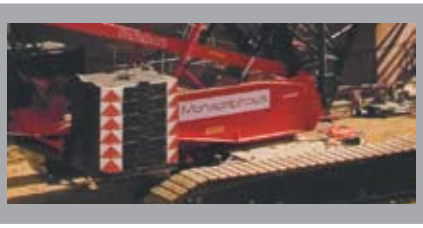

Monadelphous

Engineering Success

Annual Report 2006

Monadelphous

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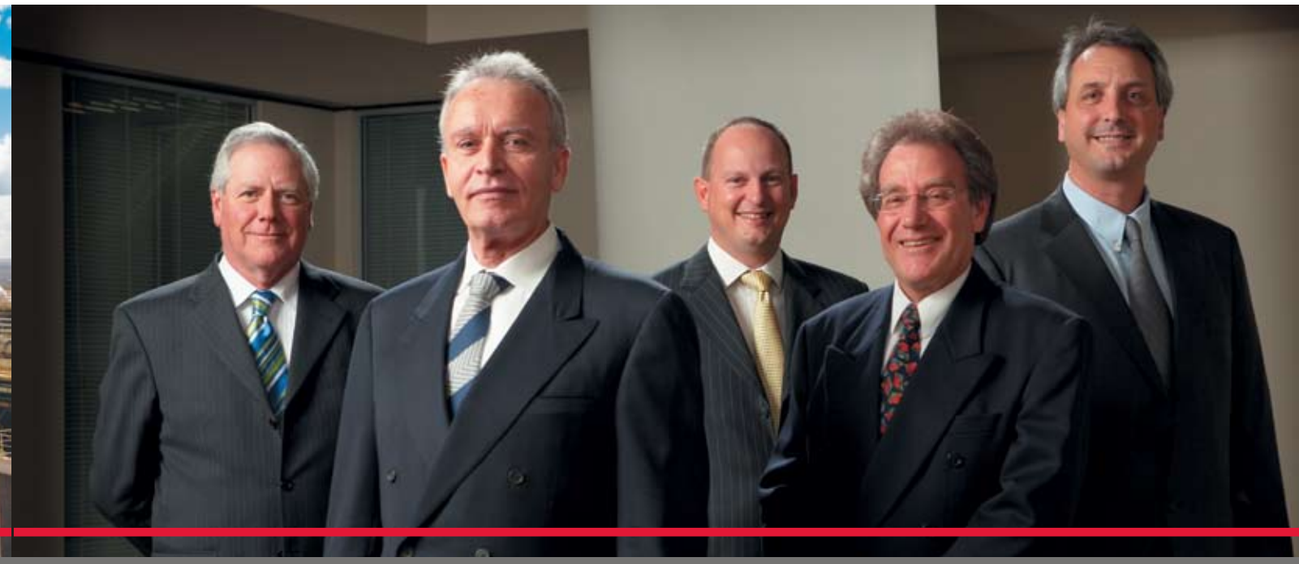
Cover image: BHP Billiton Nickel Project Ravensthorpe, Sulphuric Acid Plant Construction.



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

In over 30 years of successful operation, Monadelphous has built a solid track record in the timely, safe and reliable delivery of major multi-disciplinary construction projects and a variety of maintenance and industrial service solutions for customers throughout Australia.

As a highly customer-focused organisation, uniquely capable of providing value solutions for diverse of customer requirements, Monadelphous has earned a reputation for engineering excellence. The company's long history of consistently delivering superior service is fundamental to its success.

With major offices located in Perth and Brisbane and the continuing development of regional engineering support operations, the company is well positioned to maximise its core business and diversify into key industry sectors around Australia.

Our Purpose

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

Engineering Construction

Provides large scale multi-disciplinary project management and construction services including:

- Fabrication and installation of structural steel, tankage, mechanical and process equipment and piping.
- Multi-disciplined construction packages including civil and electrical disciplines.
- Plant commissioning.
- Demolition and remediation works.
- Turnkey design and construct services.

Maintenance & Industrial Services

Offering mechanical and electrical engineering 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.
- Specialist electrical and instrumentation services.

Aviation Services

- Skystar, airport ground handling services.

Board Members (from left to right)

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

John Rubino *Chairman*
Appointed to the Board 18 January 1991. Over 40 years experience in the construction and engineering industry.

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

Irwin Tollman *Non-Executive Director*
Appointed to the Board 26 August 1992. Chartered Accountant, Member Institute of Chartered Accountants, Australia. Over 15 years experience in the construction and engineering industry.

Robert Velletri *Managing Director*
Appointed to the Board 26 August 1992. Mechanical Engineer, Corporate Member of the Institute of Engineers Australia. Over 25 years experience in the construction and engineering industry.

Integrity & Respect

Chairman's Report to the Shareholders

John Rubino *Chairman*

"This year's outstanding accomplishment continues a remarkable trend of record financial performance."

I am delighted to report to shareholders that Monadelphous Group Ltd has recorded outstanding financial results for the year ended June 30, 2006.

Profit after tax for the year was up 76% to $29.4 million, from a 36% increase in sales revenue to $532 million. Earnings before interest, tax, depreciation and amortisation were $49 million, up 68% on the previous corresponding period. Earnings per share increased 72% to 36.5 cents per share.

The Board declared an ordinary final dividend of 15 cents per share fully franked, together with a special dividend of 9 cents per share fully franked.

This will take the total dividends payouts to shareholders for 2005/06 to 33 cents per share fully franked, following a 9 cent per share interim dividend – an increase of 71% on 2004/05.

The payment of the special dividend followed the company's previously stated intention of paying special dividends with the final dividend for the 2005/06 and 2006/07 financial years, based on strong trading conditions and a healthy balance sheet.

The year's exceptional performance continues a remarkable trend of record financial performance over recent years, driven by strong demand for Australian resources and the company's preferred status with its customers as a safe and reliable service provider.

Monadelphous has now recorded compound annual growth in earnings per share over the past five years of 50% per annum.

The Engineering Construction division continued its growth trend with sales revenue increasing 21% on the previous corresponding period to $289 million.

Sales revenue from the Maintenance and Industrial Services division increased a healthy 61% to $243 million, in the reporting period. This result also included:

- A strong performance from the Queensland-based electrical and instrumentation company MIE (Murray Instrumentation and Electrical) with first full year revenue contribution of $26 million, following its acquisition by Monadelphous in May 2005.
- The company's subsidiary Skystar Airport Services continued to grow with a doubling of revenue to $15 million.

Strategic Challenges

Along with the more immediate challenge for the company's Board and executive team of managing and controlling a rapidly growing business are the longer term challenges of building a more sustainable and diversified revenue base and also limiting the company's reliance on the mining and minerals sector. This drive will include maintaining a focus on building recurring revenues through growth of the Maintenance and Industrial Services division.

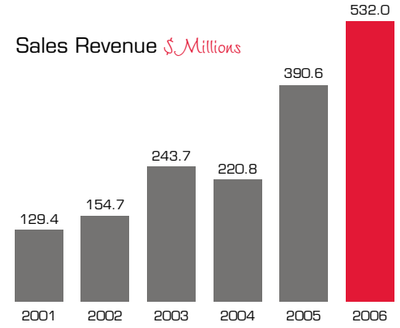
Monadelphous has been working on a number of fronts to tackle this challenge, including:

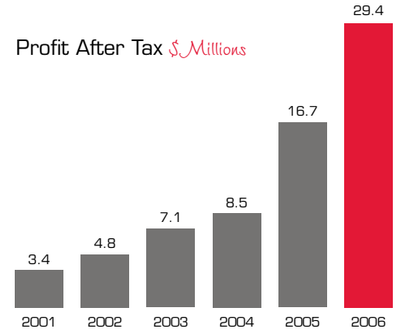
- Broadening the company's capabilities to include electrical and instrumentation services.
- Establishing a separate business unit to develop a more focused pursuit of opportunities in the oil and gas, power and water industry sectors.
- Committing specific resources to pursue acquisitions aimed at achieving the company's diversification and business growth objectives.

Monadelphous

Financial Summary 2005-2006

	2006 $000m	2005 $000	% Change
Sales Revenue	$532.0m	$390.6m	+36%
EBITDA	$49.0m	$29.0m	+68%
Net Profit After Tax	$29.4m	$16.7m	+76%
Earnings Per Share	36.5 c	21.1 c	+72%
Total Dividends	33.00 cps ff	19.25 cps ff	+71%
Operating Cash Flow	$66.8m	$24.0m	+179%
Cash	$61.6m	$22.2m	+177%
Capital Expenditure	$24.2m	$18.7m	+29%
Return on Equity	47.3%	36.1%	+31%





Outlook

Monadelphous' core markets are continuing to show a strong demand trend with the project pipeline still looking solid for the next two to three years.

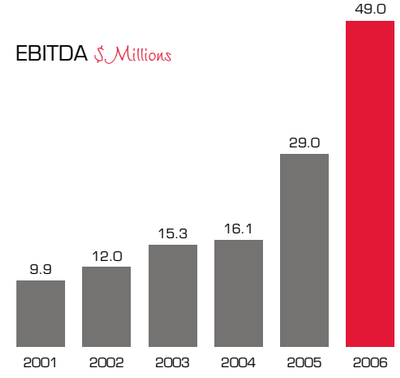
The company moved into the new financial year with a strong and high quality forward workload. Both revenues and earnings are expected to show some further improvement in the 2006/07 financial year, dependant on the timing of projects and the impact of capacity constraints.

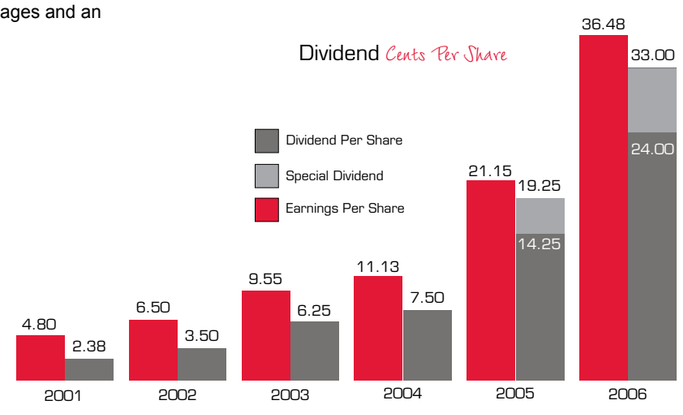
While growth prospects continue to be positive, it should be noted that the organic growth rates achieved by the company in the past two years are not considered to be sustainable in the longer term.

The company will continue to concentrate on earnings quality, particularly given the continuing skills shortages and an overheated supply chain.

John Rubino
Chairman

Engineering Success...

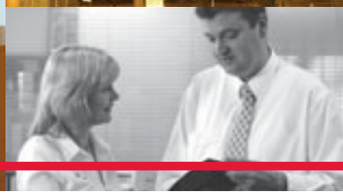




Managing Director's Report

Robert Velletri *Managing Director*

"Our performance is testimony to the terrific team at Monadelphous. I applaud and thank them for their dedication and commitment."



A strong resources market across all commodity sectors continued to drive Monadelphous' customers to maximise production and expand their operations in 2005/06.

The demand driven market, coupled with the company's strong competitive position, resulted in increasingly higher levels of activity across all of the company's operations. Rising revenues and improving margins delivered another steep increase in operating profit result together with a record operating cash flow of $66.8 million.

Engineering Construction

Highlights for the Engineering Construction division for the reporting period included substantial successful progress on a number of major contracts including:

- Expansion of iron ore stockyards associated with Rio Tinto Iron Ore's Dampier Port Upgrade project in Western Australia.
- Construction of the Sulphuric Acid Plant associated with BHP Billiton's Ravensthorpe Nickel Project in Western Australia.
- Extension of stockpile capacity at BHP Billiton Mitsubishi Alliance (BMA) Hay Point Coal Terminal at Mackay in Queensland.
- Major expansion of iron ore facilities associated with BHP Billiton's Rapid Growth Project (RGP2) at Nelson Point and Finucane Island at Port Hedland in Western Australia.
- Structural and mechanical works associated with the expansion of iron ore facilities at Rio Tinto Iron Ore's Yandicoogina mine in Western Australia.

In March 2006, the company reported its largest ever contract win for expansion works associated with BHP Billiton Iron Ore's Rapid Growth Project 3 (RGP3) at Port Hedland, Western Australia. The contract, valued at approximately $180 million, is scheduled for completion in the December quarter of 2007.

The company also announced on August 16, 2006, that it had been awarded a second major construction contract – valued at approximately $120 million – by BHP Billiton Iron Ore, associated with RGP3 for the expansion of Mining Area C iron ore facilities in the Pilbara region of Western Australia. The project is scheduled for completion in September 2007.

These contracts follow on from a number of highly successful projects undertaken for BHP Billiton Iron Ore demonstrating the company's strong relationship and reputation with this client, as well as Monadelphous' growing capability to deliver large scale projects.

Other major contracts secured during the year included:

- Structural, mechanical and electrical works for the Yabulu Nickel Extension Project at BHP Billiton's Yabulu Nickel Refinery at Townsville in Queensland.
- Structural and mechanical construction works for Rio Tinto Iron Ore's Dampier Port Upgrade Phase B project in Western Australia.
- Construction of the #3 Rail Receival Station associated with expansion of the Gladstone Port for Central Queensland Port Authority (CQPA) in Queensland.
- Structural and mechanical construction works associated with the Yandi Junction South East project at Rio Tinto Iron Ore's Yandicoogina mine in Western Australia.

Iron ore expansions in Western Australia continued to provide major opportunities for the division during 2005/06, with activity in the sector forecast to continue strongly for the next few years.

The division was restructured during the year to increase capacity and to penetrate industrial markets not tied to mineral commodity prices. As part of the company's diversification strategy, a new business unit was established to pursue opportunities in the oil and gas, power and water sectors.

Maintenance and Industrial Services

The Maintenance and Industrial Services division's results for 2005/06 reflected full year revenues from maintenance contracts won in the previous financial year in the rapidly growing Queensland market, together with strong performances from across all operations of the division.

The year saw the retention of all major services contracts together with the award and establishment of a number of new major maintenance service contracts with new customers.

The division continued to achieve significant growth in Queensland in 2005/06, with the award and commencement of a two-year mechanical services contract at Comalco's Boyne Smelter in Gladstone. The contract followed on from the successful establishment of a long-term contract at Comalco's Gladstone Refinery in 2004/05. Other major work secured in Queensland included a major maintenance shutdown contract with Incitec Pivot at their Gibson Island works in Brisbane.

In Western Australia, the division was also successful in securing two maintenance services contracts, each for a term of two years, for ongoing structural refurbishment works at Rio Tinto Iron Ore's Tom Price and Cape Lambert operations in the Pilbara.

Of particular importance was the division's success in winning a major services contract in the oil and gas sector. A two-year multi-disciplinary maintenance support services contract was secured with ConocoPhillips for the recently commissioned Darwin LNG facility in the Northern Territory. The contract involves the management and execution of mechanical, electrical and civil works for the facility, including planned shutdowns.

The company's subsidiary Skystar Airport Services secured new ground handling contracts with Singapore Airlines at Perth and Brisbane airports, Qantas at Kalgoorlie airport in Western Australia and Jetstar at Christchurch airport in New Zealand.

