,115
P. J. Dempsey**	2005	45,000	-	-	-	-	-	-	45,000
	2004	40,000	-	-	-	-	-	-	40,000

* Denotes Executive Director ** Denotes Non-Executive Director

Table 2: Remuneration of the five named executive officers who receive the highest remuneration for the year ended 30 June 2005

		PRIMARY BENEFITS			POST EMPLOYMENT		EQUITY	OTHER	TOTAL
		Salary & Fees	Non Monetary	Cash STI	Super	Retirement Benefits	Options LTI		
D. Foti	2005	247,429	-	20,000	11,562	-	24,270	-	303,261
	2004	229,149	-	-	11,000	-	17,933	-	258,082
D. J. Mutch	2005	210,133	-	8,000	11,562	-	19,285	-	248,980
	2004	197,960	-	-	11,000	-	17,933	-	226,893
A. Erdash	2005	228,822	-	8,000	11,562	-	22,513	-	270,897
	2004	211,705	-	-	11,000	-	19,695	-	242,400
M. Jansen	2005	200,508	-	8,000	11,562	-	19,285	-	239,355
	2004	184,479	-	-	11,000	-	17,933	-	213,412
G. Everist	2005	201,686	-	8,000	11,562	-	14,367	-	235,615
	2004	183,919	-	-	11,000	-	2,524	-	197,443

Table 3: Options granted as part of remuneration for the year ended 30 June 2005 (in accordance with LTI plan)

	Grant Date	Grant Number	Vest	Value per option at grant date	Exercised Number	% of remuneration
R. Velletri	31/01/2005	600,000	31/01/2009	$1.16	-	6.46%
D. Foti	31/01/2005	320,000	31/01/2009	$1.16	-	4.38%
D. J. Mutch	31/01/2005	200,000	31/01/2009	$1.16	-	3.34%
A. Erdash	31/01/2005	200,000	31/01/2009	$1.16	-	3.07%
M. Jansen	31/01/2005	200,000	31/01/2009	$1.16	-	3.47%
G. Everist	31/01/2005	200,000	31/01/2009	$1.16	-	3.53%

Directors' Report (cont'd)

Year ended 30 June 2005

Notes
The terms 'directors' and 'officers' have been treated as mutually exclusive for the purpose of this disclosure. Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity. The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

Options granted as part of director and executive emoluments have been valued using a Binomial option-pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

Fair values of options
The fair value of each option issued during the current and previous year is estimated on the date of grant using a Binomial option-pricing model. For 2003 the Black-Scholes option-pricing model was utilised. The following weighted average assumptions were used for grants made in January 2005, 2004 and 2003:

	2005	2004	2003
Dividend yield	5.50%	5.73%	N/A
Expected volatility	20.00%	18.61%	46.80%
Historical volatility	20.00%	18.61%	46.80%
Risk-free interest rate	5.12%	5.65%	5.80%
Expected life of option	25% - 2 years	25% - 2 years	25% - 2 years
	25% - 3 years	25% - 3 years	25% - 3 years
	50% - 4 years	50% - 4 years	50% - 4 years

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which also may not necessarily be the actual outcome.

The resulting weighted average fair values for these options vesting after 1 July 2004 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option
2,370,000	31/01/2002	31/01/2006	$0.16
200,000	13/01/2003	31/01/2007	$0.16
200,000	29/01/2004	31/01/2008	$0.09
4,500,000	31/01/2005	31/01/2009	$0.29

Currently, the fair values of options are not recognised as expenses in the financial statements. However, should these grants be expensed, they would be amortised over the vesting periods resulting in an increase in employee benefits expense of $301,603 for the 2005 financial year (2004: $125,047). Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (ie, options that do not vest).

Engineering

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 were as follows:

		Meetings of Committees		
	Directors' Meetings	Audit	Remuneration	Nomination
Number of meetings held:	11	2	1	1
Number of meetings attended:				
C. G. B. Rubino	11	2	1	1
R. Velletri	11	-	1	1
I. Tollman	11	2	1	-
P. J. Dempsey	11	2	-	1

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. G. B. Rubino (c)	C. G. B. Rubino (c)
C. G. B. Rubino	R. Velletri	R. Velletri
I. Tollman	I. Tollman	P. J. Dempsey

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

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

TAX CONSOLIDATION

Effective 1 July 2003, for the purposes of income taxation, Monadelphous Group Limited and its 100% owned controlled entities formed a tax consolidated group. The head entity of the tax consolidated group is Monadelphous Group Limited. Members of the tax consolidated group have not entered into a tax sharing agreement and as a result the head entity of the tax consolidated group recognises all income tax expense, future tax benefits and current and deferred tax liabilities of the group.

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 contained in the additional Australian Stock Exchange information section of this annual report.

Directors' Report (cont'd)

Year ended 30 June 2005

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the following declaration from the auditor of Monadelphous Group Limited.

ERNST & YOUNG

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

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

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

In relation to our audit of the financial report of Monadelphous Group Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
22 August 2005

NON-AUDIT SERVICES

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. 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 $92,500
- Accounting advice $20,000

Signed in accordance with a resolution of the directors.

C. G. B. Rubino
Chairman
Perth, 22 August 2005

Engineering

Independent audit report to members of Monadelphous Group Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Monadelphous Group Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Monadelphous Group Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of Monadelphous Group Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

G H Meyerowitz
Partner
Perth, 22 August 2005

Directors' Declaration

Year ended 30 June 2005

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 and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their 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 company will be able to pay its debts as and when they become due and payable.

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 period ended 30 June 2005.

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 11 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

C. G. B. Rubino
Chairman
Perth, 22 August 2005

Engineering

Statement of Financial Performance

Year ended 30 June 2005

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
REVENUES FROM OPERATING ACTIVITIES	2	**390,564**	220,760	**-**	-
Cost of services rendered	3(a)	**354,425**	199,250	**-**	-
GROSS PROFIT		**36,139**	21,510	**-**	-
Other revenue from ordinary activities	2	**3,933**	2,655	**20,000**	16,080
Borrowing costs	3(a)	**1,081**	482	**-**	-
Business development and tender costs		**3,591**	3,166	**-**	-
Occupancy costs		**540**	473	**-**	-
Administrative costs		**12,280**	7,891	**430**	556
Share of net profits of joint venture accounted for using the equity method	8	**1,293**	-	**-**	-
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**23,873**	12,153	**19,570**	15,524
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	**7,215**	3,625	**7,215**	3,625
NET PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	18(c)	**16,658**	8,528	**12,355**	11,899
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED		**16,658**	8,528	**12,355**	11,899
Basic earnings per share (cents per share)	24	**21.15**	11.13		
Diluted earnings per share (cents per share)	24	**20.64**	10.88		
Franked dividends per share (cents per share)	5	**19.25**	7.50		

Statement of Financial Position

Year ended 30 June 2005

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
CURRENT ASSETS					
Cash assets		**22,237**	15,864	**22,294**	15,853
Receivables	6	**51,283**	45,164	**1**	-
Inventories	9	**4,771**	1,141	**-**	-
Other	10	**118**	486	**-**	-
TOTAL CURRENT ASSETS		**78,409**	62,655	**22,295**	15,853
NON-CURRENT ASSETS					
Receivables	6	**-**	-	**123,435**	88,652
Other financial assets	11	**-**	332	**9,310**	5,699
Property, plant and equipment	12	**31,940**	19,567	**-**	-
Deferred tax assets	4	**4,836**	3,548	**4,836**	3,548
Goodwill	7	**2,079**	-	**-**	-
Investments accounted for using the equity method	8	**341**	-	**-**	-
TOTAL NON-CURRENT ASSETS		**39,196**	23,447	**137,581**	97,899
TOTAL ASSETS		**117,605**	86,102	**159,876**	113,752
CURRENT LIABILITIES					
Payables	13	**35,417**	28,084	**588**	244
Interest bearing liabilities	14	**5,717**	2,786	**-**	-
Current tax liabilities	4	**3,517**	1,271	**3,517**	1,271
Provisions	15	**13,158**	9,158	**-**	-
TOTAL CURRENT LIABILITIES		**57,809**	41,299	**4,105**	1,515
NON-CURRENT LIABILITIES					
Interest bearing liabilities	14	**11,805**	4,472	**-**	-
Non-interest bearing liabilities	16	**-**	-	**125,644**	84,988
Provisions	15	**1,202**	723	**-**	-
Deferred tax liabilities	4	**697**	337	**697**	337
TOTAL NON-CURRENT LIABILITIES		**13,704**	5,532	**126,341**	85,325
TOTAL LIABILITIES		**71,513**	46,831	**130,446**	86,840
NET ASSETS		**46,092**	39,271	**29,430**	26,912
EQUITY					
Contributed equity	17	**20,303**	18,304	**20,303**	18,304
Reserves	18	**1,293**	1,293	**3,907**	3,907
Retained profits	18	**24,496**	19,674	**5,220**	4,701
TOTAL EQUITY		**46,092**	39,271	**29,430**	26,912

Engineering

Statement of Cash Flows

Year ended 30 June 2005

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**384,354**	197,295	**-**	-
Payments to suppliers and employees		**(336,953)**	(174,886)	**-**	(1,313)
Interest received		**1,163**	738	**-**	50
Borrowing costs		**(1,081)**	(482)	**-**	-
Other income		**236**	245	**732**	-
Goods and services tax paid		**(17,352)**	(12,255)	**-**	-
Income tax paid		**(6,385)**	(4,079)	**(6,385)**	(4,079)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	19(a)	**23,982**	6,576	**(5,653)**	(5,342)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments		-	596	**-**	596
Proceeds from sale of property, plant and equipment		**2,534**	1,076	**-**	-
Purchase of property, plant and equipment		**(3,597)**	(2,002)	**-**	-
Purchase of investments		-	(506)	**-**	(506)
Payment for controlled entities	19(e)	**(328)**	-	**(328)**	-
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(1,391)**	(836)	**(328)**	90
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from controlled entities		-	-	**23,762**	8,381
Dividend paid		**(11,836)**	(5,434)	**(11,836)**	(5,434)
Proceeds from issue of shares		**496**	2,077	**496**	2,077
Repayment of borrowings		**(84)**	(75)	**-**	-
Payment of finance leases		**(4,794)**	(2,538)	**-**	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(16,218)**	(5,970)	**12,422**	5,024
NET (DECREASE)/INCREASE IN CASH HELD		**6,373**	(230)	**6,441**	(228)
Opening cash brought forward		**15,864**	16,094	**15,853**	16,081
CLOSING CASH CARRIED FORWARD	19(b)	**22,237**	15,864	**22,294**	15,853

Notes to and forming part of the Financial Statements

Year ended 30 June 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention.

b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Monadelphous Group Limited (the parent entity) and all entities, which Monadelphous Group Limited controlled from time to time during the year and at the reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

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

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

d) Foreign currency transaction

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

e) Cash and cash equivalents

Cash on hand and in banks is stated at nominal value. Cash is available at call.

For the purpose of the statement of cash flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts.

f) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

g) Inventories

Construction work-in-progress is stated at cost plus profit recognised to date less progress billings. Costs include all costs directly related to specific contracts and an allocation of overhead costs attributable to contract activity in general.

h) Investments

All non-current investments are carried at the lower of cost and recoverable amount.

i) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount the expected net cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

j) Property, plant and equipment

Cost
All classes of property, plant and equipment are measured at cost.

Depreciation
Depreciation is provided on a reducing balance method on all plant and equipment acquired before 1 July 1996 and straight line basis for all acquisitions on or after 1 July 1996, and a straight line basis on all property other than freehold land.

Major depreciation periods are:

	2005	2004
• Buildings	**40 years**	40 years
• Plant and equipment	**3 to 15 years**	3 to 15 years

k) Leases

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

Finance leases
Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the consolidated entity are capitalised at the present value of the minimum lease payments. All leases are hire purchase agreements and are disclosed as property, plant and equipment under hire purchase. An interest bearing liability of equal value is also recognised.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements; whichever is the shorter.

Operating leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

l) Joint ventures

Interest in joint venture partnerships is carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

m) Intangibles

Goodwill
Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight-line basis over the period during which benefits are expected to be received. This is taken as being 5 years.

n) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

o) Interest bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

p) Provisions

Provisions are recognised when the consolidated entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

q) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of Services (other than contracts)
Where the contract outcome can be reliably measured:
- control of a right to be compensated for the services has been attained and the stage of completion can be reliably measured.

Where the contract outcome cannot be reliably measured:
- revenue is recognised only to the extent that costs have been incurred.

Interest
Control of a right to receive the interest payment.

Dividends
Control of a right to receive the dividend payment.

s) Taxes

Income tax
Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Monadelphous Group Limited elected to form a tax consolidated group for income tax purposes with effect from 1 July 2003. The Australian Tax Office has been formally notified of this decision. Monadelphous Group Limited as the head entity recognises all of the tax expense, deferred tax assets and liabilities of the tax consolidated group.

Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:
- where 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.

Engineering

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

t) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and compensated absences.

Liabilities arising in respect of wages and salaries, certain compensated absences and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on the remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefits expenses and revenues arising in respect of the following categories:
- wages and salaries, non-monetary benefits, and compensated absences; and
- other types of employee benefits are charged against profits on a net basis in their respective categories.

The value of the Equity Based Compensation scheme described in note 25 is not being charged as an employee benefit expense.

u) Construction contracts

When accounting for construction contracts, the contracts are either combined or disaggregated 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 fee earned during the financial year.

v) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude 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, 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.

w) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

A one-to-four share split was approved by shareholders in General Meeting on 31 May 2005. The share split took effect from 1 June 2005. The necessary restatements have been calculated by proportionately adjusting the number of shares and options on issue at the relevant reporting date, and the exercise price of the options, in line with the terms of the share split.

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
2. REVENUES FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Revenue from services		**390,564**	220,760	**-**	-
Other revenue from ordinary activities					
Proceeds on disposal of non-current assets					
- Land and buildings		**1,412**	257	**-**	-
- Plant and equipment		**1,122**	819	**-**	-
Interest received					
- Wholly owned controlled entity		**-**	-	**-**	50
- Other		**1,163**	738	**-**	-
Dividend received					
- Wholly owned controlled entity		**-**	-	**20,000**	15,434
Other income		**236**	245	**-**	-
Proceeds from disposal of listed investments		**-**	596	**-**	596
Total revenues from non-operating activities		**3,933**	2,655	**20,000**	16,080
Total revenues from ordinary activities		**394,497**	223,415	**20,000**	16,080
3. EXPENSES AND LOSSES/(GAINS)					
(a) Expenses					
Cost of services rendered		**354,425**	199,250	**-**	-
Depreciation of non-current assets					
- Buildings		**235**	257	**-**	-
- Plant and equipment		**4,936**	3,973	**-**	-
Total depreciation of non-current assets		**5,171**	4,230	**-**	-
Borrowing costs expensed					
- Hire purchase charges		**1,072**	467	**-**	-
- Interest expense					
- Other persons/corporations		**9**	15	**-**	-
Total borrowing costs expensed		**1,081**	482	**-**	-

Engineering

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
3. EXPENSES AND LOSSES/(GAINS) (CONT'D)					
Bad and doubtful debts					
- Trade debtors		**292**	1,116	**-**	-
Operating lease rental					
- Minimum lease payments		**1,979**	1,584	**-**	-
Employee benefits expensed		**3,527**	(199)	**-**	-
Diminution in the value of investments		**-**	174	**-**	174
Write down in the value of investments		**332**	-	**332**	-
Amortisation of goodwill		**189**	-	**-**	-
(b) Losses/(Gains)					
Net gain on disposal of property, plant and equipment					
- Land and buildings		**(668)**	(10)	**-**	-
- Plant and equipment		**(669)**	(613)	**-**	-
Net gain on disposal of listed investment		**-**	(296)	**-**	(296)
4. INCOME TAX					
The prima facie tax on operating profit is different to the income tax provided in the financial statements as follows:					
Prima facie tax on profit from ordinary activities at 30%		**7,162**	3,646	**5,871**	4,657
Add/(less) tax effect of permanent differences:					
- Dividends received from subsidiary		**-**	-	**(6,000)**	(4,630)
- Other items (net)		**34**	23	**-**	-
- Exempt income		**(9)**	(4)	**-**	-
- Transfer of tax consolidation balances to head entity		**-**	-	**7,344**	3,598
- (Over)/under provision of previous year		**28**	(40)	**-**	-
Income tax expense attributable to ordinary activities		**7,215**	3,625	**7,215**	3,625
Deferred tax assets and liabilities					
Current tax payable		**3,517**	1,271	**3,517**	1,271
Future income tax benefit – non-current		**4,836**	3,548	**4,836**	3,548
Provision for deferred income tax – non-current		**697**	337	**697**	337

Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, Monadelphous Group Limited and its 100% owned controlled entities formed a tax consolidated group. The head entity of the tax consolidated group is Monadelphous Group Limited. Members of the tax consolidated group have not entered into a tax sharing agreement. As a result, the head entity of the tax consolidated group recognises all income tax expense, future tax benefits and current and deferred tax liabilities of the group.

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES					
(a) Dividends paid during the year					
(i) Current year interim plus special					
Franked dividends (10.25 cents per share) (2004: 2.75 cents per share)		**8,115**	2,150	**8,115**	2,150
(ii) Previous year final					
Franked dividends (4.75 cents per share) (2004: 4.25 cents per share)		**3,721**	3,284	**3,721**	3,284
(b) Dividends proposed and not recognised as a liability					
Franked dividends (9.00 cents per share) (2004: 4.75 cents per share)		**7,190**	3,721	**7,190**	3,721
(c) Franking credit balance					
The amount of franking credits available for the subsequent financial year are:					
- franking account balance as at the end of the financial year		**11,802**	10,143	**11,802**	10,143
- franking credits that will arise from the payment of income tax payable as at the end of the financial year		**3,517**	1,271	**3,517**	1,271
- franking credits that will arise from the receipt of dividends from subsidiary companies		**-**	-	**-**	-
- franking debits that will arise from the payment of dividends as at the end of the financial year		**(3,081)**	(1,595)	**(3,081)**	(1,595)
		12,238	9,819	**12,238**	9,819

The tax rate at which paid dividends have been franked is 30% (2004: 30%). Dividends payable will be franked at the rate of 30% (2004: 30%).