Health and Safety

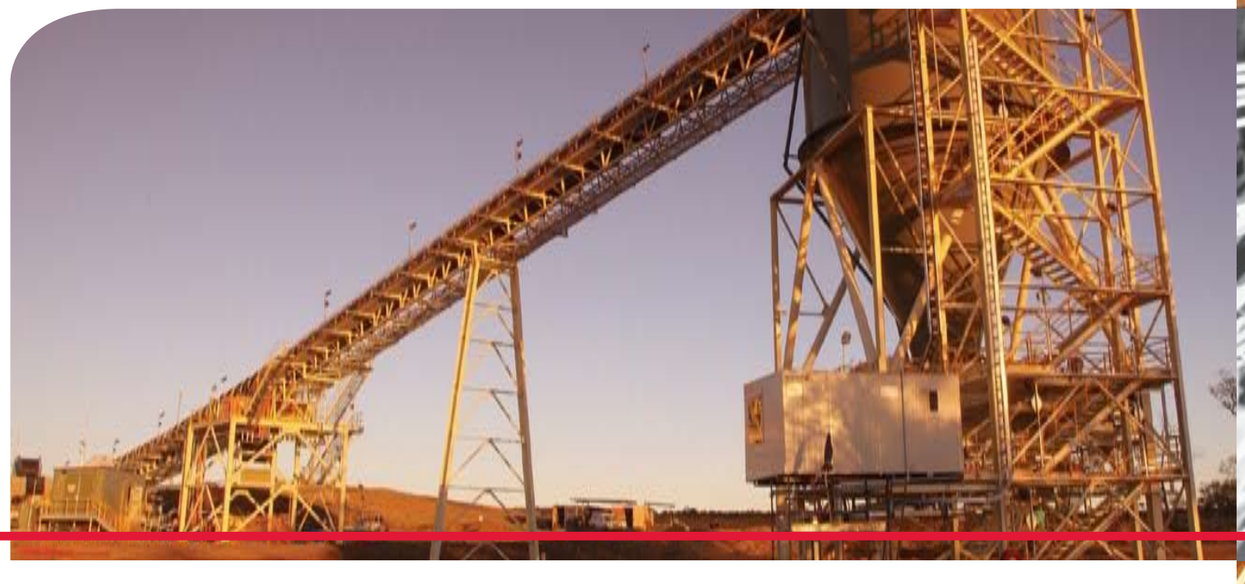
Monadelphous has continued with its drive to reduce injuries in the workplace, achieving a 23% reduction in the total case injury frequency rate over the previous year.

The company has a long-term program of initiatives aimed at achieving an ongoing reduction of injuries. Initiatives undertaken during the reporting period included the commencement of a company wide roll out of an upgraded health and safety management system and a customised management and supervisory training program.

Other highlights for the period included the achievement of over two million man hours lost time injury free by the Engineering Construction division and by the Roxby Downs operations in South Australia and the presentation of a silver certificate of achievement by WA Worksafe.

Delivering Quality

Managing Director's Report (cont'd)



Management and Development

The year has seen another major step in the growth and development of Monadelphous. The company has been successful in expanding its capability and capacity with workforce numbers increasing over 50% to around 3000 at year end.

Capital expenditure on field construction plant and equipment also continued at high levels, in line with the increasing volume of work.

Matching workload with capacity together with managing and controlling growth and the necessary change that goes along with it is a considerable challenge to the business.

Significant attention has been directed at ensuring our management development keeps pace with the volume growth of the business, in terms of both people and systems.

In the heightened environment of major skills shortages, a strategic focus on the attraction and retention of key people is vital. A number of retention plans have been implemented over recent years and it is pleasing that our retention rate, particularly in the senior ranks, has been excellent.

A number of other initiatives have been undertaken during the period including a graduate intake and development program, an employee referral program and a leadership and management development program.

Overseas recruitment, particularly for professional engineering and management personnel is now a regular feature of the company's recruitment program.

The company's management systems continue to develop with the growth of the business. During the reporting period the company continued to focus on improvements in risk management processes and its management and reporting systems.

Monadelphous has also made significant investment in the upgrade of its information technology and communication systems.

Outlook

Forward workload levels continue to be strong with the company successful in winning a number of increasingly larger engineering construction and maintenance services contracts during 2005/06.

The securing of over $500 million of new contracts since December 2005, into the first quarter of the new financial year, underpins an improved revenue performance for 2006/07.

The outlook remains positive for the next two to three years with high levels of resource development activity expected to continue to drive demand.

The flow of development projects in Western Australia and Queensland will continue to provide opportunities for both the Engineering Construction and Maintenance and Industrial Services divisions.

Rob Velletri
MANAGING DIRECTOR

Engineering Construction

From left to right; ***Dino Foti*** *Executive General Manager Engineering Construction,* ***David Mutch*** *General Manager Engineering Construction – Eastern Region,* ***Vittorio Tassone*** *General Manager Engineering Construction – Process and Infrastructure and* ***Mark Pensabene*** *General Manager Engineering Construction – Iron Ore*

Engineering Construction experienced another exceptional twelve months, securing several major contracts.

The majority of activity during the year related to the continued buoyancy in the mining and resources sector, with significant expansions undertaken to existing facilities in iron ore and coal. Most pleasing was the continuing repeat business associated with major customers, BHP Billiton and Rio Tinto, complemented by new major projects delivered for Xstrata and Central Queensland Port Authority.

A continued focus on health and safety as a priority in conjunction with comprehensive planning and training has achieved a lost time injury free record of over two million manhours.

Engineering Construction's rapid growth and plans for further diversification led to a national restructure of the division. The two regional market sectors (West and East) have expanded to three regional/industry market sectors:

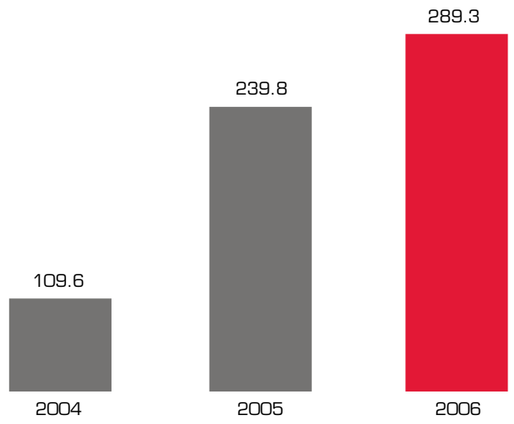
- Iron Ore (WA focus).
- Process and Infrastructure (WA/SA/NT focus).
- Eastern Region (QLD/NSW focus).

Dino Foti, who has been with the organisation for 15 years, heads the division as Executive General Manager.

Results

Engineering Construction contributed revenue of $289.3 million compared to $239.8 million in 2005, an increase of 21%. Since December 2005 the division has been awarded in excess of $500 million in new contracts which will underpin revenue growth for the 2006/07 financial year for the division.

Sales Revenue $ Millions

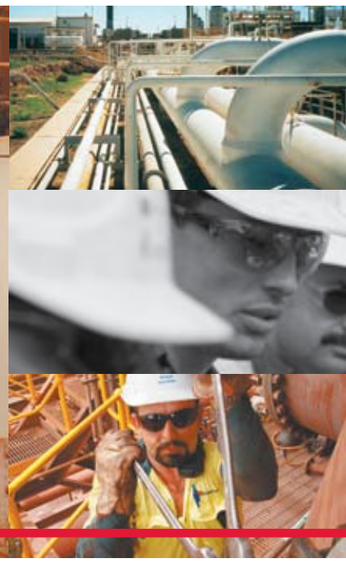


Highlights

- Award and completion of **BHP Billiton Iron Ore Rapid Growth Project 2**. The contract is for structural and mechanical works at the Nelson Point and Finucane Island facilities in Port Hedland. Valued at approximately $65 million the project was substantially completed in June 2006.
- Awarded **BHP Billiton Iron Ore Rapid Growth Project 3**. Valued at approximately $180 million, it represents the largest single contract ever awarded to Monadelphous. The contract is for structural and mechanical works at the Nelson Point and Finucane Island site to upgrade the existing port facilities and increasing the overall throughput.
- Progress of **Rio Tinto Iron Ore Dampier Port Upgrade (DPU) Phase A Project**. Commenced in January 2005 and due for completion August 2006, the project is to increase port capacity from 74 million tonnes per annum (Mtpa) to 95Mtpa. The contract for the Rail Car Dumper System and Ore Conveying System entailed drafting, fabrication, surface treatment, supply, installation and commissioning of structural, mechanical, piping and electrical works.
- Awarded **Rio Tinto Iron Ore Dampier Port Upgrade (DPU) Phase B Project**. The contract value of approximately $90 million builds on the strong relationship and the highly successful completion of earlier works. Phase B further increases capacity from 95Mtpa to 116Mtpa.
- Completion of **Rio Tinto Iron Ore Yandi 36 Expansion Project**. The Yandicoogina Mine contract was for construction of a complete ore processing circuit and associated conveyors increasing the capacity to 36Mtpa.
- Award and completion of **Rio Tinto Iron Ore Yandi Junction South East Expansion Project**. The contract was for structural, mechanical and piping installation works for primary and secondary crushers as part of the Yandicoogina mine ore processing facility.
- Award and commencement of **BHP Billiton Mitsubishi Alliance (BMA) Hay Point Coal Terminal**. The contract provides civil, structural, mechanical and electrical works for the construction of new coal handling conveyor systems and the supply and fabrication of two tripper structures.
- Award and commencement of **QNI** (**BHP Billiton) Yabulu Extension**. The contract consists of structural, mechanical, piping, tankage and electrical works for the construction of the nickel refinery wet plant.
- Commencement of **Aker Kvaerner Chemetics Ravensthorpe (BHP Billiton Nickel Project) Sulphuric Acid Plant**. The multi-discipline construction package involves structural erection, mechanical equipment installation including piping, duct work, pressure vessels and tankage.
- Award and commencement of **Central Queensland Port Authority (CQPA) Gladstone Port Rail Receival #3 Station**. In June 2006, the Monadelphous and Golding Contractors were awarded an alliance contract with CQPA for the civil, fabrication, construction and electrical works for the third rail unloading station.

Maintenance & Industrial Services

From left to right; Arif Erdash *General Manager Maintenance & Industrial Services West,* ***Mark Jansen*** *General Manager Maintenance & Industrial Services East*



Over the past twelve months the division has grown significantly with revenues increasing by 61%, compared with the previous year. This strong performance was underpinned by the division meeting its target to retain 100% of major contracts.

Strong customer relationships have enabled the division to secure and develop a number of significant contacts on both seaboards. New service contracts were awarded during the year with Boyne Smelters Limited, Incitec Pivot, Pilbara Iron and Alcoa World Alumina Australia.

In addition, the recent award of the Darwin LNG maintenance contract with ConocoPhillips has highlighted the company's ability to provide quality maintenance service solutions to the oil and gas industry.

The strong relationships with customers have enabled new safety initiatives to be implemented on sites, improving the safety standards. As a result, the total case injury frequency rate (TCIFR) has also improved significantly.

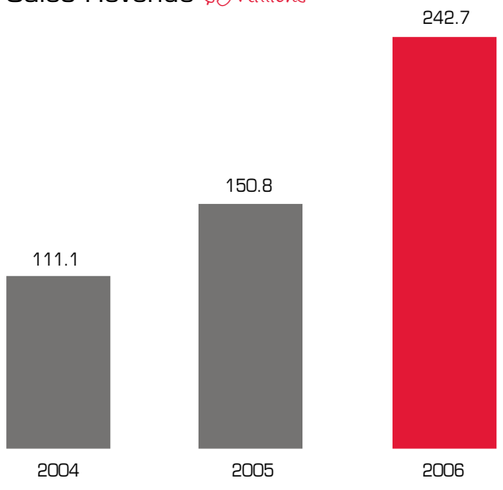
Strong market conditions and the level of activity across core markets led to outstanding performance from the Regional Operations.

Reliability & Flexibility

Results

The Maintenance and Industrial Services division contributed revenue of $242.7 million compared to $150.8 million in 2005, an increase of 61%.

Sales Revenue $Millions



Highlights

- Award and commencement of **Pilbara Iron Tom Price Operations**. The major contract for ongoing structural integrity works has a contract term of two years with a further one year option.
- Award and commencement of **Pilbara Iron Cape Lambert Operations**. Based on the success of the Tom Price contract, Monadelphous have also been awarded a similar package of structural remediation work for Pilbara Iron port operations at Cape Lambert. This is a 2 year contract with a 1 year option valued at around $8 million per annum.
- Progress of **Chevron Barrow & Thevenard Island General Maintenance Contract**. The long term association with Chevron is now into its fifth year. The ongoing quality of work has resulted in this contract renewal. The contract involves provision of comprehensive maintenance services for all onshore facilities and offshore platforms.
- Awarded **Chevron Barrow Island Waterflood Network**. Chevron have provided a letter of intent for the completion of the Waterflood network on Barrow Island. This work follows on from successful completion of early phases of the network, valued at around $15 million. It is expected that works will continue through to the first quarter of 2009.
- Awarded **ConocoPhillips Darwin LNG Facility Maintenance contract**. The Darwin LNG multi-disciplinary maintenance contract involves providing support to Darwin LNG for the management of all aspects of mechanical, piping, instrumentation and civil works including involvement in planning, management and execution of all plant shutdowns.
- Progress of **Boyne Smelters Ltd Mechanical Trades Contract**. The contract is for the provision of all mechanical maintenance including capital works, plant upgrades, workshop and fabrication services.
- Award and completion of **Alcoa Pinjarra Efficiency Upgrade**. This project was for the piping installation of the upgrade project which increased the efficiency and capacity for the Pinjarra facility, whilst reducing emissions. Work completed by Monadelphous is estimated to be in excess of $10 million.
- Progress of **Alcan Gove Structural Mechanical and Civil Capital Works**. Since 1996 the contract is for the mechanical, structural and piping capital works. In 2004 it was extended to include civil and building services.
- Progress of **Comalco Alumina Refinery Reliability Support Services**. An alliance contract with Comalco, Transpacific Industrial Solutions and Fluor Monadelphous Services (FMS) which provides the mechanical, electrical and instrumentation services for site maintenance, minor capital works, operations support and shutdown activities.
- Commencement of **BHP Billiton Mitsubishi Alliance (BMA) Peak Downs Shutdown**. This contract is for the provision of labour, equipment and materials associated with the coal plant's half yearly plant shutdown.
- Awarded **Incitec Pivot Gibson Island Shutdown**. The contract is for project planning, management and execution of the major plant shutdown scheduled for February 2007.
- Commencement and completion of **Central Queensland Port Authority (CQPA) Stream 1 & 2 Upgrade Project**. The contract consisted of conveyor upgrades as well as two major shutdowns. Work included supply, fabrication and installation of civil, mechanical, structural and electrical equipment.
- Commencement of **Xstrata Rotary Holding Furnace Installation**. The contract was for the modification and installation of mechanical, piping, and structural components associated with the new Rotary Holding Furnace.

MIE Electrical & Instrumentation Services

The integration of MIE into Monadelphous has been successfully bedded down and the division delivered robust financial performance during the year. MIE contributed $26 million in revenue to the Maintenance and Industrial Services division. To support the continued growth of MIE, the business will be established as a stand-alone division of the Group during the 2006/07 financial year. This will further bolster the Group's capacity to deliver major electrical and instrumentation services across Australia.