Engineering

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
6. RECEIVABLES					
CURRENT					
Trade debtors	6(a)	**51,977**	40,760	**-**	-
Less allowance for doubtful debts		**(1,148)**	(987)	**-**	-
		50,829	39,773	**-**	-
Other debtors	6(a)	**454**	5,391	**1**	-
		51,283	45,164	**1**	-
NON-CURRENT					
Amounts other than trade debts receivable from related parties					
Wholly owned group - controlled entities	6(a),28	**-**	-	**123,435**	88,652
(a) Terms and conditions					
Terms and conditions relating to the above financial instruments					
(i) Credit sales are normally on 30 day terms					
(ii) Other debtors are non-interest bearing and have repayment terms between 30 days and 60 days					
(iii) Details of the terms and conditions of related party receivables are set out in note 28					
7. GOODWILL					
At cost		**2,268**			
Accumulated amortisation		**(189)**	-	**-**	-
		2,079	-	**-**	-

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

8. INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

(a) Interest in Joint Venture Partnership

	Balance Date
MBFjv	30 June
FMSJV	31 December

The percentage ownership interest in each of the joint ventures has not been disclosed due to the commercial sensitivity thereof.

(i) Principal activities

MBFjv Provision of maintenance services for Olympic Dam copper uranium mine and processing plant facilities at Roxby Downs, South Australia.

FMSJV Provision of certain asset management support services for an alumina refinery at Gladstone, Queensland.

	CONSOLIDATED	
	2005 $'000	2004 $'000
(ii) Share of the joint venture partnerships' profits		
Share of the joint venture partnerships':		
- revenues	**19,351**	-
- expenses	**(18,058)**	-
- net profits	**1,293**	-
(iii) Carrying amount of investments in joint venture partnerships		
Balance at the beginning of the financial year	**-**	-
- share of joint venture partnerships' net profits for the financial year	**1,293**	-
- distributions received from joint venture partnerships	**(952)**	-
- share of joint venture partnerships' reserve increments/(decrements)	**-**	-
Balance at the end of the financial year	**341**	-
(iv) Share of joint venture partnerships' assets and liabilities		
Current assets	**3,940**	-
Non-current assets	**-**	-
Current liabilities	**(3,905)**	-
Non-current liabilities	**-**	-
Net assets	**35**	-
(v) Retained profits of the consolidated entity attributable to the joint venture partnership		
Balance at the beginning of the financial year	-	-
Share of the joint venture partnerships' profits (net of tax)	1,293	-
Distribution received from joint venture partnerships	(952)	-
Balance at the end of the financial year	341	-
(vi) Reserves of the consolidated entity attributable to the joint venture partnerships		
Balance at the beginning of the financial year	-	-
Share of the joint venture partnerships' reserves	-	-
Balance at the end of the financial year	-	-

Engineering

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
9. INVENTORIES (CURRENT)					
Construction work in progress					
Cost to date plus profit recognised		**320,710**	159,870	**-**	-
Consideration received and receivable as progress billings		**(329,335)**	(171,103)	**-**	-
Retentions		**1,181**	337	**-**	-
		(7,444)	(10,896)		
Amounts due to customers	9(a),13	**12,215**	12,037	**-**	-
		4,771	1,141	**-**	-
(a) Advances received for construction work not yet commenced is recognised as a current liability. Refer note 13.					
10. OTHER (CURRENT)					
Prepayments		**118**	486	**-**	-
11. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Shares					
- listed at cost	11(a)	**-**	506	**-**	506
Allowance for diminution		**-**	(174)	**-**	(174)
		-	332	**-**	332
Controlled entities at cost	11(b)	**-**	-	**9,310**	5,367
		-	332	**9,310**	5,699
(a) Quoted market value of shares listed on a prescribed stock exchange at balance date:					
Listed shares		**-**	332	**-**	332

There would be no capital gains tax payable if these assets were sold at their market values at the reporting date.

Listed shares are readily saleable with no fixed terms.

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

11. OTHER FINANCIAL ASSETS (NON-CURRENT) (CONT'D)

(b) Particulars relating to controlled entities:

	COUNTRY OF INCORPORATION	PERCENTAGE HELD BY CONSOLIDATED ENTITY		PARENT ENTITY INVESTMENT	
		2005 %	2004 %	**2005 $'000**	2004 $'000
Chief Entity:					
Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
* Monadelphous Engineering Associates Pty Ltd	Australia	**100**	100	**3,187**	3,187
* Skystar Airport Services Pty Ltd	Australia	**100**	100	**-**	-
* Monadelphous Properties Pty Ltd	Australia	**100**	100	**1,788**	1,788
* Monadelphous Engineering Pty Ltd	Australia	**100**	100	**-**	-
* Genco Pty Ltd	Australia	**100**	100	**342**	342
* Monadelphous Workforce Pty Ltd	Australia	**100**	100	**50**	50
* MBF Workforce Pty Ltd	Australia	**100**	100	**-**	-
* MI & E Holdings Pty Ltd	Australia	**100**	-	**3,943**	-
MIE–PNG	Papua New Guinea	**100**	-	**-**	-
				9,310	5,367

* Pursuant to a Class Order 98/1418, relief has been granted to these controlled entities of Monadelphous Group Limited from the Corporations Act 2001 requirements for preparation, audit and publication of accounts. As a condition of the Class Order, Monadelphous Group Limited and the controlled entities subject to the Class Order, entered into a deed of indemnity on 12 April 1995, 3 July 2001 and 30 June 2005. 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 Statements of Financial Performance and Position of the Closed Group are not materially different from the consolidated entity.

		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
12. PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
- At cost	12(c)	**1,610**	1,909	**-**	-
Building on freehold land					
- At cost		**6,146**	6,620	**-**	-
- Accumulated depreciation		**(2,222)**	(2,263)	**-**	-
	12(c)	**3,924**	4,357	**-**	-
Leasehold improvements					
- At cost		**46**	-	**-**	-
- Accumulated amortisation		**(5)**	-	**-**	-
	12(c)	**41**	-	**-**	-
Total land and buildings	12(a)	**5,575**	6,266	**-**	-
Plant and equipment					
- At cost		**29,698**	29,047	**-**	-
- Accumulated depreciation		**(22,758)**	(23,550)	**-**	-
	12(c)	**6,940**	5,497	**-**	-

Engineering

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)					
Plant and equipment under hire purchase					
- At cost		**24,433**	10,316	**-**	-
- Accumulated amortisation		**(5,008)**	(2,512)	**-**	-
	12(c)	**19,425**	7,804	**-**	-
Total plant and equipment		**26,365**	13,301	**-**	-
Total property, plant and equipment		**31,940**	19,567	-	-
(a) Recent valuations					
As at 30 June 2005, based on current market conditions, the directors have valued interests in land and buildings as follows:					
Freehold land		**2,500**	2,500	**-**	-
Buildings		**6,500**	6,500	**-**	-

These valuations have been based upon independent valuations previously obtained. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the valuation date.

These interests are recorded in the accounts at cost. If these assets were sold at balance date at the valuation amounts, the capital gains tax payable would be approximately $410,000 (2004: $410,000) for the consolidated entity.

(b) Assets pledged as security					
Assets under hire purchase are pledged as security for the associated hire purchase liabilities.					
Assets pledged as security		**19,425**	7,804	**-**	-
(c) Reconciliations					
Reconciliations of the carrying amounts of freehold land and buildings on freehold land, plant and equipment, leasehold improvements and plant and equipment under hire purchase at the beginning and end of the current and previous financial year.					
Freehold land					
Carrying amount at the beginning of the year		**1,909**	1,995	**-**	-
Disposals		**(299)**	(86)	**-**	-
		1,610	1,909	**-**	-

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)					
Buildings on freehold land					
Carrying amount at the beginning of the year		**4,357**	4,640	**-**	-
Additions		**242**	72	**-**	-
Disposals		**(445)**	(110)	**-**	-
Depreciation expense		**(230)**	(245)	**-**	-
		3,924	4,357	**-**	-
Plant and equipment					
Carrying amount at the beginning of the year		**5,497**	5,589	**-**	-
Additions		**2,746**	1,930	**-**	-
Additions through acquisitions		**610**	-	**-**	-
Assets transferred		**421**	512	**-**	-
Disposals		**(453)**	(205)	**-**	-
Depreciation expense		**(1,881)**	(2,329)	**-**	-
		6,940	5,497	**-**	-
Leasehold improvements					
Carrying amount at the beginning of the year		**-**	64	**-**	-
Disposals		**-**	(52)	**-**	-
Additions		**46**	-	**-**	-
Depreciation expense		**(5)**	(12)	**-**	-
		41	-	**-**	-
Plant and equipment under hire purchase					
Carrying amount at the beginning of the year		**7,804**	7,423	**-**	-
Additions		**15,097**	2,537	**-**	-
Assets transferred		**(421)**	(512)	**-**	-
Depreciation expense		**(3,055)**	(1,644)	**-**	-
		19,425	7,804	**-**	-
13. PAYABLES (CURRENT)					
Trade creditors	13(a)	**18,561**	13,260	**-**	-
Advances on construction work in progress	9	**12,215**	12,037	**-**	-
Sundry creditors and accruals	13(a)	**4,641**	2,787	**588**	244
		35,417	28,084	**588**	244

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Trade liabilities are non-interest bearing and are normally settled on 30 day terms

(ii) Sundry creditors and accruals are non interest bearing and have an average term of 45 days

Engineering

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
14. INTEREST BEARING LIABILITIES					
CURRENT					
Hire purchase liability – secured	14(a),20	**5,626**	2,693	**-**	-
Bank loan – secured	14(a)	**91**	93	**-**	-
		5,717	2,786	**-**	-
NON-CURRENT					
Hire purchase liability – secured	14(a),20	**11,805**	4,390	**-**	-
Bank loan – secured	14(a)	**-**	82	**-**	-
		11,805	4,472	**-**	-

(a) Terms and conditions

(i) The bank loan is repayable monthly with the final instalment due in June 2006. Interest is charged at the bank's fixed rate. The bank loan is secured by way of a registered first mortgage over land and a building of a controlled entity, with an interlocking debenture from the parent entity and controlled entities.