Exceptional growth has occurred since the acquisition of MIE in May 2005. The retention of existing contracts and the award of several new contracts has seen a 100% growth in the last 12 months. In particular, new contracts awarded during the year were:

- Central Queensland Port Authority Expansion: Stockpile 17 and 18 Project.
- Hay Point Line 3 Expansion Project.
- Electrical Services Contract for the Kogan Creek Power Station.
- Compressor Station 2 Upgrade Project for Tipperary Oil and Gas.
- Several other new contracts were awarded during the financial year including projects for Santos, Arrow Energy, and Origin Energy.

Skystar

Skystar has contributed revenue of $15 million to the Maintenance and Industrial Services division for the financial year, more than double that of the previous year.
The increase in revenue was predominately due to the commencement of new contracts, specifically:

- Singapore Airlines in Perth and Brisbane, Australia.
- Jetstar in Christchurch, New Zealand.
- Qantas Airways in Kalgoorlie, Western Australia.

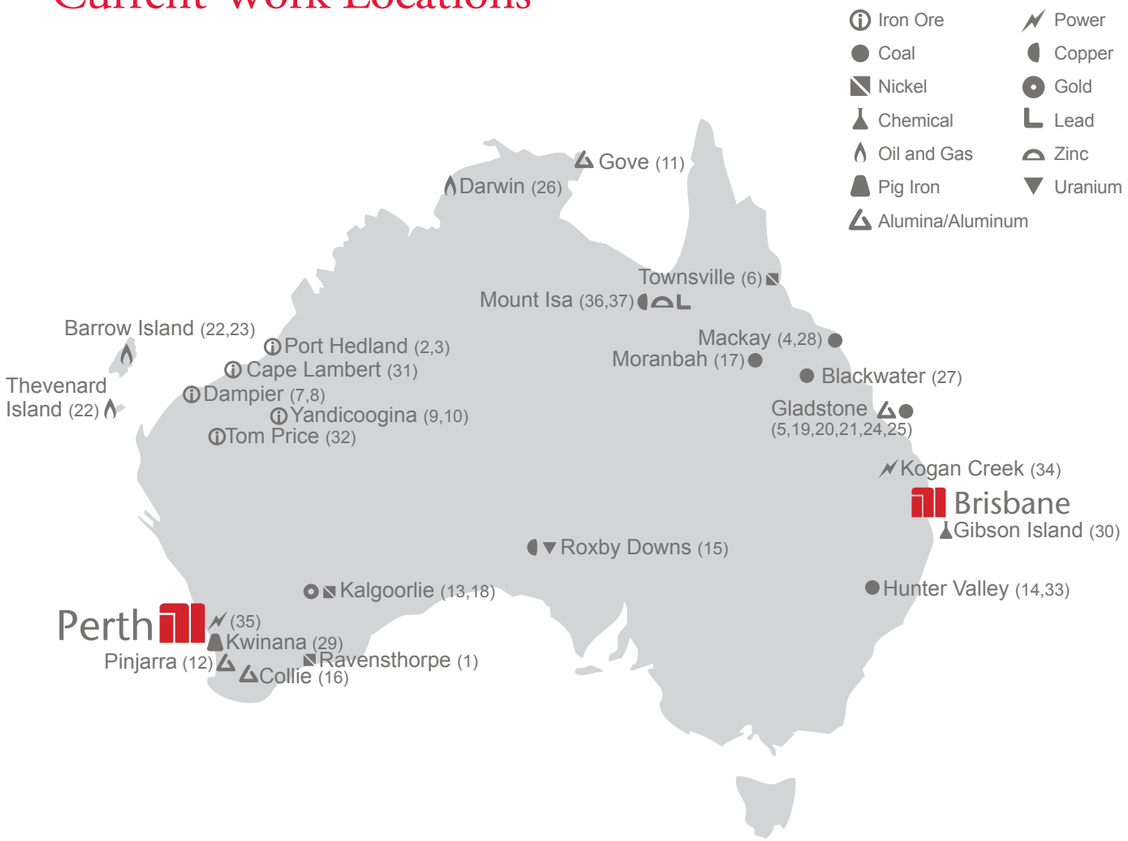
Significant opportunities for sustained growth in Skystar's business in Australia and internationally will require investment and strengthen commercial management. Skystar's market, risk profile and many of the skills necessary to succeed are unrelated to those of the Monadelphous core engineering business.
As a result of a strategic review, Skystar has been reclassified as an independent operating division of Monadelphous Group commencing 1 July 2006.

Current contracts include:

- **Emirates**, Perth WA
- **Singapore Airlines**, Perth WA, Brisbane QLD
- **Qantas Airways**, Kalgoorlie WA
- **Jetstar**, Christchurch NZ, Hamilton Island QLD, and Proserpine QLD
- **Royal Brunei Airlines**, Perth WA
- **Malaysia Airlines**, Perth WA
- **Skywest**, Geraldton WA
- **Sunstate Airlines**, Hamilton Island QLD

Skystar provides Monadelphous with a revenue base unrelated to its core business, consistent with its diversification strategy.

Current Work Locations



Major Construction Projects

	Customer	Project Name	State	Location	Commodity	Description
1	Aker Kvaerner Chemetics	Ravensthorpe Sulphuric Acid Plant	WA	Ravensthorpe	Nickel	Construction of sulphuric acid plant
2	BHP Billiton	Rapid Growth Project 2	WA	Port Hedland	Iron Ore	Major expansion of iron ore facilities
3	BHP Billiton	Rapid Growth Project 3	WA	Port Hedland	Iron Ore	Upgrade existing port facilities
4	BHP Billiton Mitsubishi Alliance (BMA)	Hay Point Coal Terminal	QLD	Mackay	Coal	Structural, mechanical, electrical and civil works for coal conveyor system
5	Central Queensland Port Authority (CQPA)	Gladstone Port Rail Receival #3 Station	QLD	Gladstone	Coal	Expansion of coal terminal, third rail unloading station
6	QNI (BHP Billiton)	Yabulu Nickel Refinery Extension	QLD	Townsville	Nickel	Structural, mechanical and electrical works of the Wet Plant
7	Rio Tinto Iron Ore	Dampier Port Upgrade Phase A	WA	Dampier	Iron Ore	Installation of rail car dumper, transfer stations, conveyors and piping
8	Rio Tinto Iron Ore	Dampier Port Upgrade Phase B	WA	Dampier	Iron Ore	Installation of rail car dumper, transfer stations, conveyors and piping
9	Rio Tinto Iron Ore	Yandi 36 Expansion Project	WA	Yandicoogina	Iron Ore	Expansion of iron ore crushing and screening facilities
10	Rio Tinto Iron Ore	Yandi Junction South East Expansion Project	WA	Yandicoogina	Iron Ore	Expansion of iron ore crushing and screening facilities

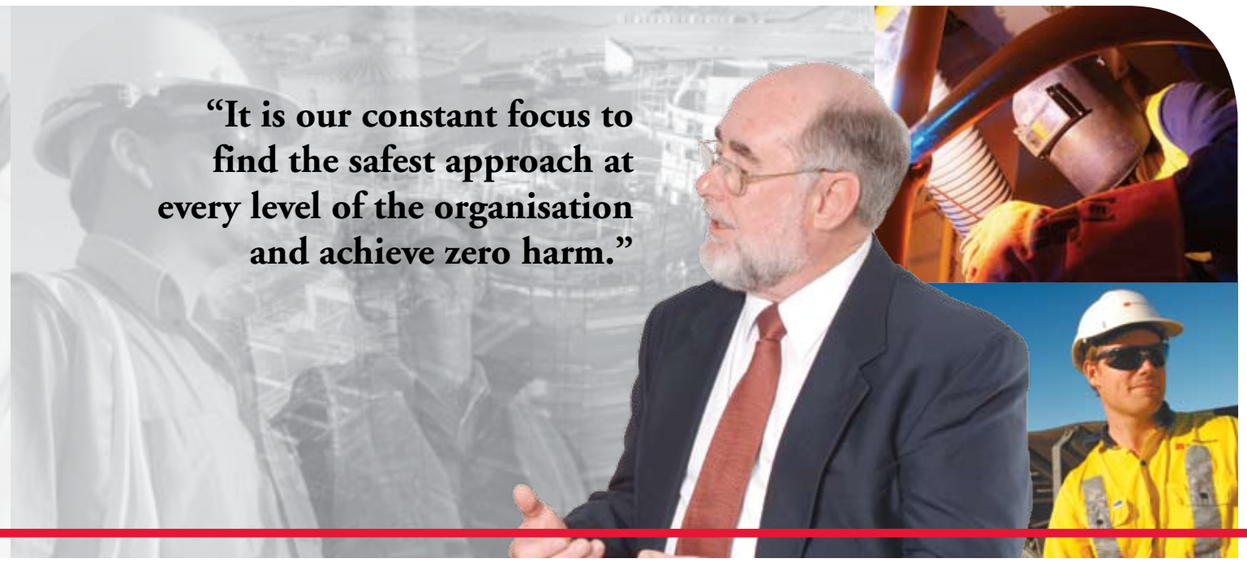
Major Maintenance & Industrial Services Contracts

Monadelphous

	Customer	Contract/Site Name	State	Location	Commodity	Description
11	Alcan Gove	Structural Mechanical and Civil Capital Works	NT	Gove	Alumina	Structural, mechanical, piping works, workforce management, and cranage
12	Alcoa World Alumina Australia	Alcoa Pinjarra Efficiency Upgrade	WA	Pinjarra	Alumina	Efficiency upgrade project
13	Barrick Gold	Kalgoorlie Processing Facilities	WA	Kalgoorlie	Gold	Supplementary maintenance and minor projects
14	BHP Billiton	Mt Arthur CHPP	NSW	Hunter Valley	Coal	Maintenance support services
15	BHP Billiton	Olympic Dam Operations	SA	Roxby Downs	Copper and Uranium	Maintenance services contract
16	BHP Billiton	Worsley Alumina Refinery	WA	Collie	Alumina	Minor projects
17	BHP Billiton Mitsubishi Alliance (BMA)	Peak Downs Shutdown	QLD	Moranbah	Coal	Coal handling preparation plant shutdown
18	BHP Billiton Nickel West	Nickel Processing Facilities	WA	Kalgoorlie	Nickel	Supplementary maintenance, minor projects and shutdowns
19	Boyne Smelters Ltd	Mechanical Trades Contract	QLD	Gladstone	Aluminium	Mechanical maintenance and project works
20	Central Queensland Port Authority (CQPA)	Stockpile 17 and 18 Project	QLD	Gladstone	Coal	Electrical and instrumentation system for reclaim tunnels
21	Central Queensland Port Authority (CQPA)	Stream 1 & 2 Upgrade Project	QLD	Gladstone	Coal	Upgrade of outload conveyors and execution of 2 major shutdowns
22	Chevron	Barrow and Thevenard Island General Maintenance Contract	WA	Barrow and Thevenard Islands	Oil and Gas	General maintenance services
23	Chevron	Barrow Island Waterflood Network	WA	Barrow Island	Oil and Gas	Waterflood and projects
24	Comalco	Comalco Alumina Refinery (CAR) Reliability Support Services	QLD	Gladstone	Alumina	Maintenance, capital works and shutdown
25	Comalco	CAR E&I Capital Works Project	QLD	Gladstone	Alumina	Electrical and instrumentation capital works for alumina refinery
26	ConocoPhillips	Darwin LNG Facility Maintenance Contract	NT	Darwin	Oil and Gas	Structural, mechanical, piping, civil, electrical and instrumentation works maintenance
27	Curragh Coal – Wesfarmers	Curragh North – Brownfields	QLD	Blackwater	Coal	Electrical and instrumentation capital works
28	Dalrymple Bay Coal Terminal	DBCT IL3	QLD	Mackay	Coal	Electrical and instrumentation system for inloading system
29	HIsmelt Operations	HIsmelt	WA	Kwinana	Pig Iron	Shutdown and maintenance
30	Incitec Pivot	Gibson Island Shutdown	QLD	Gibson Island	Chemical	Shutdown contract
31	Pilbara Iron, Rio Tinto	Cape Lambert Operations	WA	Cape Lambert	Iron Ore	Structural integrity project
32	Pilbara Iron, Rio Tinto	Tom Price Operations	WA	Tom Price	Iron Ore	Structural integrity project
33	Rio Tinto Coal and Allied	Hunter Valley Operations	NSW	Hunter Valley	Coal	Maintenance support services
34	Siemens	Lighting and Small Power Project	QLD	Kogan Creek	Power	Design and construct small power and lighting system for coal fired power station
35	Western Power	Kewdale Workshop	WA	Perth	Power	Light vehicle maintenance
36	Xstrata	Mount Isa Operations	QLD	Mount Isa	Zinc, Copper, and Lead	Maintenance support services and minor capital works
37	Xstrata	Rotary Holding Furnace Installation	QLD	Mount Isa	Copper	Installation of rotary holding furnace and modifications
	KT Pty Ltd	SE Mananda Development Project		Papua New Guinea	Oil and Gas	Electrical, instrumentation and communication system

People & Safety

From left to right; Ross Terry *General Manager Human Resources,* ***Geoff Kuerschner*** *Group Manager Health, Safety and Environment*



Human Resources

As Monadelphous continues to grow, it is imperative to maintain and foster the friendly, hands-on and dependable culture that has contributed to the company's ability to deliver great results for customers. This is especially significant when employee numbers have increased to over 3000 people. Increased demand for skilled employees has required ongoing investment in employee relations, with Monadelphous understanding the importance of retaining quality staff. Increased activity in the area of employee performance management, career development and on-going training remains a key focus.

An on-going challenge for the industry is the well publicised 'skills shortage'. Monadelphous has lessened this risk through effectively managing the allocation of human resources of both white and blue-collar workers across projects. Initiatives such as overseas recruitment for professional staff and the expanded graduate programs have further attracted high calibre people to the company.

During the last financial year the company's strong investment in the human resources sector continued. New internal systems have streamlined and increased the efficiency of processing applications and recruitment commensurate with the company's strong growth.

Key initiatives that have proven successful over the past twelve months include:

- Recruitment programs throughout England, Scotland, Canada and South Africa for engineering, estimating and scheduling staff.
- A migrant recruitment program from Singapore has successfully integrated new staff into the Darwin Regional Operations.
- Nation-wide database tracking system to maintain contact with suitably qualified applicants throughout their careers.
- Graduate program to recruit, train and promote graduates into the corporate structure. The 3 year program provides professional development, mentoring and exposure to all strategic business units.
- Employee referral programs have proved successful in introducing new staff. The next twelve months will see further promotion to increase referral based white and blue-collar recruitment.

Valuing Our People

Health Safety and Environment

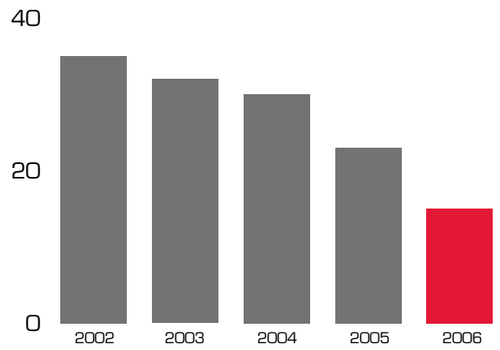
Health, Safety and the Environment (HSE) remains of utmost importance to Monadelphous. Through collaboration and relentless focus, the organisation strives to achieve 'zero harm' to employees and the environment.

At the operations level, Monadelphous has had tremendous success in keeping their people safe. Significantly, the Engineering Construction Division and Roxby Downs Operations have achieved over 2 million man-hours lost time injury (LTI) free. In addition, both the Engineering Construction and Maintenance and Industrial Services Divisions were awarded WA WorkSafe Silver Certificates of Achievement in 2006.

The Group HSE team is leading the continued improvement of the company's HSE systems, sponsoring two major development projects. These projects will reinforce the HSE and risk management frameworks across all of Monadelphous' operations, and enable management systems certification with Australian Standard AS4801 and International Standards ISO14001.

In the coming year, the Group Human Resources and HSE teams will sponsor a major project on developing values into a company-wide behavioural system. This project will combine several leadership techniques to look specifically at the culture of the organisation, how to maintain the essence of Monadelphous and develop behavioural change.

Total Case Injury Frequency Rate (TCIFR)



Strategy & Sustainability

From left to right; Giles Everist *Chief Financial Officer and Company Secretary,* ***Chris Tabrett*** *General Manager Business Development*

Monadelphous has enjoyed well over a decade of successful growth based on the ability of its people to deliver on their promises and to foster strong customer relationships. Importantly, by successfully negotiating the market downturn experienced in 2000-2001, Monadelphous was well positioned to capitalise on the subsequent upturn.

Current conditions in the resources sector continue to remain strong, with record levels of resource development activities driving demand. There is a strong pipeline of projects in Western Australia and Queensland in both construction and maintenance activities. The outlook is forecast to remain positive for at least the next two to three years. However, current extraordinary organic growth rates are not sustainable in the long-term.

The Monadelphous credo, "We deliver what we promise" is a singular focus on meeting and exceeding customers' expectations. It seems a simple task, but with the continuing skills shortage and tight supply chain conditions, it requires strong leadership and unrelenting focus, flexibility and reliability to ensure continued success. This attitude has repeatedly resulted in stable financial performance, prudent commitments within the Monadelphous capability and minimal client disputes.

Our Vision

Monadelphous will be recognised Australia wide as a great company by our customers, our people and our shareholders.

We will consistently deliver value through our high calibre people who demonstrate a passion for their work and a commitment to success.

Progress towards the vision will be measured against the long term targets:

- Earnings Per Share growth of 15% per annum.
- Return on Equity >20%.
- Annual reduction in TCIFR of 20%.

The strategic imperatives for Monadelphous are centred on two key objectives: Maximise Core Business and Diversify Markets.

Maximise Core Business

Through the understanding of the current strong market conditions in areas of core business, Monadelphous will continue to focus the business on earnings quality. For Monadelphous, earnings quality will be delivered through:

- Working with blue-chip customers.
- Larger value and longer term contracts.
- Continuing to make prudent commitments.

It is by delivering on promises that Monadelphous will enhance customer loyalty and foster long-term relationships and repeat business with blue-chip customers.

Diversify Markets

Monadelphous will diversify its revenue base and expand into new markets to deliver sustainable long term growth. This growth will be achieved by leveraging Monadelphous' core engineering services capability into new markets and building the recurring revenue base through the Maintenance and Industrial Services Division.

A number of steps have been taken to achieve this objective, including:

- Further enhancement of the electrical and instrumentation capability of Monadelphous through the growth of MIE.
- Restructure of the Engineering Construction Division, with a team focused on the oil and gas, power and water sectors.
- Continued penetration of the Maintenance and Industrial Services Division in the Queensland coal market.
- Success in securing the Darwin LNG Maintenance Contract with ConocoPhillips, bolstering the Maintenance and Industrial Services Division's oil and gas portfolio.

Value-creating acquisitions and strategic partnerships will continue to be explored as vehicles to achieve these strategic objectives.

Supporting Objectives

The key strategic objectives of Maximise Core Business and Diversify Markets will be supported by ensuring that the processes and systems within Monadelphous are appropriate to support the growing business. A number of internal development projects are under way or will be commenced shortly that seek to either enhance the project and contract delivery capability of Monadelphous, or mitigate risk in areas such as IT and business systems. Some highlighted projects and initiatives include:

- Attracting and retaining the right people, with overseas recruitment drives and employee referral programs.
- Allocation and retention of staff through the new human resource management system.
- Behavioural change processes and cultural enhancement programs to retain the soul of the company.
- Systems development including maintenance and project management systems.
- Extensive information technology and business system improvements to allow for system stabilisation and hardware and operating system upgrades.
- Knowledge management programmes including intranet redevelopment and an information document management system.

Performance Focused

Financial Statements

Monadelphous

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Corporate Directory

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

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Telephone 08 9316 1255
Facsimile 08 9316 1950
Website: www.monadel.com.au

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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 Ltd
Skystar Airport Services Holdings Pty Ltd
Skystar Airport Services NZ Pty Ltd

Financial Summary

2001 - 2006

Monadelphous

	2006 $'000	2005 $'000	2004 $'000	2003 $'000	2002 $'000	2001 $'000
Revenue	**534,273**	391,727	223,415	244,891	155,622	130,820
Profit before income tax expense	**42,196**	23,860	12,153	10,130	6,848	5,608
Income tax expense	**12,800**	7,202	3,625	3,060	2,075	2,218
Profit after income tax expense	**29,396**	16,658	8,528	7,070	4,773	3,390
Basic earnings per share*	**36.48c**	21.15c	11.13c	9.55c	6.50c	4.80c
Interim dividends per share (fully franked)*	**9.00c**	5.25c	2.75c	2.00c	1.38c	1.38c
Special dividends per share (fully franked)	**9.00c**	5.00c	-	-	-	-
Final dividends per share (fully franked)*	**15.00c**	9.00c	4.75c	4.25c	2.13c	1.00c
Net tangible asset backing per share*	**73.34c**	54.90c	50.25c	45.75c	38.00c	35.00c
Total equity and reserves	**62,134**	46,171	39,271	34,100	27,795	25,589
Depreciation	**7,510**	5,171	4,230	5,236	5,152	4,454
Return on equity (%)	**47.3**	36.1	21.7	20.7	17.2	13.2
EBITDA margin (%)	**9.2**	7.4	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 that was approved by shareholders in the 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 on issue at the relevant reporting date in line with the terms of the share split.

Note: The 2005 comparatives have been restated based on AIFRS.

Engineering Success...

Your directors submit their report for the year ended 30 June 2006.

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
40 years experience in the construction and engineering services industry

Robert Velletri — *Managing Director*
Appointed 26 August 1992
Mechanical Engineer, Corporate Member of the Institute of Engineers Australia
Appointed as Managing Director on 30 May 2003
27 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
15 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 Institute of Engineers Australia
33 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*
Chartered Accountant, Member Institute of Chartered Accountants in England and Wales and Chief Financial Officer
12 years experience in the resources, construction and engineering services industries.

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	4,004,000	Nil
R. Velletri	1,400,000	600,000
I. Tollman	706,152	Nil
P. J. Dempsey	58,000	Nil

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	36.48
Diluted Earnings Per Share	35.25

DIVIDENDS PAID OR DECLARED

	Cents	$'000
Final dividends declared		
• on ordinary shares	15.00	12,235
Special dividends declared		
• on ordinary shares	9.00	7,341
Dividends paid during the year:		
Current year interim		
• on ordinary shares	9.00	7,341
Final for 2005		
• on ordinary shares	9.00	7,190

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 27 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

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 resources, energy and infrastructure industry sector.

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

Employees

The consolidated entity employed 3,142 employees as of 30 June 2006 (2005: 1,740 employees).

Engineering Success...

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:

	2006 $'000	2005 $'000
Revenue from services	**531,963**	390,564
Profit after income tax	**29,396**	16,658

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.

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 reporting period in August 2006, the company announced that it had secured another major contract associated with BHP Billiton Iron Ore's Rapid Growth Project (RGP3). The contract consists of structural and mechanical construction for the expansion of iron ore facilities at Mining Area C located in the Pilbara region of Western Australia. The contract is valued at approximately $120 million and is scheduled for completion by September 2007.

On 21 August 2006, the directors of Monadelphous Group Limited declared a final dividend and special dividend on ordinary shares in respect of the 2006 financial year. The total amount of the dividend is $19,576,417 which represents a fully franked final dividend of 15 cents per share and a fully franked special dividend of 9 cents per share. This dividend has not been provided for in the 30 June 2006 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.

Directors' Report (cont'd)
Year ended ***30 June 2006***

Monadelphous

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 4,930,000 unissued ordinary shares under options as follows:

- 100,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $0.71. The options expire on 31 January 2007.
- 150,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $1.14. The options expire between 31 January 2007 and 31 January 2008.
- 4,260,000 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.
- 420,000 options to take up one ordinary share in Monadelphous Group Limited at an issue price of $4.71. The options expire between 31 January 2008 and 31 January 2010.

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 1,680,000 fully paid ordinary shares at a weighted average exercise price of $0.45. No options have been exercised since the end of the financial year.

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.

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 $58,011 (2005: $61,699).

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.

Engineering Success...

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 2006 is detailed in Table 1 on page 30 of this report.

Senior manager and executive remuneration

Objective

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

- 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 30 of this report detail the variable component (%) of the executive directors and the members of the executive management team of the company.

Directors' Report (cont'd)
Year ended ***30 June 2006***

REMUNERATION REPORT (continued)

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 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 5 most highly remunerated members of the executive management team of the company is detailed in Tables 1 and 2 on page 30 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 2006 are detailed in Note 25 (e) on page 73 of the Financial Statements. All executives are eligible to participate in the Monadelphous Group Limited Option Plan.

COMPANY PERFORMANCE

A review of the company's performance over the last six years has been provided on page 23 of this report.

Table 1: Director Remuneration for the year ended 30 June 2006

		Short Term Benefits			Post Employment		Share Based Payments	Other $	Total $	Total Performance Related %
		Salary & Fees $	Non Monetary $	Cash STI $	Super-annuation $	Retirement Benefits $	Options LTI $			
C. G. B. Rubino*	2006	234,596	-	-	12,199	-	-	-	246,795	-
	2005	289,999	-	-	11,562	-	-	-	301,561	-
R. Velletri*	2006	366,890	-	50,000	12,199	-	68,040	-	497,129	23.74%
	2005	317,697	-	10,000	11,562	-	46,878	-	386,137	14.73%
I. Tollman**	2006	30,000	-	-	-	-	-	-	30,000	-
	2005	27,500	-	-	-	-	-	-	27,500	-
P. J. Dempsey**	2006	50,000	-	-	-	-	-	-	50,000	-
	2005	45,000	-	-	-	-	-	-	45,000	-

* Denotes Executive Director
** Denotes Non-Executive Director

Table 2: Remuneration of the 5 named Executives who received the highest remuneration for the year ended 30 June 2006

		Short Term Benefits			Post Employment		Share Based Payments	Other $	Total $	Total Performance Related %
		Salary & Fees $	Non Monetary $	Cash STI $	Super-annuation $	Retirement Benefits $	Options LTI $			
D. Foti	2006	277,128	-	80,000	12,120	-	36,014	-	405,262	28.63%
	2005	247,429	-	20,000	11,562	-	24,270	-	303,261	14.60%
A. Erdash	2006	246,566	-	20,000	12,120	-	27,359	-	306,045	15.47%
	2005	228,822	-	8,000	11,562	-	22,513	-	270,897	11.26%
D. Mutch	2006	224,443	-	20,000	12,096	-	24,050	-	280,589	15.70%
	2005	210,133	-	8,000	11,562	-	19,285	-	248,980	10.96%
M. Jansen	2006	223,063	-	20,000	12,139	-	24,050	-	279,252	15.77%
	2005	200,508	-	8,000	11,562	-	19,285	-	239,355	11.40%
G. Everist	2006	225,166	-	20,000	12,120	-	24,850	-	282,136	15.90%
	2005	201,686	-	8,000	11,562	-	14,367	-	235,615	9.49%

Options Granted as Part of Remuneration

During the year, no options were granted as equity compensation benefits to directors and senior executives.

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.

Directors' Report (cont'd)
Year ended ***30 June 2006***

Monadelphous

COMPANY PERFORMANCE (continued)

Fair values of options granted in the Equity Based Compensation Scheme

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. The following weighted average assumptions were used for grants made in January 2006, 2005 and 2004:

	2006	2005	2004
Dividend yield	**4.00%**	5.50%	5.73%
Expected volatility	**35.00%**	20.00%	18.61%
Historical volatility	**35.00%**	20.00%	18.61%
Risk-free interest rate	**5.20%**	5.12%	5.65%
Expected life of option	**25% – 2 years** **25% – 3 years** **50% – 4 years**	25% – 2 years 25% – 3 years 50% – 4 years	25% – 2 years 25% – 3 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 2006 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option
100,000	13/01/2003	31/01/2007	$0.16
150,000	29/01/2004	31/01/2008	$0.09
4,260,000	31/01/2005	31/01/2009	$0.29
420,000	19/01/2006	31/01/2010	$1.31

The share based payment expensed in the 2006 financial year was $524,191 (2005: $201,844).

DIRECTORS' MEETINGS

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

	Directors' Meetings	Meetings of Committees		
		Audit	Remuneration	Nomination
Number of meetings held:	13	2	2	1
Number of meetings attended:				
C. G. B. Rubino	13	2	2	1
R. Velletri	13	-	2	1
I. Tollman	13	2	2	-
P. J. Dempsey	13	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.

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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.

CORPORATE GOVERNANCE

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

The company's Corporate Governance Statement is detailed on page 83 of this report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

Auditor's Independence Declaration to the Directors 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

In relation to our audit of the financial report of Monadelphous Group Limited for the financial year ended 30 June 2006, 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
Perth, 21 August 2006

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 $177,286 for the provision of non-audit services.

Signed in accordance with a resolution of the directors.

C. G. B. Rubino
Chairman
Perth, 21 August 2006

ERNST & YOUNG

INDEPENDENT AUDIT REPORT TO MEMBERS OF MONADELPHOUS GROUP LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, 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 2006. 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 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 and the remuneration disclosures. 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 the consolidated entity 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 2006 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, 21 August 2006

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Directors' Declaration

Year ended ***30 June 2006***

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 2006 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 2006.