(ii) Hire purchase agreements have an average term of 3 years. The average discount rate implicit in the hire purchase is 6.62%. The hire purchase liability is secured by a charge over the hire purchase assets.

15. PROVISIONS					
CURRENT					
Employee benefits	25	**6,874**	3,826	**-**	-
Workers' compensation	15(a)	**5,854**	4,902	**-**	-
Public liability	15(b)	**430**	430	**-**	-
		13,158	9,158	**-**	-

(a) Workers' compensation

It is customary for all entities within the Construction and Engineering 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 after a four-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.

(b) Public liability

A public liability provision has been created as a result of the liquidation of the consolidated entity's previous workers' compensation insurance company. The provision has been recognised to cover the expected loss resulting from claims for which there is currently no insurance cover. The provision is assessed at the end of each reporting period after consultation with the consolidated entity's solicitors.

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

	CONSOLIDATED 2005 $'000	MONADELPHOUS GROUP LIMITED 2005 $'000
15. PROVISIONS (CONT'D)		
(c) Movements in provisions		
(i) Workers compensation		
Carrying amount at the beginning of the year	**4,902**	**-**
Additional provision	**2,683**	**-**
Amounts utilised during the year	**(1,731)**	**-**
Carrying amount at the end of the financial year	**5,854**	**-**
(ii) Public liability		
Carrying amount at the beginning of the year	**430**	**-**
Additional provision	**-**	**-**
Amounts utilised during the year	**-**	**-**
Carrying amount at the end of the financial year	**430**	**-**

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	MONADELPHOUS GROUP LIMITED 2005 $'000	MONADELPHOUS GROUP LIMITED 2004 $'000
NON-CURRENT					
Employee benefits	25	**1,202**	723	**-**	-
16. NON INTEREST BEARING LIABILITIES					
Amounts payable to controlled entities	28	**-**	-	**125,644**	84,988
17. CONTRIBUTED EQUITY					
Issued and paid up capital					
Ordinary shares fully paid		**20,303**	18,304	**20,303**	18,304

(a) Movements in shares on issue

	CONSOLIDATED Number of shares	CONSOLIDATED $'000	MONADELPHOUS GROUP LIMITED Number of shares	MONADELPHOUS GROUP LIMITED $'000
Beginning of the financial year	78,164,408	18,304	74,556,408	16,227
Issued during the year				
- Exercise of employee options	1,004,000	496	3,608,000	2,077
- Acquisition consideration	720,000	1,503	-	-
End of the financial year	79,888,408	20,303	78,164,408	18,304

A one-to-four share split was approved by shareholders in General Meeting on 31 May 2005. The share split took effect from 1 June 2005. The necessary restatements have been calculated by proportionately adjusting the number of shares and options on issue at the relevant reporting date, and the exercise price of the options, in line with the terms of the share split. The number of shares on issue as at 30 June 2004, as stated in the 30 June 2004 Financial Report, was 19,541,102.

Engineering

17. CONTRIBUTED EQUITY (CONT'D)

(b) Share options

Options over ordinary shares

During the financial year, 4,500,000 options were issued over ordinary shares. 25% of these options are exercisable between 1 January 2007 and 31 January 2007 at an exercise price of $1.95. A further 25% of the options are exercisable between 1 January 2008 and 31 January 2008 at the same exercise price, with the balance of 50% of these options exercisable between 1 January 2009 and 31 January 2009 at the exercise price of $1.95.

At the end of the year there were 6,430,000 (2004: 2,934,000) unissued ordinary shares in respect of which options were outstanding (Note 25).

(c) Terms and conditions of contributed equity

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.

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
18. RESERVES AND RETAINED PROFITS					
Capital profits reserve	18(a)	**678**	678	**-**	-
Asset revaluation reserve	18(b)	**615**	615	**3,907**	3,907
		1,293	1,293	**3,907**	3,907
Retained profits	18(c)	**24,496**	19,674	**5,220**	4,701

(a) Capital profits reserve

(i) *Nature and purpose of reserve*
The capital profits reserve is used to accumulate realised capital profits. The reserve can be used to pay dividends or issue bonus shares.

(ii) Movements in reserve

Balance at end of year		**678**	678	**-**	-

(b) Asset revaluation reserve

(i) Nature and purpose of reserve
The asset revaluation reserve was used to record increments and decrements in the value of non-current assets. The reserve can be used to pay dividends in limited circumstances.

(ii) Movements in reserve

Balance at end of year		**615**	615	**3,907**	3,907

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
18. RESERVES AND RETAINED PROFITS (CONT'D)					
(c) Retained profits					
Balance at the beginning of the year		**19,674**	16,580	**4,701**	(1,764)
Net profit attributable to members of Monadelphous Group Limited		**16,658**	8,528	**12,355**	11,899
Total available for appropriation		**36,332**	25,108	**17,056**	10,135
Dividends paid		**(11,836)**	(5,434)	**(11,836)**	(5,434)
Balance at end of year		**24,496**	19,674	**5,220**	4,701
19. STATEMENT OF CASH FLOWS					
(a) Reconciliation of net profit after tax to the net cash flows from operations					
Profit from ordinary activities after tax		**16,658**	8,528	**12,355**	11,899
Non cash items					
Depreciation of non-current assets		**5,171**	4,230	**-**	-
Charges to provisions		**4,480**	402	-	-
Write down in the value of investments		**331**	174	**331**	174
Profit on sale of property, plant and equipment		**(1,337)**	(623)	-	-
Profit on sale of investments		**-**	(296)	-	(296)
Dividends received from subsidiary		**-**	-	**(20,000)**	(15,434)
Amortisation of goodwill		**189**	-	-	-
Changes in assets and liabilities					
(Increase)/decrease in receivables		**(6,119)**	(22,222)	**1**	-
(Increase)/decrease in prepayments		**368**	(181)	-	-
(Increase)/decrease in inventories		**(3,630)**	7,989	-	-
(Increase) in deferred tax assets		**(1,288)**	(69)	**(1,288)**	(3,494)
(Increase) in investment in joint ventures		**(342)**	-	-	-
Increase in payables		**6,897**	9,029	**344**	201
Increase/(decrease) in tax provision		**2,245**	(722)	**2,245**	1,271
Increase in deferred tax liability		**359**	337	**359**	337
Net cash flows from/(used in) operating activities		**23,982**	6,576	**(5,653)**	(5,342)
(b) Reconciliation of cash					
Cash balances comprises					
- Cash at bank		**22,237**	15,864	**22,294**	15,853

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	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
19. STATEMENT OF CASH FLOWS (CONT'D)					
(c) Financing facilities available					
At balance date the following financing facilities had been negotiated and were available					
Total facilities:					
- Bank guarantee and insurance bond		**42,544**	34,704	**42,544**	34,704
- Bank overdraft		**5,200**	1,800	**5,200**	1,800
- Revolving credit		**33,591**	15,860	**33,591**	15,860
		81,335	52,364	**81,335**	52,364
Facilities used at balance date:					
- Bank guarantee and insurance bond		**18,183**	16,366	**18,183**	16,366
- Revolving credit		**17,522**	7,258	**17,522**	7,258
		35,705	23,624	**35,705**	23,624
Facilities unused at balance date:					
- Bank guarantee and insurance bond		**24,361**	18,338	**24,361**	18,338
- Bank overdraft		**5,200**	1,800	**5,200**	1,800
- Revolving credit		**16,069**	8,602	**16,069**	8,602
		45,630	28,740	**45,630**	28,740

(d) 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 $15,142,476 (2004: $2,536,613).

(e) Acquisition of controlled entity

On 3 May 2005, Monadelphous Group Limited announced that it had acquired 100% of the voting share capital of MI & E Holdings Pty Ltd, an unlisted Australian company specialising in the provision of electrical and instrumentation services. The components of the acquisition cost were:

	$'000
Consideration	
- shares issued	1,503
- cash paid	1,915
- cash deferred	500
Acquisition costs	25
	3,943

By 30 June 2005, the deferred cash liability had not been paid and is payable subject to MI & E achieving certain financial targets.

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

19. STATEMENT OF CASH FLOWS (CONT'D)

Details of the acquisition are as follows:

	$'000
Fair value of net assets acquired:	
- cash	1,587
- trade debtors	2,972
- inventories	46
- other	62
- property, plant and equipment	610
- payables	(1,634)
- employee provision	(627)
- other loans	(1,341)
- fair value of net tangible assets	1,675
- goodwill arising on acquisition	2,268
	3,943
Net cash effect:	
- Cash consideration paid	1,915
- Cash included in net assets acquired	(1,587)
- Cash paid for purchase of controlled entity as reflected in the consolidated statement of cash flows	328

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
20. EXPENDITURE COMMITMENTS					
(a) Hire purchase commitments					
Payable:					
- Not later than one year		**6,616**	3,046	**-**	-
- Later than one year but not later than five years		**12,563**	4,592	**-**	-
Minimum lease payments		**19,179**	7,638	**-**	-
Less future finance charges		**(1,748)**	(555)	**-**	-
		17,431	7,083	**-**	-
Current liability	14	**5,626**	2,693	**-**	-
Non-current liability	14	**11,805**	4,390	**-**	-
		17,431	7,083	**-**	-
(b) Operating leases (non-cancellable)					
Minimum lease payments					
- Not later than one year		**2,231**	1,777	**-**	-
- Later than one year but not later than five years		**5,158**	1,988	**-**	-
- Aggregate lease expenditure contracted for at balance date but not provided for		**7,389**	3,765	**-**	-

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	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
20. EXPENDITURE COMMITMENTS (CONT'D)					
(c) Operating leases have an average lease term of 3 years, and an average commercial implicit interest rate. Assets, which are the subject of operating leases, include motor vehicles and properties.					
21. CONTINGENT LIABILITIES					
Guarantees given to various clients for satisfactory contract performance		**18,183**	16,366	**18,183**	16,366
Monadelphous Group Limited and all controlled entities marked * in Note 11 have entered into a deed of cross guarantee pursuant to the ASIC Class Order made on 12 April 1995, 3 July 2001 and 30 June 2005 whereby they covenant with a trustee for the benefit of each creditor, that they guarantee to each creditor payment in full of any debt in the event of any entity, including Monadelphous Group Limited, being wound up.					
22. SEGMENT INFORMATION					
Revenue is derived by the consolidated entity from construction and engineering services to the resources and petrochemical industries.					
The consolidated entity operates predominantly within the one business segment in one geographical segment, namely in Australia.					
23. ECONOMIC DEPENDENCY					
The consolidated entity does not have any economic dependency with any one client or group of clients.					
24. EARNINGS PER SHARE					
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:					
Net profit after income tax		**16,658**	8,528	-	-
Earnings used in calculation of basic and diluted earnings per share		**16,658**	8,528	-	-

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

	CONSOLIDATED	
	2005 No.	2004 No.
24. EARNINGS PER SHARE (CONT'D)		
No. of Shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	**78,772,452**	76,726,628
Effect of dilutive securities		
Share options	**1,945,849**	1,689,748
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**80,718,301**	78,416,376

Conversions, calls, subscriptions or issues after 30 June 2005:

Since the end of the financial year, holders of nil employee options have exercised the rights of conversion to acquire ordinary shares.

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
25. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS					
Employee benefits					
The aggregate employee benefits liability is comprised of:					
Accrued wages, salaries and oncosts		**650**	814	**-**	-
Provisions (current)	15	**6,874**	3,826	**-**	-
Provisions (non-current)	15	**1,202**	723	**-**	-
		8,726	5,363	**-**	-

Equity Based Compensation Scheme

An Equity Based Compensation Scheme 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 1 director and 53 employees participating in these schemes.

Information with respect to the number of options granted under the Equity Based Compensation Scheme is as follows:

		2005		2004	
		Number of options	**Weighted average excercise price**	Number of options	Weighted average excercise price
Balance at the beginning of the year	25(a)	**2,934,000**	**$0.51**	7,090,000	$0.57
- Granted	25(b)	**4,500,000**	**$1.95**	200,000	$1.14
- Forfeited		**-**	**-**	(748,000)	$0.60
- Exercised	25(c)	**(1,004,000)**	**$0.49**	(3,608,000)	$0.58
Balance at the end of the year	25(d)	**6,430,000**	**$1.52**	2,934,000	$0.51

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25. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONT'D)

(a) Options held at the beginning of the reporting period:

The following table summarises information about options held by directors and employees as at 1 July 2004:

Number of options	Grant date	Vesting date	Expiry date	Weighted average excercise price
164,000	01/07/2000	01/07/2004	31/07/2004	$0.77
790,000	31/01/2002	01/01/2005	31/01/2005	$0.42
1,580,000	31/01/2002	01/01/2006	31/01/2006	$0.42
50,000	13/01/2003	01/01/2005	31/01/2005	$0.71
50,000	13/01/2003	01/01/2006	31/01/2006	$0.71
100,000	13/01/2003	01/01/2007	31/01/2007	$0.71
50,000	29/01/2004	01/01/2006	31/01/2006	$1.14
50,000	29/01/2004	01/01/2007	31/01/2007	$1.14
100,000	29/01/2004	01/01/2008	31/01/2008	$1.14

(b) Options granted during the reporting period:

The following table summarises information about options granted by Monadelphous Group Limited to directors and employees during the year:

	2005	2004
Grant date	**31/01/2005**	29/01/2004
Vesting date	**25% - 01/01/2007**	25% - 01/01/2006
	25% - 01/01/2008	25% - 01/01/2007
	50% - 01/01/2009	50% - 01/01/2008
	2005	2004
Expiry date	**25% - 31/01/2007**	25% - 31/01/2006
	25% - 31/01/2008	25% - 31/01/2007
	50% - 31/01/2009	50% - 31/01/2008
Weighted average exercise price	**$1.95**	$1.14

(c) Options exercised

i) The following table summarises information about options exercised by directors and employees during the year ended 30 June 2005:

Number of options	Grant date	Exercise date	Expiry date	Weighted average exercise price	Proceeds from shares issued	Number of shares issued	Issue date	Fair value of shares issued
164,000	01/07/2000	31/07/2004	31/07/2004	$0.77	$126,690	164,000	31/07/2004	$1.56
790,000	31/01/2002	31/01/2005	31/01/2005	$0.42	$333,775	790,000	31/01/2005	$2.09
50,000	13/01/2003	31/01/2005	31/01/2005	$0.71	$35,300	50,000	31/01/2005	$2.09

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

25. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONT'D)

ii) The following table summarises information about options exercised by directors and employees during the year ended 30 June 2004:

Number of Options	Grant date	Exercise date	Expiry date	Weighted average exercise price	Proceeds from shares issued	Number of shares issued	Issue date	Fair value of shares issued
1,200,000	24/11/1998	24/11/2003	24/11/2003	$0.61	$727,050	1,200,000	24/11/2003	$1.16
360,000	24/11/1998	24/11/2003	24/11/2003	$0.61	$218,115	360,000	24/11/2003	$1.22
240,000	24/11/1998	16/10/2003	16/10/2003	$0.61	$145,410	240,000	16/10/2003	$1.13
600,000	24/11/1998	11/11/2003	11/11/2003	$0.61	$363,525	600,000	11/11/2003	$1.23
248,000	01/07/1999	31/07/2003	31/07/2003	$0.78	$193,440	248,000	31/07/2003	$0.96
70,000	01/07/2000	31/07/2003	31/07/2003	$0.77	$54,075	70,000	31/07/2003	$0.96
890,000	31/01/2002	30/01/2004	30/01/2006	$0.42	$376,025	890,000	30/01/2004	$1.17

Fair value of shares issued during the reporting period is estimated to be the market price of shares of Monadelphous Group Limited on the ASX as at close of trading on their respective issue dates.

(d) 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 2005:

Number of options	Grant date	Vesting date	Expiry date	Weighted average excercise price
1,580,000	31/01/2002	01/01/2006	31/01/2006	$0.42
50,000	13/01/2003	01/01/2006	31/01/2006	$0.71
100,000	13/01/2003	01/01/2007	31/01/2007	$0.71
50,000	29/01/2004	01/01/2006	31/01/2006	$1.14
50,000	29/01/2004	01/01/2007	31/01/2007	$1.14
100,000	29/01/2004	01/01/2008	31/01/2008	$1.14
1,125,000	31/01/2005	01/01/2007	31/01/2007	$1.95
1,125,000	31/01/2005	01/01/2008	31/01/2008	$1.95
2,250,000	31/01/2005	01/01/2009	31/01/2009	$1.95

Superannuation Commitments

Employees and the employer contribute to a number of complying accumulation funds at varying percentages of salaries and wages. The consolidated entity's contributions are not legally enforceable other than those payable in terms of ratified award obligations required by the Occupational Superannuation Act.