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

On behalf of the Board

C. G. B. Rubino
Chairman
Perth, 21 August 2006

Income Statement

Year ended ***30 June 2006***

Monadelphous

	Notes	Consolidated		Monadelphous Group Limited	
		2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
REVENUE	3(a)	**534,273**	391,727	**26,626**	20,000
Cost of services rendered		**(477,245)**	(354,425)	**-**	-
GROSS PROFIT		**57,028**	37,302	**26,626**	20,000
Other income	3(b)	**1,524**	1,573	**149**	-
Business development and tender expenses		**(3,719)**	(3,591)	**-**	-
Occupancy expenses		**(692)**	(540)	**-**	-
Administrative expenses		**(12,012)**	(11,096)	**(467)**	(632)
Finance costs	3(c)	**(1,560)**	(1,081)	**-**	-
Share of net profits of joint ventures accounted for using the equity method	12	**1,627**	1,293	**-**	-
PROFIT BEFORE INCOME TAX		**42,196**	23,860	**26,308**	19,368
Income tax (expense)/benefit	4	**(12,800)**	(7,202)	**(550)**	129
PROFIT FOR THE YEAR		**29,396**	16,658	**25,758**	19,497
PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	17(e)	**29,396**	16,658	**25,758**	19,497
Basic earnings per share (cents per share)	23	**36.48**	21.15		
Diluted earnings per share (cents per share)	23	**35.25**	20.64		
Dividends per share (cents per share)	5	**33.00**	19.25		

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Balance Sheet

*Year ended **30 June 2006***

	Notes	Consolidated		Monadelphous Group Limited	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
ASSETS					
Current assets					
Cash and cash equivalents	18(b)	**61,650**	22,237	**56,581**	22,294
Trade and other receivables	6	**81,639**	51,283	**-**	1
Inventories	7	**16,402**	4,771	**-**	-
Other	8	**-**	118	**-**	-
Total current assets		**159,691**	78,409	**56,581**	22,295
Non-current assets					
Trade and other receivables	6	**-**	-	**164,192**	124,386
Other financial assets	9	**-**	-	**23,440**	23,440
Property, plant and equipment	10	**47,541**	31,940	**-**	-
Deferred tax assets	4	**7,783**	4,563	**53**	-
Goodwill	11	**2,311**	2,311	**-**	-
Investments accounted for using the equity method	12	**-**	341	**-**	-
Total non-current assets		**57,635**	39,155	**187,685**	147,826
TOTAL ASSETS		**217,326**	117,564	**244,266**	170,121
LIABILITIES					
Current liabilities					
Trade and other payables	13	**95,401**	35,372	**182,791**	126,232
Interest bearing loans and borrowings	14	**8,092**	5,717	**-**	-
Income tax payable		**8,697**	3,517	**8,592**	3,517
Provisions	15	**21,707**	13,158	**-**	-
Total current liabilities		**133,897**	57,764	**191,383**	129,749
Non-current liabilities					
Interest bearing loans and borrowings	14	**18,279**	11,805	**-**	-
Provisions	15	**1,873**	1,202	**-**	-
Deferred tax liabilities	4	**1,143**	622	**-**	-
Total non-current liabilities		**21,295**	13,629	**-**	-
TOTAL LIABILITIES		**155,192**	71,393	**191,383**	129,749
NET ASSETS		**62,134**	46,171	**52,883**	40,372
EQUITY					
Contributed equity	16	**21,063**	20,303	**21,063**	20,303
Reserves	17	**1,728**	1,390	**4,651**	4,127
Retained earnings	17	**39,343**	24,478	**27,169**	15,942
TOTAL EQUITY		**62,134**	46,171	**52,883**	40,372

Statement of Changes in Equity

*Year ended **30 June 2006***

Monadelphous

	ATTRIBUTABLE TO EQUITY HOLDERS			
	Issued Capital	Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000
CONSOLIDATED				
At 1 July 2005	20,303	1,390	24,478	46,171
Currency translation differences	-	(186)	-	(186)
Profit for the period	-	-	29,396	29,396
	-	(186)	29,396	29,210
Cost of share-based payment	-	524	-	524
Issue of share capital	760	-	-	760
Equity dividends	-	-	(14,531)	(14,531)
At 30 June 2006	21,063	1,728	39,343	62,134
At 1 July 2004	18,304	1,188	19,656	39,148
Profit for the period	-	-	16,658	16,658
	-	-	16,658	16,658
Cost of share-based payment	-	202	-	202
Issue of share capital	1,999	-	-	1,999
Equity dividends	-	-	(11,836)	(11,836)
At 30 June 2005	20,303	1,390	24,478	46,171
PARENT				
At 1 July 2005	20,303	4,127	15,942	40,372
Profit for the period	-	-	25,758	25,758
	-	-	25,758	25,758
Cost of share-based payment	-	524	-	524
Issue of share capital	760	-	-	760
Equity dividends	-	-	(14,531)	(14,531)
At 30 June 2006	21,063	4,651	27,169	52,883
At 1 July 2004	18,304	3,925	8,281	30,510
Profit for the period	-	-	19,497	19,497
	-	-	19,497	19,497
Cost of share-based payment	-	202	-	202
Issue of share capital	1,999	-	-	1,999
Equity dividends	-	-	(11,836)	(11,836)
At 30 June 2005	20,303	4,127	15,942	40,372

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Cash Flow Statement

Year ended ***30 June 2006***

	Notes	Consolidated		Monadelphous Group Limited	
		2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**535,537**	384,354	**-**	-
Payments to suppliers and employees		**(426,373)**	(336,953)	**-**	-
Interest received		**2,310**	1,163	**1,626**	-
Borrowing costs		**(1,560)**	(1,081)	**-**	-
Other income		**381**	236	**149**	732
Goods and services tax paid		**(33,136)**	(17,352)	**-**	-
Income tax paid		**(10,319)**	(6,385)	**(10,319)**	(6,385)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	18(a)	**66,840**	23,982	**(8,544)**	(5,653)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		**1,565**	2,534	**-**	-
Purchase of property, plant and equipment		**(7,476)**	(3,597)	**-**	-
Payment for controlled entities		**(455)**	(328)	**(455)**	(328)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(6,366)**	(1,391)	**(455)**	(328)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from controlled entities		**-**	-	**57,057**	23,762
Dividend paid		**(14,531)**	(11,836)	**(14,531)**	(11,836)
Proceeds from issue of shares		**760**	496	**760**	496
Repayment of borrowings		**(90)**	(84)	**-**	-
Payment of finance leases		**(7,117)**	(4,794)	**-**	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(20,978)**	(16,218)	**43,286**	12,422
NET INCREASE IN CASH AND CASH EQUIVALENTS		**39,496**	6,373	**34,287**	6,441
Net foreign exchange differences		**(83)**	-	**-**	-
Cash and cash equivalents at beginning of period		**22,237**	15,864	**22,294**	15,853
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18(b)	**61,650**	22,237	**56,581**	22,294

Notes

to and forming part of the Financial Statements – ***30 June 2006***

Monadelphous

1. CORPORATE INFORMATION

The financial report of Monadelphous Group Limited (the Company) for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of directors on 21 August 2006.

Monadelphous Group Limited is a company limited by shares incorporated in Australia whose shares are traded on the Australian Stock Exchange.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standards. The financial report has also been prepared in accordance with the historical cost convention.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first annual financial report based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement". The Company has adopted the exemption under AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 30.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard	Application date for Group
2004-3	AASB 1: *First-time adoption of AIFRS,* AASB 101: *Presentation of Financial Statements,* AASB 124: *Related Party Disclosures*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-1	AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-3	AASB 119: *Employee Benefits*	No change to accounting policy required. Therefore no impact.	31 December 2005	1 July 2006
2005-5	AASB 1: *First-time adoption of AIFRS,* AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-6	AASB 3: *Business Combinations*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-10	AASB 132: *Financial Instruments: Disclosure and Presentation*, AASB 101: *Presentation of Financial Statements,* AASB 114: *Segment Reporting,* AASB 117: *Leases,* AASB 133: *Earnings per Share,* AASB139: *Financial Instruments: Recognition and Measurement*, AASB 1: *First-time adoption of AIFRS,* AASB 4: *Insurance Contracts,* AASB 1023: *General Insurance Contracts* and AASB 1038: *Life Insurance Contracts*	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard	Application date for Group
2006-1	AASB 121: *The Effects of Changes in Foreign Exchange Rates*	No change to accounting policy required. Therefore no impact.	31 December 2006	1 July 2007
New standard	AASB 7: *Financial Instruments: Disclosures*	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
New UIG	UIG 4: *Determining whether an Arrangement contains a lease*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
New UIG	UIG 8: *Scope of AASB 2*	No change to accounting policy required. Therefore no impact.	1 May 2006	1 July 2006

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Monadelphous Group Limited and its subsidiaries as at 30 June each year ('the Group').

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for part of the reporting period during which Monadelphous Group Limited has control.

d) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on judgements, estimates and assumptions of future events. The key judgements, estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of certain assets and liabilities within the next accounting period are:

Impairment of goodwill and intangibles with indefinite useful lives

The group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 11.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in note 24.

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency translation

Both the functional and presentation currencies of Monadelphous Group Limited, its Australian subsidiaries and its Papua New Guinea subsidiary (MIE-PNG) are Australian dollars (A$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

All exchange differences in the consolidated financial report are taken to the income statement.

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

The functional currency of the New Zealand subsidiary (Skystar Airport Services NZ Pty Ltd) is New Zealand dollars (NZ$).

As at the reporting date the assets and liabilities of this overseas subsidiary are translated into the presentation currency of Monadelphous Group Limited at the rate of exchange ruling at the balance sheet date and its income statement is translated at the weighted average exchange rates for the period.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

f) Cash and cash equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts.

g) Trade and other receivables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies from trade and other receivables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written-off when determined.

Accounting policies applicable for the year ending 30 June 2005

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written-off when identified.

h) Inventories

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Investments and other financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

All investments, other than investments in controlled entities which are held at cost, are initially recorded at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

All non-current investments are classified as financial instruments and are stated at fair value and any impairment losses are recognised directly in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Accounting policies applicable for the year ending 30 June 2005

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

j) Property, plant and equipment

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

Depreciation is calculated on a diminishing 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:

	2006	2005
• Buildings	**40 years**	40 years
• Plant and equipment	**3 to 15 years**	3 to 15 years

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

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

Derecognition and disposal

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment of assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

l) Leases

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

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

Finance leases

Leases which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. The financed asset is stated at the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. An interest bearing liability of equal value is also recognised. Minimum lease payments are apportioned between the finance charge and the reduction of the lease liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

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

Operating leases

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

m) Joint ventures

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination, is, from the acquisition date, allocated to each of the Group's cash-generating units or groups of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:
- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised in the income statement.

When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

o) Trade and other payables

The Group has elected to apply the options available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Accounting policies applicable for the year ending 30 June 2005

Trade payables and other payables 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.

p) Interest bearing loans and borrowings

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest-bearing loans and borrowings applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Interest bearing liabilities are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing liabilities are subsequently measured at amortised cost using the effective interest method.

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

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank facilities may be drawn at any time.

Accounting policies applicable for the year ending 30 June 2005

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

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Provisions

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

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

r) Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

Monadelphous Group Limited provides benefits to employees through the Equity Based Compensation Scheme.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Monadelphous Group Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

When the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of an original award, as described in the previous paragraph.

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

s) Finance costs

Finance costs are recognised as an expense when incurred.

t) Contributed equity

Ordinary shares are classified as equity.

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

Engineering Success...

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Revenue recognition

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

Rendering of Services

Where the contract outcome can be reliably measured:
- refer to the accounting policy for construction contracts for method of revenue recognition.

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

Dividends

Revenue is recognised when the Group's right to receive the dividend payment is established.

Interest income

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest income applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

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

Accounting policies applicable for the year ending 30 June 2005

Revenue is recognised when the Group's right to receive the payment is established.

v) Construction contracts

When accounting for construction contracts, the contracts are either combined or segmented if this is deemed necessary to reflect the substance of the agreement.

Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. Stage of completion is agreed with the customer on a work certified to date basis, as a percentage of the overall contract.

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred plus a percentage of fees earned during the financial year. The percentage of fee earned during the financial year is based on the stage of completion of the contract.

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

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Taxation

Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and services tax (GST)

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

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

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

Cash flows are included in the Cash Flow Statement 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) 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, including annual leave, long service leave, vesting sick leave and rostered days off.

Liabilities arising in respect of wages and salaries, certain compensated absences and any other employee benefits 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.

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

y) Earnings per share

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

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

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

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

z) AASB 1 Transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Share-based payment transactions

AASB 2 'Share-Based Payment' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Financial instruments

AASB 139 "Financial Instruments: Recognition and Measurement" and AASB 132 "Financial Instruments: Disclosure and Presentation" applied from 1 July 2005. Accordingly, comparatives have not been restated.

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa) Comparatives

This is the first annual financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly.

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.

ab) Impairment of financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

Accounting policies applicable for the year ending 30 June 2005

Refer to note 2(k) for the impairment accounting policy.

	Notes	Consolidated		Monadelphous Group Limited	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
3. REVENUES AND EXPENSES					
(a) Revenue					
Rendering of services		**531,963**	390,564	**-**	-
Dividends		**-**	-	**25,000**	20,000
Finance revenue		**2,310**	1,163	**1,626**	-
		534,273	391,727	**26,626**	20,000
(b) Other income					
Net gains on disposal of property, plant and equipment		**1,143**	1,337	**-**	-
Other income		**381**	236	**149**	-
		1,524	1,573	**149**	-
(c) Finance costs					
Bank loans and overdrafts		**5**	9	**-**	-
Finance charges payable under finance leases and hire purchase contracts		**1,555**	1,072	**-**	-
		1,560	1,081	**-**	-
(d) Depreciation and foreign exchange differences included in the income statement					
Depreciation expense		**7,510**	5,171	**-**	-
Net foreign exchange differences		**(104)**	-	**-**	-
(e) Employee benefits expense					
Employee benefits expense		**7,453**	3,527	**-**	-
Defined contribution plan expense		**11,511**	7,997	**-**	-
Share based payment expense		**524**	202	**524**	202
		19,488	11,726	**524**	202
(f) Lease payments and other expenses included in the income statement					
Minimum lease payments – operating lease		**2,944**	1,979	**-**	-
Bad and doubtful debts		**634**	292	**-**	-
Impairment of investments		**-**	332	**-**	332

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

	Notes	Consolidated		Monadelphous Group Limited	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
4. INCOME TAX					
The major components of income tax expense are:					
Income statement					
Current income tax					
Current income tax charge		**15,553**	8,027	**603**	(181)
Adjustments in respect of current income tax of previous years		**(54)**	28	**-**	-
Deferred income tax					
Relating to origination and reversal of temporary differences		**(2,699)**	(853)	**(53)**	52
Income tax expense /(benefit) reported in the income statement		**12,800**	7,202	**550**	(129)
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:					
Accounting profit before income tax		**42,196**	23,860	**26,308**	19,368
At the Group's statutory income tax rate of 30% (2005: 30%)		**12,664**	7,162	**7,892**	5,810
- Dividends received from subsidiary		**-**	-	**(7,500)**	(6,000)
- Other items (net)		**196**	21	**158**	61
- Exempt income		**(6)**	(9)	**-**	-
- (Over)/under provision of previous year		**(54)**	28	**-**	-
Income tax expense/(benefit) reported in the income statement		**12,800**	7,202	**550**	(129)

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	Notes	Balance Sheet 2006 $'000	Balance Sheet 2005 $'000	Income Statement 2006 $'000	Income Statement 2005 $'000
4. INCOME TAX (continued)					
Deferred income tax					
Deferred income tax at 30 June relates to the following:					
CONSOLIDATED					
Deferred tax liabilities					
Accelerated depreciation for tax purposes		**(967)**	(586)	**381**	476
Other		**(176)**	(36)	**140**	(79)
		(1,143)	(622)		
CONSOLIDATED					
Deferred tax assets					
Provisions		**7,783**	4,563	**(3,220)**	(1,250)
Gross deferred income tax assets		**7,783**	4,563		
Deferred tax income/(expense)				**(2,699)**	(853)
PARENT					
Deferred tax assets					
Accruals		**53**	-	**(53)**	52
Gross deferred income tax assets		**53**	-		
Deferred tax income/(expense)				**(53)**	52

At 30 June 2006, there is no recognised or unrecognised deferred income tax liability (2005: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture, as the Group has no liability for additional taxation should such amounts be remitted.

Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, Monadelphous Group Limited and its 100% owned Australian resided 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 entered into a tax funding agreement.