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26. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

C. G. B. Rubino	Chairman
R. Velletri	Managing Director
I. Tollman	Director (Non-Executive)
P. J. Dempsey	Director (Non-Executive)

(ii) Specified Executives

D. Foti	General Manager, Engineering Construction Western Region
D. J. Mutch	General Manager, Engineering Construction Eastern Region
A. Erdash	General Manager, Maintenance & Industrial Services Western Region
M. Jansen	General Manager, Maintenance & Industrial Services Eastern Region
G. Everist	Chief Financial Officer and Company Secretary

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

The Remuneration Committee of the Board of Directors of Monadelphous Group Limited is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by 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. Such officers are given the opportunity to receive their base emolument 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.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. All executive directors and executives have the opportunity to qualify for participation in the Employee Share Option Plan which currently provides incentives where specified criteria are met.

(ii) Remuneration of Specified Directors and Specified Executives

		PRIMARY			POST EMPLOYMENT		EQUITY	OTHER	TOTAL
		Salary & Fees	Cash Bonuses STI	Non Monetary Benefits	Superan-nuation	Retirement Benefits	Options LTI		
Specified Directors									
C. G. B. Rubino	**2005**	**289,999**	**Nil**	**Nil**	**11,562**	**Nil**	**Nil**	**Nil**	**301,561**
	2004	289,999	Nil	Nil	11,000	Nil	Nil	Nil	300,999
R. Velletri	**2005**	**317,697**	**10,000**	**Nil**	**11,562**	**Nil**	**46,878**	**Nil**	**386,137**
	2004	297,596	Nil	Nil	11,000	Nil	35,865	Nil	344,461
I. Tollman	**2005**	**27,500**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**27,500**
	2004	22,917	Nil	Nil	Nil	Nil	4,198	Nil	27,115
P. J. Dempsey	**2005**	**45,000**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**45,000**
	2004	40,000	Nil	Nil	Nil	Nil	Nil	Nil	40,000
Total Remuneration: Specified Directors									
	2005	**680,196**	**10,000**	**Nil**	**23,124**	**Nil**	**46,878**	**Nil**	**760,198**
	2004	650,512	Nil	Nil	22,000	Nil	40,063	Nil	712,575

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

26. DIRECTOR AND EXECUTIVE DISCLOSURES (CONT'D)

		PRIMARY			POST EMPLOYMENT		EQUITY	OTHER	TOTAL
		Salary & Fees	Cash Bonuses STI	Non Monetary Benefits	Superan-nuation	Retirement Benefits	Options LTI		
Specified Executives									
D. Foti	**2005**	**247,429**	**20,000**	**Nil**	**11,562**	**Nil**	**24,270**	**Nil**	**303,261**
	2004	229,149	Nil	Nil	11,000	Nil	17,933	Nil	258,082
D. J. Mutch	**2005**	**210,133**	**8,000**	**Nil**	**11,562**	**Nil**	**19,285**	**Nil**	**248,980**
	2004	197,960	Nil	Nil	11,000	Nil	17,933	Nil	226,893
A. Erdash	**2005**	**228,822**	**8,000**	**Nil**	**11,562**	**Nil**	**22,513**	**Nil**	**270,897**
	2004	211,705	Nil	Nil	11,000	Nil	19,695	Nil	242,400
M. Jansen	**2005**	**200,508**	**8,000**	**Nil**	**11,562**	**Nil**	**19,285**	**Nil**	**239,355**
	2004	184,479	Nil	Nil	11,000	Nil	17,933	Nil	213,412
G. Everist	**2005**	**201,686**	**8,000**	**Nil**	**11,562**	**Nil**	**14,367**	**Nil**	**235,615**
	2004	183,919	Nil	Nil	11,000	Nil	2,524	Nil	197,443
Total Remuneration: Specified Executives									
	2005	**1,088,578**	**52,000**	**Nil**	**57,810**	**Nil**	**99,720**	**Nil**	**1,298,108**
	2004	1,007,212	Nil	Nil	55,000	Nil	76,018	Nil	1,138,230

(c) Remuneration options: Granted and vested during the year

During the financial year, options were granted as equity compensation benefits to certain and specified executives as disclosed on page 67. The options were issued for nil consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price of $1.95. The options may only be exercised over a period commencing two years after grant date and expire four years after grant date. The options granted vest over a four year period based on the conditions stipulated in the Employee Option Plan.

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26. DIRECTOR AND EXECUTIVE DISCLOSURES (CONT'D)

		TERMS & CONDITIONS FOR EACH GRANT					
	Vested Number	Granted Number	Grant Date	Value Per Option at Grant Date ($)	Exercise Price Per Share ($)	First Exercise Date	Last Exercise Date
Specified Directors							
R. Velletri	200,000						
		150,000	31/01/05	1.16	1.95	01/01/2007	31/01/2007
		150,000	31/01/05	1.16	1.95	01/01/2008	31/01/2008
		300,000	31/01/05	1.16	1.95	01/01/2009	31/01/2009
Specified Executives							
D. Foti	100,000						
		80,000	31/01/05	1.16	1.95	01/01/2007	31/01/2007
		80,000	31/01/05	1.16	1.95	01/01/2008	31/01/2008
		160,000	31/01/05	1.16	1.95	01/01/2009	31/01/2009
D. Mutch	100,000						
		50,000	31/01/05	1.16	1.95	01/01/2007	31/01/2007
		50,000	31/01/05	1.16	1.95	01/01/2008	31/01/2008
		100,000	31/01/05	1.16	1.95	01/01/2009	31/01/2009
A. Erdash	100,000						
		50,000	31/01/05	1.16	1.95	01/01/2007	31/01/2007
		50,000	31/01/05	1.16	1.95	01/01/2008	31/01/2008
		100,000	31/01/05	1.16	1.95	01/01/2009	31/01/2009
M. Jansen	100,000						
		50,000	31/01/05	1.16	1.95	01/01/2007	31/01/2007
		50,000	31/01/05	1.16	1.95	01/01/2008	31/01/2008
		100,000	31/01/05	1.16	1.95	01/01/2009	31/01/2009
G. Everist							
		50,000	31/01/05	1.16	1.95	01/01/2007	31/01/2007
		50,000	31/01/05	1.16	1.95	01/01/2008	31/01/2008
		100,000	31/01/05	1.16	1.95	01/01/2009	31/01/2009
Total	600,000	1,720,000					

(d) Shares issued on exercise of remuneration options

	SHARES ISSUED NUMBER	PAID $ PER SHARE	UNPAID $ PER SHARE
Specified Directors			
R. Velletri	200,000	0.42	-
Specified Executives			
D. Foti	100,000	0.42	-
D. Mutch	100,000	0.42	-
M. Jansen	100,000	0.42	-
A. Erdash	100,000	0.56	-
Total	600,000		

Notes to and forming part of the Financial Statements (cont'd)

Year ended 30 June 2005

26. DIRECTOR AND EXECUTIVE DISCLOSURES (CONT'D)

(e) Option holdings of specified directors and specified executives

VESTED AT 30 JUNE 2005

	Balance at beginning of period 1 July 2004	Granted as Remuner-ation	Options Excercised	Net Change Other	Balance at end of period 30 June 2005	Total	Not exercisable	Exercisable
Specified Directors								
C. G. B. Rubino	-	-	-	-	-	-	-	-
R. Velletri	600,000	600,000	(200,000)	-	1,000,000	-	-	-
I. Tollman	-	-	-	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-	-	-	-
Specified Executives								
D. Foti	300,000	320,000	(100,000)	-	520,000	-	-	-
D. J. Mutch	300,000	200,000	(100,000)	-	400,000	-	-	-
A. Erdash	350,000	200,000	(100,000)	-	450,000	-	-	-
M. Jansen	300,000	200,000	(100,000)	-	400,000	-	-	-
G. Everist	200,000	200,000	-	-	400,000	-	-	-
Total	2,050,000	1,720,000	(600,000)	-	3,170,000	-	-	-

(f) Shareholdings of specified directors and specified executives

Shares held in Monadelphous Group Limited	Balance at 1 July 2004	Granted as Remuner-ation	On Excercise of Options	Net Change Other	Balance 30 June 2005
Specified Directors					
C. G. B. Rubino	8,004,000	-	-	-	8,004,000
R. Velletri	1,400,000	-	200,000	(200,000)	1,400,000
I. Tollman	756,152	-	-	-	756,152
P. J. Dempsey	24,000	-	-	24,000	48,000
Specified Executives					
D. Foti	1,054,816	-	100,000	-	1,154,816
D. J. Mutch	265,600	-	100,000	(253,600)	112,000
A. Erdash	40,000	-	100,000	(8,000)	132,000
M. Jansen	374,444	-	100,000	(118,200)	356,244
G. Everist	-	-	-	-	-
Total	11,919,012	-	600,000	(555,800)	11,963,212

(g) Loans to specified directors and specified executives

(i) Details of aggregates of loans to specified directors and specified executives are as follows:

No directors or executives had any loans during the reporting period.

(h) Other transactions and balances with specified directors and specified executives

There were no other transactions and balances with specified directors and specified executives.

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	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		2005 $	2004 $	**2005 $**	2004 $
27. AUDITORS' REMUNERATION					
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		**110,200**	95,400	**7,500**	5,000
- Other services in relation to the entity and any other entity in the consolidated entity		**112,500**	135,445	**-**	-
		222,700	230,845	**7,500**	5,000

28. RELATED PARTY DISCLOSURES

Wholly-owned group transactions

Loans

During the year, funds have been advanced between entities within the consolidated entity for the purposes of working capital requirements only. The aggregate of amounts due from wholly owned controlled entities at balance date is $123,435,110 (2004: $88,652,299). All loans are interest free and have no fixed repayment date.

The aggregate amount payable by the parent entity to wholly-owned controlled entities at the balance date is $125,643,720 (2004: $84,987,892). The amounts are interest free and have no fixed repayment date.

Ultimate parent

Monadelphous Group Limited is the ultimate Australian holding company.

29. SUBSEQUENT EVENTS

There are no matters or circumstances that 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.

Subsequent to the end of the reporting period, the Company won further work in the iron ore industry, securing a $65 million contract with BHP Billiton Iron Ore for construction work associated with the Rapid Growth Project 2 at the Nelson Point and Finucane Island port facilities in Port Hedland, Western Australia.

On 22 August 2005, the directors of Monadelphous Group Limited declared a final dividend on ordinary shares in respect of the 2005 financial year. The total amount of the dividend is $7,189,957, which represents a fully franked dividend of 9 cents per share. This dividend has not been provided for in the 30 June 2005 Financial Statements.

30. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date, are as follows:

Fixed Interest Rate Maturing in:

FIXED INTEREST RATE MATURING IN:

FINANCIAL INSTRUMENT	FLOATING INTEREST RATE		1 YEAR OR LESS		OVER 1 TO 5 YEARS		MORE THAN 5 YEARS		NON-INTEREST BEARING		TOTAL		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000	**2005 %**	2004 %
(i) Financial Assets														
Cash assets	**22,237**	15,864	**-**	-	**-**	-	**-**	-	**-**	-	**22,237**	15,864	**5.00**	4.75
Listed shares	**-**	-	**-**	-	**-**	-	**-**	-	**-**	332	**-**	332	**N/A**	N/A
Other debtors	**-**	-	**-**	-	**-**	-	**-**	-	**454**	5,391	**454**	5,391	**N/A**	N/A
Receivables - trade	**-**	-	**-**	-	**-**	-	**-**	-	**50,829**	39,773	**50,829**	39,773	**N/A**	N/A
Total Financial Assets	**22,237**	15,864	**-**	-	**-**	-	**-**	-	**51,283**	45,496	**73,520**	61,360		
(ii) Financial Liabilities														
Payables	**-**	-	**-**	-	**-**	-	**-**	-	**35,417**	28,084	**35,417**	28,084	**N/A**	N/A
Interest bearing liabilities	**-**	-	**91**	93	**-**	82	**-**	-	**-**	-	**91**	175	**6.79**	6.79
Hire Purchase liabilities	**-**	-	**5,626**	2,693	**11,805**	4,390	**-**	-	**-**	-	**17,431**	7,083	**6.62**	6.39
Total Financial Liabilities	**-**	-	**5,717**	2,786	**11,805**	4,472	**-**	-	**35,417**	28,084	**52,939**	35,342		

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30. FINANCIAL INSTRUMENTS (CONT'D)

(b) Net fair values of financial assets and liabilities

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date, are as follows:

	CARRYING AMOUNT		AGGREGATE NET FAIR AMOUNT	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
(i) FINANCIAL ASSETS				
Cash	**22,237**	15,864	**22,237**	15,864
Listed shares	**-**	332	**-**	332
Other debtors	**454**	5,391	**454**	5,391
Receivables – trade	**50,829**	39,773	**50,829**	39,773
Total Financial Assets	**73,520**	61,360	**73,520**	61,360
(ii) FINANCIAL LIABILITIES				
Payables	**35,417**	28,084	**35,417**	28,084
Interest bearing liabilities	**91**	175	**91**	175
Hire Purchase liability	**17,431**	7,083	**17,431**	7,083
Total Financial Liabilities	**52,939**	35,342	**52,939**	35,342

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Recognised financial instruments

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

Receivables, payables and interest bearing liabilities: The carrying amount approximates fair value.

Listed Shares: Fair value is the current quoted market bid price, adjusted for transaction costs necessary to realise the asset or settle the liability.

(c) Credit risk exposures

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount, net of any provision for doubtful debts, of those assets as indicated in the Statement of Financial Position.

Concentration of credit risk

The consolidated entity minimises concentrations of credit risk in relation to accounts receivable by undertaking transactions with a large number of customers within the resources and petrochemical industries. However, all of the customers are concentrated in Australia.

31. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Monadelphous Group Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004, the company allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, Monadelphous Group Limited established a project team to address each of the areas in order of priority. An AIFRS steering committee was established to oversee the progress of the project and make necessary decisions. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Monadelphous Group Limited's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Monadelphous Group Limited prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

The project team is continuing its assessment of the impact of AASB 112 Income Taxes, and this assessment will be completed by December 2005.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimate of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project team; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Adjustments to equity as presented under AGAAP

To date, the following transition adjustments have been identified:

	NOTES	CONSOLIDATED		MONADELPHOUS GROUP LIMITED	
		30 June 2005 $'000**	1 July 2004* $'000	**30 June 2005** $'000**	1 July 2004* $'000
Adjustments to retained earnings (net of tax)					
Write-back of goodwill amortisation	(i)	**189**	-	**-**	-
Recognition of share-based payment expense	(ii)	**(202)**	(18)	**(202)**	(18)
Adjustments to other reserves (net of tax)					
Employee equity benefits reserve	(ii)	**202**	18	**202**	18

* This column represents the adjustments as at the date of transition to AIFRS

** This column represents the adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005

(i) Under AASB 3 Business Combinations, goodwill would not be permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the group amortises goodwill over 5 years.

(ii) Under AASB 2 Share Based Payments, the company would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share based payment costs are not recognised under AGAAP.

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31. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (CONT'D)

(a) Adjustments to equity as presented under AGAAP (cont'd)

(iii) Under AASB 112 Income Taxes, the Group, as at the date of acquisition, must recognise the tax effect of fair value adjustments in a business combination, which in turn would affect the amount of goodwill recognised. Such deferred taxes are not recognised under AGAAP. The project team is continuing its assessment of the impact of AASB 112 Income Taxes, and this assessment will be completed by December 2005. Management do not believe that this adjustment will be material.

(iv) AASB 112 Income Taxes requires the Group to use a balance sheet liability method, rather than the current income statement method, which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a deferred tax liability in relation to revalued assets. Under AGAAP, the tax effects of asset revaluations are not recognised and on transition to AIFRS, there will be an increase in the deferred tax liability of $123,000 as at 1 July 2004. The project team is continuing its assessment of the impact of AASB 112 Income Taxes, and this assessment will be completed by December 2005.

(v) Under AASB 136 Impairment of Assets, the Group's assets including goodwill would be tested for impairment as part of the cash generating unit to which they belong and any impairment losses recognised in the income statement. The project team is continuing its assessment of the impact of AASB 136 Impairment of Assets, and this assessment will be completed by December 2005.

Management has decided to apply the exemption provided in AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards which permits entities not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. Monadelphous Group Limited is in the process of determining the impact that adopting the standards would have on the financial statements of the Group.

(b) Adjustments to net profit as presented under AGAAP

To date, the following transition adjustments have been identified:

	NOTES	CONSOLIDATED	MONADELPHOUS GROUP LIMITED
		$'000	$'000
Write-back of goodwill amortisation	(i)	189	-
Share-based payment expense	(ii)	(184)	(184)

(i) Under AASB 3 Business Combinations, goodwill is not permitted to be amortised but instead is subject to annual impairment testing. Currently, the group amortises goodwill over its useful life of 5 years. Under the new policy, amortisation would no longer be charged, but goodwill would be written down to the extent it is impaired.

(ii) Under AASB 2 Share Based Payments, the company would recognise the fair value of options issued to employees as remuneration as an expense on a pro-rata basis in the income statement. Share-based payment costs are not recognised under AGAAP. This would result in a decrease in profit from AGAAP to AIFRS.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

Corporate Governance Statement

Year ended 30 June 2005

The Board of Directors of Monadelphous Group Limited (Monadelphous) is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Monadelphous on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement changed with the introduction of the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. Monadelphous' Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations which are as follows:

Principle 1: Lay solid foundations for management and oversight

Principle 2: Structure the board to add value

Principle 3: Promote ethical and responsible decision making

Principle 4: Safeguard integrity in financial reporting

Principle 5: Make timely and balanced disclosure

Principle 6: Respect the rights of shareholders

Principle 7: Recognise and manage risk

Principle 8: Encourage enhanced performance

Principle 9: Remunerate fairly and responsibly

Principle 10: Recognise the legitimate interests of stakeholders

Monadelphous' Corporate Governance practices were formalised throughout the year ended 30 June 2004 and comply in all material respects with the Council's best practice recommendations.

For further information on Corporate Governance policies adopted by Monadelphous Group Limited refer to our website:

www.monadel.com.au

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Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on page 27. Directors of Monadelphous are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, Mr P. J. Dempsey is considered to be an independent director.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The Board believes that while the Chairman is not independent and a majority of the directors are not independent, the current composition of the Board and its combined skills and capability, best serve the interests of the shareholders.