Tax Effect Accounting by Members of the Tax Consolidated Group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 "Income Taxes". Allocations under the tax funding agreement are made at the end of each half-year.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head entity, Monadelphous Group Limited. The group has applied the separate taxpayer within group method in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Monadelphous Group Limited 2006 $'000	Monadelphous Group Limited 2005 $'000
5. DIVIDENDS PAID AND PROPOSED					
(a) Declared and paid during the year:					
(i) Current year interim					
Franked dividends (9 cents per share) (2005: 10.25 cents per share including special)		**7,341**	8,115	**7,341**	8,115
(ii) Previous year final					
Franked dividends (9 cents per share) (2005: 4.75 cents per share)		**7,190**	3,721	**7,190**	3,721
(b) Dividends proposed and not recognised as a liability as at 30 June					
Current year final plus special					
Franked dividends (24 cents per share) (2005: 9.00 cents per share final)		**19,576**	7,190	**19,576**	7,190
(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		**15,872**	11,802	**15,872**	11,802
- franking credits that will arise from the payment of income tax payable as at the end of the financial year		**8,592**	3,517	**8,592**	3,517
- 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		**-**	-	**-**	-
		24,464	15,319	**24,464**	15,319
The amount of franking credits available for future reporting periods:					
- impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period		**(8,390)**	(3,081)	**(8,390)**	(3,081)
		16,074	12,238	**16,074**	12,238

The tax rate at which paid dividends have been franked is 30% (2005: 30%).
Dividends payable will be franked at the rate of 30% (2005: 30%).

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	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Monadelphous Group Limited 2006 $'000	Monadelphous Group Limited 2005 $'000
6. TRADE AND OTHER RECEIVABLES					
Current					
Trade receivables	6(a)	**82,620**	51,977	**-**	-
Less allowance for doubtful debts		**(1,577)**	(1,148)	**-**	-
		81,043	50,829	**-**	-
Other debtors	6(a)	**596**	454	**-**	1
		81,639	51,283	**-**	1
Non-Current					
Amounts other than trade debts, receivable from related parties					
Wholly owned group					
– controlled entities	6(a),27	**-**	-	**164,192**	124,386

(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 27

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Monadelphous Group Limited 2006 $'000	Monadelphous Group Limited 2005 $'000
7. INVENTORIES					
Construction work in progress					
Cost incurred to date plus profit recognised		**475,614**	320,710	**-**	-
Consideration received and receivable as progress billings		**(500,436)**	(329,335)	**-**	-
Retentions		**350**	1,181	**-**	-
		(24,472)	(7,444)		
Amounts due to customers	7(a),13	**40,874**	12,215	**-**	-
Amounts due from customers		**16,402**	4,771	**-**	-

(a) Advances received for construction work not yet commenced are recognised as a current liability in trade and other payables. Refer note 13.

8. OTHER (CURRENT)					
Prepayments		**-**	118	**-**	-
9. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Investments in controlled entities	27	**-**	-	**23,440**	23,440

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Monadelphous Group Limited 2006 $'000	Monadelphous Group Limited 2005 $'000
10. PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
- At cost	10(c)	**1,605**	1,610	**-**	-
Building on freehold land					
- At cost		**6,489**	6,146	**-**	-
- Accumulated depreciation		**(2,285)**	(2,222)	**-**	-
	10(c)	**4,204**	3,924	**-**	-
Leasehold improvements					
- At cost		**430**	46	**-**	-
- Accumulated amortisation		**(36)**	(5)	**-**	-
	10(c)	**394**	41	**-**	-
Total land and buildings		**6,203**	5,575	**-**	-
Plant and equipment					
- At cost		**37,106**	29,698	**-**	-
- Accumulated depreciation		**(25,449)**	(22,758)	**-**	-
	10(c)	**11,657**	6,940	**-**	-
Plant and equipment under hire purchase					
- At cost		**36,918**	24,433	**-**	-
- Accumulated amortisation		**(7,237)**	(5,008)	**-**	-
	10(c)	**29,681**	19,425	**-**	-
Total plant and equipment		**41,338**	26,365	**-**	-
Total property, plant and equipment		**47,541**	31,940	**-**	-

(a) Recent valuations

As at 30 June 2006, based on current market conditions, the directors have valued interests in land and buildings as follows:

Freehold land	**2,500**	2,500	**-**	-
Buildings	**7,000**	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 (2005: $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	**29,681**	19,425	**-**	-

Engineering Success...

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Monadelphous Group Limited 2006 $'000	Monadelphous Group Limited 2005 $'000
10. PROPERTY, PLANT AND EQUIPMENT (continued)					
(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		**1,610**	1,909	**-**	-
Disposals		**(5)**	(299)	**-**	-
		1,605	1,610	**-**	-
Buildings on freehold land					
Carrying amount at the beginning of the year		**3,924**	4,357	**-**	-
Additions		**714**	242	**-**	-
Disposals		**(196)**	(445)	**-**	-
Depreciation expense		**(238)**	(230)	**-**	-
		4,204	3,924	**-**	-
Plant and equipment					
Carrying amount at the beginning of the year		**6,940**	5,497	**-**	-
Additions		**6,762**	2,746	**-**	-
Additions through acquisitions		**-**	610	**-**	-
Assets transferred		**1,238**	421	**-**	-
Disposals		**(219)**	(453)	**-**	-
Depreciation expense		**(3,063)**	(1,881)	**-**	-
Exchange adjustment		**(1)**	-	**-**	-
		11,657	6,940	**-**	-
Leasehold improvements					
Carrying amount at the beginning of the year		**41**	-	**-**	-
Additions		**384**	46	**-**	-
Depreciation expense		**(31)**	(5)	**-**	-
		394	41	**-**	-
Plant and equipment under hire purchase					
Carrying amount at the beginning of the year		**19,425**	7,804	**-**	-
Additions		**15,672**	15,097	**-**	-
Assets transferred		**(1,238)**	(421)	**-**	-
Depreciation expense		**(4,178)**	(3,055)	**-**	-
		29,681	19,425	**-**	-

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

Monadelphous

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Monadelphous Group Limited 2006 $'000	Monadelphous Group Limited 2005 $'000
11. GOODWILL					
Opening balance		**2,311**	-	**-**	-
Acquisition of subsidiary		**-**	2,311	**-**	-
Closing balance		**2,311**	2,311	**-**	-

(a) Impairment Testing of Goodwill

Goodwill acquired through a business combination has been allocated to the cash generating unit ("CGU") for impairment testing purposes. The cash generating unit is the entity MI & E Holdings Pty Ltd. The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a five year period.

The discount rate applied to the cash flow projections is 10% (2005: 10%). The growth rate used to extrapolate the cash flows of MI & E Holdings Pty Ltd is based on the entity's budgeted cash flows.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Balance Date	Country of Incorporation
(a) Interest in Joint Venture Partnership		
FMSJV	31 December	Australia

The percentage ownership interest in the joint venture is 50%. FMSJV has a balance date of 31 December because it coincides with the other joint venture party's reporting date.

(i) Principal activities

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

MBFjv Provision of maintenance services for Olympic Dam copper uranium mine and processing plant facilities at Roxby Downs, South Australia.
MBFjv was dissolved on 31 March 2006.

	Consolidated 2006 $'000	Consolidated 2005 $'000
(ii) Share of the joint venture partnerships' profits		
Share of the joint venture partnerships':		
- revenues	**24,410**	19,351
- expenses	**(22,783)**	(18,058)
- net profit	**1,627**	1,293
(iii) Share of joint venture partnerships' assets and liabilities		
Current assets	**1,085**	3,940
Non-current assets	**-**	-
Current liabilities	**(1,085)**	(3,905)
Non-current liabilities	**-**	-
Net assets	**-**	35
(iv) Carrying amount of investment in partnership		
MBFjv	**-**	208
FMSJV	**-**	133
Net assets	**-**	341

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	Notes	Consolidated		Monadelphous Group Limited	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
13. TRADE AND OTHER PAYABLES					
Current					
Trade creditors	13(a)	**40,949**	18,561	**-**	-
Advances on construction work in progress – Amounts due to customers	7	**40,874**	12,215	**-**	-
Sundry creditors and accruals	13(a)	**13,578**	4,596	**109**	588
Amounts payable to controlled entities	27	**-**	-	**182,682**	125,644
		95,401	35,372	**182,791**	126,232

(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

14. INTEREST BEARING LOANS AND BORROWINGS					
Current					
Hire purchase liability – secured	14(a),20	**8,091**	5,626	**-**	-
Bank loan – secured	14(a)	**1**	91	**-**	-
		8,092	5,717	**-**	-
Non-current					
Hire purchase liability – secured	14(a),20	**18,279**	11,805	**-**	-
Bank loan – secured	14(a)	**-**	-	**-**	-
		18,279	11,805	**-**	-

(a) Terms and conditions

(i) The bank loan is repayable monthly with the final instalment due in July 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 6.71%. The hire purchase liability is secured by a charge over the hire purchase assets.

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

Monadelphous

	Notes	Consolidated		Monadelphous Group Limited	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
15. PROVISIONS					
Current					
Employee benefits		**13,656**	6,874	**-**	-
Workers' compensation	15(a)	**7,951**	5,854	**-**	-
Public liability	15(b)	**100**	430	**-**	-
		21,707	13,158	**-**	-

(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 public liability 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	Consolidated	Monadelphous Group Limited
		2006 $'000	2006 $'000
(c) Movements in provisions			
(i) Employee benefits			
Carrying amount at the beginning of the year		**6,874**	**-**
Additional provision		**15,113**	**-**
Amounts utilised during the year		**(8,331)**	**-**
Carrying amount at the end of the financial year		**13,656**	**-**
(ii) Workers compensation			
Carrying amount at the beginning of the year		**5,854**	**-**
Additional provision		**4,582**	**-**
Amounts utilised during the year		**(2,485)**	**-**
Carrying amount at the end of the financial year		**7,951**	**-**
(iii) Public liability			
Carrying amount at the beginning of the year		**430**	**-**
Additional provision		**-**	**-**
Amounts utilised during the year		**(330)**	**-**
Carrying amount at the end of the financial year		**100**	**-**

	Notes	Consolidated		Monadelphous Group Limited	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
Non-current					
Employee benefits – long service leave		**1,873**	1,202	**-**	-

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	Notes	Consolidated 2006 $'000	Monadelphous Group Limited 2006 $'000
15. PROVISIONS (continued)			
(d) Movements in provisions			
(i) Employee benefits – long service leave			
Carrying amount at the beginning of the year		**1,202**	**-**
Additional provision		**671**	**-**
Amounts utilised during the year		**-**	**-**
Carrying amount at the end of the financial year		**1,873**	**-**

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Monadelphous Group Limited 2006 $'000	Monadelphous Group Limited 2005 $'000
16. CONTRIBUTED EQUITY					
Issued and paid up capital					
Ordinary shares		**21,063**	20,303	**21,063**	20,303

Effective 1 July 1998, the Corporations Legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent entity does not have authorised capital nor par value in respect of its issued shares.

	2006 Number of shares	2006 $'000	2005 Number of shares	2005 $'000
(a) Movements in shares on issue				
Beginning of the financial year	**79,888,408**	**20,303**	78,164,408	18,304
Issued during the year				
- Exercise of employee options	**1,680,000**	**760**	1,004,000	496
- Acquisition consideration	**-**	**-**	720,000	1,503
End of the financial year	**81,568,408**	**21,063**	79,888,408	20,303

(b) Share options

Options over ordinary shares

During the financial year, 440,000 options were issued over ordinary shares. 25% of these options are exercisable between 1 January 2008 and 31 January 2008 at an exercise price of $4.71. A further 25% of the options are exercisable between 1 January 2009 and 31 January 2009 at the same exercise price, with the balance of 50% of these options exercisable between 1 January 2010 and 31 January 2010 at the exercise price of $4.71.

At the end of the year there were 4,930,000 (2005: 6,430,000) unissued ordinary shares in respect of which options were outstanding (Note 24).

(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 2006 $'000	Consolidated 2005 $'000	Monadelphous Group Limited 2006 $'000	Monadelphous Group Limited 2005 $'000
17. RESERVES AND RETAINED EARNINGS					
Capital profits reserve	17(a)	**678**	678	**-**	-
Asset revaluation reserve	17(b)	**492**	492	**3,907**	3,907
Foreign currency translation reserve	17(c)	**(186)**	-	**-**	-
Share-based payment reserve	17(d)	**744**	220	**744**	220
		1,728	1,390	**4,651**	4,127
Retained earnings	17(e)	**39,343**	24,478	**27,169**	15,942
(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		**492**	492	**3,907**	3,907
(c) Foreign currency translation reserve					
(i) Nature and purpose of reserve The foreign currency translation reserve is used to record exchange differences arising from translation of the financial statements of foreign subsidiaries.					
(ii) Movements in reserve					
Balance at beginning of year		**-**	-	**-**	-
Currency translation differences		**(186)**	-	**-**	-
Balance at end of year		**(186)**	-	**-**	-
(d) Share-based payment reserve					
(i) Nature and purpose of reserve The share based payment reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 24 for further details of these plans.					
(ii) Movements in reserve					
Balance at beginning of year		**220**	18	**220**	18
Share based payments expense		**524**	202	**524**	202
Balance at end of year		**744**	220	**744**	220

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	Notes	Consolidated		Monadelphous Group Limited	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
17. RESERVES AND RETAINED EARNINGS (continued)					
(e) Retained earnings					
Balance at beginning of year		**24,478**	19,656	**15,942**	8,281
Net profit attributable to members of Monadelphous Group Limited		**29,396**	16,658	**25,758**	19,497
Total available for appropriation		**53,874**	36,314	**41,700**	27,778
Dividends paid		**(14,531)**	(11,836)	**(14,531)**	(11,836)
Balance at end of year		**39,343**	24,478	**27,169**	15,942
18. CASH FLOW STATEMENT					
(a) Reconciliation of net profit after tax to the net cash flows from operations					
Net profit		**29,396**	16,658	**25,758**	19,497
Non cash items					
Depreciation of non-current assets		**7,510**	5,171	**-**	-
Impairment of investments		**-**	332	**-**	332
Net profit on sale of property, plant and equipment		**(1,143)**	(1,337)	**-**	-
Dividends received from subsidiary		**-**	-	**(25,000)**	(20,000)
Share-based payment expense		**524**	202	**524**	202
Unrealised foreign exchange gain		**(104)**	-	**-**	-
Changes in assets and liabilities					
(Increase)/decrease in receivables		**(30,356)**	(6,119)	**1**	1
(Increase)/decrease in prepayments		**118**	368	**-**	-
(Increase)/decrease in inventories		**(11,631)**	(3,630)	**-**	-
(Increase)/decrease in deferred tax assets		**(3,220)**	(1,250)	**(53)**	52
(Increase)/decrease in investment in joint ventures		**341**	(342)	**-**	-
Increase/(decrease) in payables		**60,484**	6,896	**(14,849)**	(7,983)
Charges to provisions		**9,220**	4,480	**-**	-
Increase in current tax liability		**5,180**	2,245	**5,075**	2,246
Increase in deferred tax liabilities		**521**	308	**-**	-
Net cash flows from/(used in) operating activities		**66,840**	23,982	**(8,544)**	(5,653)

	Notes	Consolidated		Monadelphous Group Limited	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
18. CASH FLOW STATEMENT (continued)					
(b) For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:					
Cash balances comprises					
- Cash at bank		**35,370**	16,855	**30,301**	16,912
- Short term deposits		**26,280**	5,382	**26,280**	5,382
		61,650	22,237	**56,581**	22,294
(c) Financing facilities available					
At balance date the following financing facilities had been negotiated and were available					
Total facilities:					
- Bank guarantee and insurance bond		**72,544**	42,544	**72,544**	42,544
- Bank overdraft		**-**	5,200	**-**	5,200
- Revolving credit		**49,485**	33,591	**49,485**	33,591
		122,029	81,335	**122,029**	81,335
Facilities used at balance date:					
- Bank guarantee and insurance bonds		**58,683**	18,183	**58,683**	18,183
- Revolving credit		**26,371**	17,522	**26,371**	17,522
		85,054	35,705	**85,054**	35,705
Facilities unused at balance date:					
- Bank guarantee and insurance bond		**13,861**	24,361	**13,861**	24,361
- Bank overdraft		**-**	5,200	**-**	5,200
- Revolving credit		**23,114**	16,069	**23,114**	16,069
		36,975	45,630	**36,975**	45,630

(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 $15,672,466 (2005: $15,142,476).

19. CHANGE IN COMPOSITION OF ENTITY

On 11 October 2005, Monadelphous Group Limited incorporated Skystar Airport Services Holdings Pty Ltd with a share capital of $1. On the same day, Skystar Airport Services Holdings Pty Ltd incorporated Skystar Airport Services NZ Pty Ltd, an entity incorporated in New Zealand with a share capital of NZ$100.

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	Notes	Consolidated		Monadelphous Group Limited	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000
20. COMMITMENTS AND CONTINGENCIES					
(a) Hire purchase commitments					
Payable:					
- Not later than one year		**9,615**	6,616	**-**	-
- Later than one year but not later than five years		**19,327**	12,563	**-**	-
Minimum lease payments		**28,942**	19,179	**-**	-
Less future finance charges		**(2,572)**	(1,748)	**-**	-
Present value of minimum lease payments		**26,370**	17,431	**-**	-
Current liability	14	**8,091**	5,626	**-**	-
Non-current liability	14	**18,279**	11,805	**-**	-
		26,370	17,431	**-**	-
(b) Operating lease commitments					
Minimum lease payments					
- Not later than one year		**5,544**	2,231	**-**	-
- Later than one year but not later than five years		**7,201**	5,158	**-**	-
- Aggregate lease expenditure contracted for at balance date but not provided for		**12,745**	7,389	**-**	-
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, cranes and properties.					
(c) Capital commitments					
The consolidated group has capital commitments of $4,922,912 at 30 June 2006.					
(d) Guarantees					
Guarantees given to various clients for satisfactory contract performance		**58,683**	18,183	**56,683**	18,183

Monadelphous Group Limited and all controlled entities marked * in Note 27 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.

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

21. SEGMENT INFORMATION

Revenue is derived by the consolidated entity from the provision of engineering services to the resources, energy and infrastructure industry sector. The Engineering Construction division contributed revenue of $289 million for the year ended 30 June 2006, while the Maintenance and Industrial Services division contributed revenue of $243 million in the same reporting period.

The directors do not believe that it is practicable to provide further analysis of the results by reporting division for the following reasons:

- Both divisions perform similar services for the same industry sector,
- Both divisions utilise a centralised pool of engineering assets and shared services, and
- The migrant nature of employees between both divisions.

The aforementioned points do not support the creation of reportable segments within the business. Both divisions are exposed to similar risks and rewards from operations and are only segmented to facilitate appropriate management structures.

The consolidated entity operates predominately within the one business segment in one geographical segment, namely Australia.

22. ECONOMIC DEPENDENCY

The consolidated entity does not have any economic dependency with any one client or group of clients.

	2006 $'000	2005 $'000
23. EARNINGS PER SHARE		
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net profit attributable to ordinary equity holders of the parent	**29,396**	16,658
Earnings used in calculation of basic and diluted earnings per share	**29,396**	16,658

	2006 No.	2005 No.
No. of Shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	**80,578,819**	78,772,452
Effect of dilutive securities		
Share options	**2,816,335**	1,945,849
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**83,395,154**	80,718,301

Conversions, calls, subscriptions or issues after 30 June 2006:

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

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24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Share-based Payment Plan (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 58 employees participating in these schemes.

Information with respect to the number and weighted average exercise prices of and movements in options granted under the Equity Based Compensation Scheme is as follows:

	2006		2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the year	**6,430,000**	**$1.52**	2,934,000	$0.51
- Granted during the year	**440,000**	**$4.71**	4,500,000	$1.95
- Forfeited during the year	**(260,000)**	**$2.16**	-	-
- Exercised during the year	**(1,680,000)**	**$0.45**	(1,004,000)	$0.49
Balance at the end of the year	**4,930,000**	**$2.14**	6,430,000	$1.52
- Exercisable during the next year	**1,215,000**	**$1.81**	1,680,000	$0.45

The weighted average share price at the date of exercise of options was $5.75 (2005: $2.00).

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. The following weighted average assumptions were used for grants made in January 2006, 2005 and 2004:

	2006	2005	2004
Dividend yield	**4.00%**	5.50%	5.73%
Expected volatility	**35.00%**	20.00%	18.61%
Historical volatility	**35.00%**	20.00%	18.61%
Risk-free interest rate	**5.20%**	5.12%	5.65%
Expected life of option	**25% – 2 years** **25% – 3 years** **50% – 4 years**	25% – 2 years 25% – 3 years 50% – 4 years	25% – 2 years 25% – 3 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. No other features of options granted were incorporated into the measurement of fair value.

The resulting weighted average fair values for these options vesting after 1 July 2006 are:

Number	Grant Date	Final Vesting Date	Fair Value Per Option
100,000	13/01/2003	31/01/2007	$0.16
150,000	29/01/2004	31/01/2008	$0.09
4,260,000	31/01/2005	31/01/2009	$0.29
420,000	19/01/2006	31/01/2010	$1.31

The share based payments expensed for the 2006 financial year was $524,191 (2005: $201,844).

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (continued)

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:

	2006	2005
Grant date	19/01/2006	31/01/2005
Vesting date	25% – 01/01/2008	25% – 01/01/2007
	25% – 01/01/2009	25% – 01/01/2008
	50% – 01/01/2010	50% – 01/01/2009
Expiry date	25% – 31/01/2008	25% – 31/01/2007
	25% – 31/01/2009	25% – 31/01/2008
	50% – 31/01/2010	50% – 31/01/2009
Weighted average exercise price	$4.71	$1.95

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 2006:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price
100,000	13/01/2003	01/01/2007	31/01/2007	$0.71
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
1,065,000	31/01/2005	01/01/2007	31/01/2007	$1.95
1,065,000	31/01/2005	01/01/2008	31/01/2008	$1.95
2,130,000	31/01/2005	01/01/2009	31/01/2009	$1.95
105,000	19/01/2006	01/01/2008	31/01/2008	$4.71
105,000	19/01/2006	01/01/2009	31/01/2009	$4.71
210,000	19/01/2006	01/01/2010	31/01/2010	$4.71

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.

25. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Key Management Personnel

(i) Directors

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

(ii) Executives

D. Foti	Executive General Manager, Engineering Construction
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 Key Management Personnel

(i) Remuneration Policy

This policy 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.

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

25. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

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.

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 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.

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 2006 are detailed in Note 25 (e). All executives are eligible to participate in the Monadelphous Group Limited Option Plan.

25. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(ii) Compensation of Key Management Personnel

		Short Term Benefits			Post Employment		Share Based Payments	Other $	Total $	Total Performance Related %
		Salary & Fees $	Cash Bonuses STI $	Non Monetary Benefits $	Super-annuation $	Retirement Benefits $	Options LTI $			
Directors										
C. G. B. Rubino	**2006**	**234,596**	**Nil**	**Nil**	**12,199**	**Nil**	**Nil**	**Nil**	**246,795**	**-**
	2005	289,999	Nil	Nil	11,562	Nil	Nil	Nil	301,561	-
R. Velletri	**2006**	**366,890**	**50,000**	**Nil**	**12,199**	**Nil**	**68,040**	**Nil**	**497,129**	**23.74%**
	2005	317,697	10,000	Nil	11,562	Nil	46,878	Nil	386,137	14.73%
I. Tollman	**2006**	**30,000**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**30,000**	**-**
	2005	27,500	Nil	Nil	Nil	Nil	Nil	Nil	27,500	-
P. J. Dempsey	**2006**	**50,000**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**50,000**	**-**
	2005	45,000	Nil	Nil	Nil	Nil	Nil	Nil	45,000	-
Total Remuneration: Directors										
	2006	**681,486**	**50,000**	**Nil**	**24,398**	**Nil**	**68,040**	**Nil**	**823,924**	
	2005	680,196	10,000	Nil	23,124	Nil	46,878	Nil	760,198	
Executives										
D. Foti	**2006**	**277,128**	**80,000**	**Nil**	**12,120**	**Nil**	**36,014**	**Nil**	**405,262**	**28.63%**
	2005	247,429	20,000	Nil	11,562	Nil	24,270	Nil	303,261	14.60%
A. Erdash	**2006**	**246,566**	**20,000**	**Nil**	**12,120**	**Nil**	**27,359**	**Nil**	**306,045**	**15.47%**
	2005	228,822	8,000	Nil	11,562	Nil	22,513	Nil	270,897	11.26%
M. Jansen	**2006**	**223,063**	**20,000**	**Nil**	**12,139**	**Nil**	**24,050**	**Nil**	**279,252**	**15.77%**
	2005	200,508	8,000	Nil	11,562	Nil	19,285	Nil	239,355	11.40%
G. Everist	**2006**	**225,166**	**20,000**	**Nil**	**12,120**	**Nil**	**24,850**	**Nil**	**282,136**	**15.90%**
	2005	201,686	8,000	Nil	11,562	Nil	14,367	Nil	235,615	9.49%
Total Remuneration: Executives										
	2006	**971,923**	**140,000**	**Nil**	**48,499**	**Nil**	**112,273**	**Nil**	**1,272,695**	
	2005	878,445	44,000	Nil	46,248	Nil	80,435	Nil	1,049,128	
Total Remuneration: Directors and Executives										
	2006	**1,653,409**	**190,000**	**Nil**	**72,897**	**Nil**	**180,313**	**Nil**	**2,096,619**	
	2005	1,558,641	54,000	Nil	69,372	Nil	127,313	Nil	1,809,326	

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

25. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(iii) Compensation by category: Key Management Personnel

	Consolidated		Parent	
	2006 $	2005 $	**2006 $**	2005 $
Short Term Benefits	**1,843,409**	1,612,641	**-**	-
Post Employment	**72,897**	69,372	**-**	-
Share Based Payments	**180,313**	127,313	**-**	-
Other	**-**	-	**-**	-
	2,096,619	1,809,326	**-**	-

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

During the financial year ended 30 June 2006, no options were granted as equity compensation benefits to key management personnel.

All options that vested during the year were exercised and are disclosed in Note 25(d).

30 June 2005

	Vested Number	Granted Number	Terms & Conditions for Each Grant				
			Grant date	Value per option at grant date $	Exercise Price per share $	First Exercise Date	Last Exercise Date
Directors							
R. Velletri	200,000						
		150,000	31/01/05	0.29	1.95	01/01/2007	31/01/2007
		150,000	31/01/05	0.29	1.95	01/01/2008	31/01/2008
		300,000	31/01/05	0.29	1.95	01/01/2009	31/01/2009
Executives							
D. Foti	100,000						
		80,000	31/01/05	0.29	1.95	01/01/2007	31/01/2007
		80,000	31/01/05	0.29	1.95	01/01/2008	31/01/2008
		160,000	31/01/05	0.29	1.95	01/01/2009	31/01/2009
A. Erdash	100,000						
		50,000	31/01/05	0.29	1.95	01/01/2007	31/01/2007
		50,000	31/01/05	0.29	1.95	01/01/2008	31/01/2008
		100,000	31/01/05	0.29	1.95	01/01/2009	31/01/2009
M. Jansen	100,000						
		50,000	31/01/05	0.29	1.95	01/01/2007	31/01/2007
		50,000	31/01/05	0.29	1.95	01/01/2008	31/01/2008
		100,000	31/01/05	0.29	1.95	01/01/2009	31/01/2009
G. Everist							
		50,000	31/01/05	0.29	1.95	01/01/2007	31/01/2007
		50,000	31/01/05	0.29	1.95	01/01/2008	31/01/2008
		100,000	31/01/05	0.29	1.95	01/01/2009	31/01/2009
Total	500,000	1,520,000					

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25. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(d) Shares issued on exercise of compensation options

	Shares Issued Number	Paid $ per share	Unpaid $ per share
30 June 2006			
Directors			
R. Velletri	**400,000**	**0.42**	**-**
Executives			
D. Foti	**200,000**	**0.42**	**-**
M. Jansen	**200,000**	**0.42**	**-**
A. Erdash	**150,000**	**0.52**	**-**
G.Everist	**50,000**	**1.14**	
Total	**1,000,000**		
30 June 2005			
Directors			
R. Velletri	200,000	0.42	-
Executives			
D. Foti	100,000	0.42	-
M. Jansen	100,000	0.42	-
A. Erdash	100,000	0.56	-
Total	500,000		

25. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(e) Option holdings of key management personnel

	Balance at beginning of period 1 July 2005	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of period 30 June 2006
Directors					
C. G. B. Rubino					
R. Velletri	1,000,000	-	(400,000)	-	600,000
I. Tollman	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
Executives					
D. Foti	520,000	-	(200,000)	-	320,000
A. Erdash	450,000	-	(150,000)	-	300,000
M. Jansen	400,000	-	(200,000)	-	200,000
G. Everist	400,000	-	(50,000)	-	350,000
Total	2,770,000	-	(1,000,000)	-	1,770,000

	Balance at beginning of period 1 July 2004	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of period 30 June 2005
Directors					
C. G. B. Rubino	-	-	-	-	-
R. Velletri	600,000	600,000	(200,000)	-	1,000,000
I. Tollman	-	-	-	-	-
P. J. Dempsey	-	-	-	-	-
Executives					
D. Foti	300,000	320,000	(100,000)	-	520,000
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	1,750,000	1,520,000	(500,000)	-	2,770,000

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25. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

(f) Shareholdings of key management personnel

Shares held in Monadelphous Group Limited	Balance 1 July 2005	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2006
Directors					
C. G. B. Rubino	8,004,000	-	-	(4,000,000)	4,004,000
R. Velletri	1,400,000	-	400,000	(400,000)	1,400,000
I. Tollman	756,152	-	-	(50,000)	706,152
P. J. Dempsey	48,000	-	-	10,000	58,000
Executives					
D. Foti	1,154,816	-	200,000	(1,028,000)	326,816
A. Erdash	132,000	-	150,000	(50,000)	232,000
M. Jansen	356,244	-	200,000	(130,000)	426,244
G. Everist	-	-	50,000	10,000	60,000
Total	11,851,212	-	1,000,000	(5,638,000)	7,213,212

Shares held in Monadelphous Group Limited	Balance 1 July 2004	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2005
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
Executives					
D. Foti	1,054,816	-	100,000	-	1,154,816
A. Erdash	40,000	-	100,000	(8,000)	132,000
M. Jansen	374,444	-	100,000	(118,200)	356,244
G. Everist	-	-	-	-	-
Total	11,653,412	-	500,000	(302,200)	11,851,212

(g) Loans to key management personnel

(i) Details of aggregates of loans to key management personnel are as follows:

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

(h) Other transactions and balances with key management personnel

There were no other transactions and balances with key management personnel.