The term in office held by each director in office at the date of this report is as follows:

C. G. B. Rubino	15 years	(Executive Director)
R. Velletri	13 years	(Executive Director)
I. Tollman	13 years	(Non-Executive Director)
P. J. Dempsey	2 years	(Non-Executive Director)

Nomination Committee

The Board has established a nomination committee which will meet half-yearly, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The nomination committee comprises of two executive directors and one non-executive director. Members of the nomination committee throughout the year were:

C. G. B. Rubino (Chairman)
R. Velletri
P. J. Dempsey

For details of directors' attendance at meetings of the nomination committee, refer to page 35 of the Directors' Report.

Corporate Governance Statement (cont'd)

Year ended 30 June 2005

Audit Committee

The Board has established an audit committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The audit committee comprises of two non-executive directors and one executive director. The members of the audit committee during the year were:

P. J. Dempsey (Chairman)
C. G. B. Rubino
I. Tollman

Qualifications of audit committee members

P. J. Dempsey has over 30 years experience in the management of risks associated with the industry in which we operate.

C. G. B. Rubino has significant experience in the management of Monadelphous having served as the managing director of Monadelphous for 13 years.

I. Tollman has significant experience in the management of Monadelphous having served as the finance director of Monadelphous for 11 years.

For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to page 35 of the Directors' Report.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the nomination committee conducted performance evaluations which involved an assessment of the Board's and each key executive's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which the Board and executives are assessed is aligned with the financial and non-financial objectives of Monadelphous. Directors whose performance is consistently unsatisfactory may be asked to retire.

Remuneration

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the remuneration committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives
- Attraction of quality management to the company
- Performance incentives which allow executives to share the rewards of the success of Monadelphous.

For details on the amount of remuneration and all monetary and non-monetary components for each of the five (non-director) executives during the year and for all directors, refer to page 33 of the Directors' Report. In relation to the issuing of options, discretion is exercised by the Board, having regard to the overall performance of Monadelphous and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive team. The Board has established a remuneration committee, comprising two executive directors and one non-executive director. Members of the remuneration committee throughout the year were:

C. G. B. Rubino (Chairman)
R. Velletri
I. Tollman

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to page 35 of the Directors' Report.

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Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current at 31 August 2005.

a) Distribution of equity securities

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

Category (Size of Holdings)	Number of Ordinary Shareholders	Number of Ordinary Shares	% of Issued Capital
1 – 1,000	288	194,789	0.24
1,001 – 2,000	1,138	3,321,907	4.16
5,001 – 10,000	625	4,723,793	5.91
10, 001 – 100,000	907	23,614,893	29.56
100,001 – 9,999,999	79	48,033,026	60.13
Total	3,037	79,888,408	100.00

The number of shareholders holding less than marketable parcels is 9.

b) Twenty largest shareholders

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

Rank	Name	Units	% of Issued Capital
1	Invia Custodian Pty Limited (Black Account)	8,271,000	10.35
2	Giovanni Nominees Pty Ltd (Family Fund Account)	8,004,000	10.02
3	National Nominees Limited	7,302,233	9.14
4	ANZ Nominees Limited (Cash Income Account)	3,051,843	3.82
5	J P Morgan Nominees Australia Limited	2,054,751	2.57
6	Mr Robert Velletri (The Velletri Family Account)	1,400,000	1.75
7	Wilmar Enterprises Pty Ltd	1,161,000	1.45
8	Citicorp Nominees Pty Limited (CFSIL CWLTH BOFF Super Account)	1,018,992	1.28
9	Carramar Pty Ltd	1,000,000	1.25
10	Cogent Nominees Pty Limited	787,024	0.99
11	Stalow Holdings Pty Ltd	720,000	0.90
12	Health Super Pty Ltd (C/- National Nominees Limited)	560,000	0.70
13	Frank Hadley Pty Ltd	492,772	0.62
14	Mr Dino Foti	410,000	0.51
15	Ahrens Engineering Pty Ltd	400,000	0.50
16	Miss Mary Carol Hughes	400,000	0.50
17	Mrs Ivy Nada Foti	390,000	0.49
18	Westpac Custodian	386,888	0.48
19	Foti D & Foti I (Family Account)	326,816	0.41
20	Balno Pty Ltd	312,000	0.39
	Total	38,449,319	48.12

c) Substantial shareholders

The names of the substantial shareholders listed in the holding company's register are:

Shareholder	Ordinary Shares	% Held
Invia Custodian Pty Limited (Black Account)	8,271,000	10.35
Giovanni Nominees Pty Ltd (Family Fund Account)	8,004,000	10.02
National Nominees Limited	7,302,233	9.14

d) Voting rights

No restrictions. On a show of hands every member or proxy present shall be entitled to one vote unless a poll is called in which case every share shall have one vote.

e) Stock exchange listing

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

Investor Information

Year ended 30 June 2005

Annual General Meeting

The Annual General Meeting will be held at the registered office of Monadelphous Group Limited, 1-4 Sleat Road, Applecross on Tuesday 22 November 2005 at 10.00am. Full details of the meeting are contained in the Notice of Annual General Meeting sent with this report.

Dividends

The following options are available regarding payment of dividends:

i) By cheque payable to the shareholder; or
ii) By direct deposit to a bank, building society or credit union account

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

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

Shareholder Enquiries

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

Computershare Registry Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, WA 6000

Enquiries:	1300 557 010 (Free call within Australia)
	+618 9615 5970 (Outside Australia)
Facsimile	(08) 9323 2033
Email:	perth.services@computershare.com.au
Website:	www.computershare.com

All written enquiries should include your Holder Identification Number as it appears on your Holding Statement along with your current address.

Change of address

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

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Lost holding statements

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

Change of name

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

Tax file numbers (TFN)

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

Monadelphous publications

The company's Annual Report is the main source of information for investors and is mailed to shareholders in October. Shareholders who do not wish to receive the Annual Report should advise the Share Registry. Monadelphous Group Limited financial reports are also available on its website (refer below).

Information about Monadelphous

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

Monadelphous Group Limited
PO Box 365
Applecross, WA 6953

Telephone: (08) 9316 1255
Facsimile: (08) 9316 1950

Monadelphous website

Information about Monadelphous Group Limited is available on the internet at **www.monadel.com.au**

Notes

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Engineering

Monadelphous

Contact Details

Perth

1 Sleat Road
Applecross, Western Australia 6153
PO Box 365
Applecross, Western Australia 6953

Tel: +618 9316 1255
Fax: +618 9316 1950
Email: monadel@monadel.com.au

Brisbane

Level 5, 301 Coronation Drive
Milton, Queensland 4064
PO Box 1872
Milton, Queensland 4064

Tel: +617 3368 6700
Fax: +617 3368 6777
Email: eastprojects@monadel.com.au

Kalgoorlie

Lot 45 Great Eastern Highway
Kalgoorlie, Western Australia 6430
PO Box 2023
Boulder, Western Australia 6432

Tel: +618 9021 2111
Fax: +618 9021 2133
Email: kalmanager@monadel.com.au

Gladstone

47 Benaraby Road
Gladstone, Queensland 4680
PO Box 891
Gladstone, Queensland 4680

Tel: +617 4979 3344
Fax: +617 4979 3331
Email: gladmanager@monadel.com.au

Mount Isa

4 Kolongo Crescent
Mount Isa, Queensland 4825
PO Box 514
Mount Isa, Queensland 4825

Tel: +617 4743 4600
Fax: +617 4743 7622
Email: isamanager@monadel.com.au

Darwin

Muramats Road, Hudson Creek
Berrimah, Northern Territory 0828
PO Box 38057
Winnellie, Northern Territory 0821

Tel: +618 8947 1671
Fax: +618 8947 1679
Email: darmanager@monadel.com.au

Gove

PO Box 145
Nhulunbuy, Northern Territory 0881

Tel: +618 8987 2550
Fax: +618 8987 2557
Email: govmanager@monadel.com.au

Muswellbrook

Lot 111 Denman Road
Muswellbrook, New South Wales 2333
PO Box 64
Muswellbrook, New South Wales 2333

Tel: +612 6543 2355
Fax: +612 6542 5477
Email: musmanager@monadel.com.au

Roxby Downs

7 Charlton Road
Olympic Dam, South Australia 5725
PO Box 93
Olympic Dam, South Australia 5725

Tel: +618 8671 0020
Fax: +618 8671 0120
Email: roxmanager@monadel.com.au

Skystar Airport Services Pty Ltd

Box 2 Perth International Airport
Horrie Miller Drive
Newburn, Western Australia 6104

Tel: +618 9479 8100
Fax: +618 9479 8101
Email: skystar@monadel.com.au

MI & E Holdings Pty Ltd

11 Bassett Street
Gladstone, Queensland 4680
PO Box 298
Gladstone, Queensland 4680

Tel: +617 4971 8555
Fax: +617 4971 8500
Email: mie@mie.net.au

13237_Creative Nature

Monadelphous

www.monadel.com.au

Integrity & Respect Valuing Our People Delivering Quality Reliability & Flexibility Performance Focused