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

Monadelphous

26. AUDITORS' REMUNERATION

	Notes	Consolidated		Monadelphous Group Limited	
		2006 $	2005 $	2006 $	2005 $
The auditor of Monadelphous Group Limited is Ernst & Young. Amounts received or due and receivable by Ernst & Young Australia for:					
- An audit or review of the financial report of the entity and any other entity in the consolidated entity		**142,670**	110,200	**7,500**	7,500
- Other services in relation to the entity and any other entity in the consolidated group - tax compliance		**177,286**	112,500	**78,432**	-
		319,956	222,700	**85,932**	7,500

27. RELATED PARTY DISCLOSURES

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

Name	Country of Incorporation	Percentage held by consolidated entity		Parent Entity Investment	
		2006 %	2005 %	2006 $'000	2005 $'000
Parent: Monadelphous Group Limited					
Controlled entities of Monadelphous Group Limited:					
*Monadelphous Engineering Associates Pty Ltd	Australia	**100**	100	**13,664**	13,664
*Skystar Airport Services Pty Ltd	Australia	**100**	100	**423**	423
*Monadelphous Properties Pty Ltd	Australia	**100**	100	**1,941**	1,941
*Monadelphous Engineering Pty Ltd	Australia	**100**	100	**1,969**	1,969
*Genco Pty Ltd	Australia	**100**	100	**342**	342
*Monadelphous Workforce Pty Ltd	Australia	**100**	100	**370**	370
*MBF Workforce Pty Ltd	Australia	**100**	100	**215**	215
*MI & E Holdings Pty Ltd	Australia	**100**	100	**4,516**	4,516
MIE–PNG Ltd	Papua New Guinea	**100**	100	**-**	-
Skystar Airport Services Holdings Pty Ltd	Australia	**100**	-	**-**	-
Skystar Airport Services NZ Pty Ltd	New Zealand	**100**	-	**-**	-
				23,440	23,440

* Controlled entities subject to the Class Order

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.

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27. RELATED PARTY DISCLOSURES (continued)

The consolidated income statement and balance sheet of the entities that are members of the "Closed Group" are as follows:

	CLOSED GROUP 2006 $	CLOSED GROUP 2005 $
Consolidated Income Statement		
Profit before income tax	**41,950**	23,860
Income tax expense	**(12,721)**	(7,202)
Net profit after tax for the period	**29,229**	16,658
Retained earnings at the beginning of the period	**24,478**	19,656
Dividends paid	**(14,531)**	(11,836)
Retained earnings at the end of the period	**39,176**	24,478
Consolidated Balance Sheet		
ASSETS		
Current assets		
Cash and cash equivalents	**59,721**	22,237
Trade and other receivables	**81,693**	51,283
Inventories	**16,251**	4,771
Other	**-**	118
Total current assets	**157,665**	78,409
Non-current assets		
Trade and other receivables	**1,605**	-
Other financial assets	**-**	-
Property, plant and equipment	**46,852**	31,940
Deferred tax assets	**7,749**	4,563
Goodwill	**2,311**	2,311
Investments accounted for using the equity method	**-**	341
Total non-current assets	**58,517**	39,155
TOTAL ASSETS	**h216,182**	117,564
LIABILITIES		
Current liabilities		
Trade and other payables	**94,396**	35,372
Interest bearing loans and borrowings	**8,092**	5,717
Income tax payable	**8,592**	3,517
Provisions	**21,660**	13,158
Total current liabilities	**132,740**	57,764
Non-current liabilities		
Deferred tax liabilities	**1,137**	622
Interest bearing loans and borrowings	**18,279**	11,805
Provisions	**1,873**	1,202
Total non-current liabilities	**21,289**	13,629
TOTAL LIABILITIES	**154,029**	71,393
NET ASSETS	**62,153**	46,171
EQUITY		
Contributed equity	**21,063**	20,303
Reserves	**1,914**	1,390
Retained earnings	**39,176**	24,478
TOTAL EQUITY	**62,153**	46,171

Notes (cont'd)
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27. RELATED PARTY DISCLOSURES (continued)

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 $164,192,390 (2005: $124,386,110). 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 $182,681,722 (2005: $125,643,720). The amounts are interest free and repayable on demand.

Ultimate parent

Monadelphous Group Limited is the ultimate Australian holding company.

28. EVENTS AFTER THE BALANCE SHEET 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 reporting period in August 2006, the company announced that it had secured another major contract associated with BHP Billiton Iron Ore's Rapid Growth Project (RGP3). The contract consists of structural and mechanical construction for the expansion of iron ore facilities at Mining Area C located in the Pilbara region of Western Australia. The contract is valued at approximately $120 million and is scheduled for completion by September 2007.

On 21 August 2006, the directors of Monadelphous Group Limited declared a final dividend and special dividend on ordinary shares in respect of the 2006 financial year. The total amount of the dividend is $19,576,417 which represents a fully franked final dividend of 15 cents per share and a fully franked special dividend of 9 cents per share. This dividend has not been provided for in the 30 June 2006 Financial Statements.

29. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments be undertaken. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

29. FINANCIAL INSTRUMENTS (continued)

(a) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year $'000	>1-<2 years $'000	>2-<3 years $'000	>3-<4 years $'000	>4-<5 years $'000	>5 years $'000	Total $'000	Weighted average effective interest rate %
Year ended 30 June 2006								
CONSOLIDATED								
FINANCIAL ASSETS								
Floating rate								
Cash assets	**61,650**	**-**	**-**	**-**	**-**	**-**	**61,650**	**5.49**
Weighted average effective interest rate	**5.49**						**5.49**	
FINANCIAL LIABILITIES								
Fixed rate								
Interest bearing liabilities	**1**	**-**	**-**	**-**	**-**	**-**	**1**	**6.79**
Hire Purchase liability	**8,091**	**8,147**	**10,132**	**-**	**-**	**-**	**26,370**	**6.71**
Weighted average effective interest rate	**6.71**	**6.71**	**6.71**				**6.71**	
Year ended 30 June 2005								
CONSOLIDATED								
FINANCIAL ASSETS								
Floating rate								
Cash assets	22,237	-	-	-	-	-	22,237	5.00
Weighted average effective interest rate	5.00						5.00	
FINANCIAL LIABILITIES								
Fixed rate								
Interest bearing liabilities	91	-	-	-	-	-	91	6.79
Hire Purchase liability	5,626	4,648	7,157	-	-	-	17,431	6.62
Weighted average effective interest rate	6.62	6.62	6.62				6.62	
Year ended 30 June 2006								
PARENT								
FINANCIAL ASSETS								
Floating rate								
Cash assets	**56,581**	**-**	**-**	**-**	**-**	**-**	**56,581**	**5.49**
Weighted average effective interest rate	**5.49**						**5.49**	
Year ended 30 June 2005								
PARENT								
FINANCIAL ASSETS								
Floating rate								
Cash assets	22,294	-	-	-	-	-	22,294	5.00
Weighted average effective interest rate	5.00						5.00	

Notes (cont'd)
*to and forming part of the Financial Statements – **30 June 2006***

Monadelphous

29. FINANCIAL INSTRUMENTS (continued)

(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 Value	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Consolidated				
FINANCIAL ASSETS				
Cash	**61,650**	22,237	**61,650**	22,237
Other debtors	**596**	454	**596**	454
Receivables – trade	**81,043**	50,829	**81,043**	50,829
Total Financial Assets	**143,289**	73,520	**143,289**	73,520
FINANCIAL LIABILITIES				
Payables	**95,401**	35,372	**95,401**	35,372
Interest bearing liabilities	**1**	91	**1**	91
Hire Purchase liability	**26,370**	17,431	**26,370**	17,431
Total Financial Liabilities	**121,772**	52,894	**121,772**	52,894
Parent				
FINANCIAL ASSETS				
Cash	**56,581**	22,294	**56,581**	22,294
Other debtors	**-**	1	**-**	1
Receivables – trade	**-**	-	**-**	-
Amounts receivable from controlled entities	**164,192**	124,386	**164,192**	124,386
Total Financial Assets	**220,773**	146,681	**220,773**	146,681
FINANCIAL LIABILITIES				
Payables	**109**	588	**109**	588
Interest bearing liabilities	**-**	-	**-**	-
Hire Purchase liability	**-**	-	**-**	-
Amounts payable to controlled entities	**182,682**	125,644	**182,682**	125,644
Total Financial Liabilities	**182,791**	126,232	**182,791**	126,232

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.

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29. FINANCIAL INSTRUMENTS (continued)

(c) Credit risk exposures

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

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

There are no significant concentration of credit risk within the Group. The Group minimises concentrations of credit risk in relation to accounts receivable by undertaking transactions with a large number of customers within the resources, energy and infrastructure industries.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

With respect to credit risk arising from the other financial assets of the Group, which comprises cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

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

30. TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first annual financial statements the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 "First-time adoption of AIFRS".

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Exemptions applied

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

The Group has taken the following exemptions:

- Comparative information for financial instruments is prepared in accordance with AGAAP and the company and group have adopted AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement" from 1 July 2005.
- AASB 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004.
- AASB 2 "Share-based Payment" has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005.

Explanations of material adjustments to the cash flow statement

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

30. TRANSITION TO AIFRS (continued)

(a) Reconciliation of total equity as presented under AGAAP to AIFRS as at 1 July 2004

	Note	Consolidated	Monadelphous Group Limited
		$'000	$'000
Total equity under AGAAP		39,271	26,912
Tax effect of asset revaluation reserve	(i)	(123)	-
Effect of UIG 1052	(ii)	-	3,598
Total equity under AIFRS		39,148	30,510

(i) The asset revaluation reserve recognised under AGAAP has been tax-effected at the tax rate of 30%.
(ii) Adjustment results from the implementation of UIG 1052.

(b) Reconciliation of total equity as presented under AGAAP to AIFRS as at 30 June 2005

	Note	Consolidated	Monadelphous Group Limited
		$'000	$'000
Total equity under AGAAP		46,092	29,430
Write-back of goodwill amortisation	(i)	189	-
Tax effect of fair valuing MIE's assets on acquisition	(ii)	7	-
Tax effect of asset revaluation reserve	(iii)	(123)	-
Tax effect of amortisation of asset revaluation reserve	(iv)	6	-
Effect of UIG 1052	(v)	-	10,942
Total equity under AIFRS		46,171	40,372

(i) Goodwill is not amortised under AASB 3 'Business Combinations' but was amortised under AGAAP.
(ii) Tax effect of fair valuing MIE's fixed assets at the date of acquisition.
(iii) The asset revaluation reserve recognised under AGAAP has been tax-effected at the tax rate of 30%.
(iv) Tax effect of the above adjustment.
(v) Adjustment results from implementation of UIG 1052.

30. TRANSITION TO AIFRS (continued)

(c) Reconciliation of profit after tax under AGAAP to that under AIFRS as at 30 June 2005

	Note	Consolidated	Monadelphous Group Limited
		$'000	$'000
Profit after tax as previously reported under AGAAP		16,658	12,355
Write-back of goodwill amortisation	(i)	189	-
Recognition of share-based payments expense	(ii)	(202)	(202)
Tax effect adjustment	(iii)	13	-
Effect of UIG 1052	(iv)	-	7,344
Profit after tax under AIFRS		16,658	19,497

(i) Goodwill is not amortised under AASB 3 'Business Combinations' but was amortised under AGAAP.
(ii) Share-based payment costs are charged to the income statement under AASB 2 'Share-based Payment', but not under AGAAP.
(iii) Tax effect of the above adjustments.
(iv) Adjustment results from implementation of UIG 1052.

(d) Impact of AASB 132 and 139

Monadelphous Group Limited and its subsidiaries elected to take the exemption under AASB 1 "First Time Adoption of AIFRS" to apply AASB 139 "Financial Instruments: Recognition and Measurement" and AASB 132 "Financial Instruments: Disclosure and Presentation" from 1 July 2005. There are no material adjustments.

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 reviewed during the year ended 30 June 2006 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

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 24. 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 and Mr I. Tollman are considered to be independent directors.

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	16 years	(Executive Director)
R. Velletri	14 years	(Executive Director)
I. Tollman	14 years	(Non-Executive Director)
P. J. Dempsey	3 years	(Non-Executive Director)

AUDIT COMMITTEE

The Board has 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 14 years.

I. Tollman has significant experience in the management of Monadelphous having served as the finance director of Monadelphous for 12 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 31 of the Directors' Report.

NOMINATION COMMITTEE

The Board has a nomination committee which operates under a charter and meets at least annually. The nomination committee is responsible for ensuring 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 31 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 performance against 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.

REMUNERATION COMMITTEE

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 31 of the Directors' Report

Corporate Governance Statement(cont'd)
Year ended 30 June 2006

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 the five executives during the year and for all directors, refer to page 30 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.

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Additional Information

Year ended ***30 June 2006***

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 2006.

a) Distribution of equity securities

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

Category (Size of Holdings)	Number of Ordinary Shareholders	Number of Ordinary Shares	% of Issued Capital
1 – 1000	1,204	793,220	0.97
1,001 – 5,000	2,303	6,417,637	7.87
5,001 – 10,000	840	6,400,337	7.85
10,001 – 100,000	936	24,558,004	30.11
100,001 – 9,999,999	69	43,399,210	53.20
Total	5,352	81,568,408	100.00

The number of shareholders holding less than marketable parcels is 13.

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)	7,948,742	9.74
2	National Nominees Limited	5,167,117	6.33
3	Fadmoor Pty Ltd (John Rubino Super Fund Account)	4,004,000	4.91
4	RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC Account)	2,667,542	3.27
5	J P Morgan Nominees Australia Limited	2,539,611	3.11
6	ANZ Nominees Limited (Cash Income Account)	2,408,603	2.95
7	RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED Account)	2,344,016	2.87
8	Mr Robert Velletri (The Velletri Family Account)	1,400,000	1.72
9	Wilmar Enterprises Pty Ltd	1,320,000	1.62
10	Carramar Pty Ltd	1,050,000	1.29
11	Westpac Custodian Nominees Limited	722,286	0.89
12	Stalow Holdings Pty Ltd	720,000	0.88
13	Cogent Nominees Pty Limited	702,858	0.86
14	Citicorp Nominees Pty Ltd	460,173	0.56
15	Miss Mary Carol Hughes	400,000	0.49
16	Irtol Investments Pty Ltd (Tollman S/F-I Tollman Account)	398,516	0.49
17	Citicorp Nominees Pty Ltd (CFSIL CWLTH BOFF Super Account)	391,411	0.48
18	Mrs Mabs Melville	370,000	0.45
19	Mr Dino Foti	326,816	0.40
20	Frank Hadley Pty Ltd	320,772	0.39
	Total	35,662,463	43.70

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)	7,948,742	9.74
National Nominees Limited	5,167,117	6.33

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.

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Investor Information

Year ended ***30 June 2006***

Annual General Meeting

The Annual General Meeting will be held at Bluewater Grill, Heathcote Centre, 56 Duncraig Road, Applecross on Tuesday, 21 November 2006 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 thwe 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)
+ 61 8 9615 5970
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.

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

Monadelphous

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Monadelphous

www.monadelphous.com.au

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