MACMAHON

GETTING IT RIGHT

14/15

ANNUAL REPORT

CONTENTS

BUILDING A MORE RESILIENT AND DYNAMIC MACMAHON

Macmahon is known for its pioneering spirit.

With a proud history spanning more than 50 years, Macmahon has demonstrated time and time again that it has the tenacity to overcome the toughest of challenges.

We know that as our customers' needs change, so must we. Indeed, the key to our long term success will continue to be our ability to adapt our business to best match the cyclical nature of the resource industry.

There is no denying that current market conditions are challenging for those operating in the sector. However, this is where our mettle is tested and as always, we're up for the challenge.

We've been through this cycle before and we will, as we have in the past, demonstrate our resilience by listening to our customers, recognising where the best opportunities lie and putting the right strategies in place to maximise the return to both the business and our clients.

Today, Macmahon is a smarter, leaner, more streamlined operation.

We see exciting times ahead as our flexible business structure enables us to "right-fit" ourselves to any project and deliver world class mining techniques and technology faster and more efficiently than ever before.

AT A GLANCE

MACMAHON TODAY

TOTAL REVENUE
$660M

ORDER BOOK
$1.15B

PROJECT PIPELINE $2B

TOTAL WORKFORCE OF
~1200

5.5
MILLION
MAN HOURS WORKED

WORKING IN
40°C TO
- 40°C

MINING
10 DIFFERENT COMMODITIES
ACROSS 6 COUNTRIES

167M
TONNES MOVED

1.96M
UNDERGROUND METRES DRILLED

OVER
150
DUMPTRUCKS

OVER
100
EXCAVATORS AND LOADERS

OVER
50
DRILL RIGS


MACMAHON

CHAIRMAN'S REVIEW

RIGHT SIZING TO MEET OUR CUSTOMERS' NEEDS

The 2015 financial year saw market conditions continue to deteriorate with mining companies responding in a number of ways, including taking operations in house, rationalising their cost structures, and reducing activity levels. This resulted in a sharp reduction in work for Macmahon and a subsequent downward shift in revenue as major projects including Christmas Creek, Eaglefield, Tavan Tolgoi and Waihi concluded.

As a result, the Board made the decision to significantly restructure the business to better meet the challenges before us. During the year we made solid progress on the objectives we set ourselves: to streamline our business model, reduce operating costs, strengthen our balance sheet, and improve project delivery.

Of particular note, we successfully consolidated our head office and world class maintenance facilities at Perth Airport and implemented a sustainable reduction in overheads to match current business requirements. Our new organisational structure has reduced the layers of management between our projects and the executive team, which has already resulted in an improvement in performance across our key operations.

The settlement of the CSA claim and the recent sale of our business in Mongolia have significantly strengthened our balance sheet and I am pleased to report that the Company is now in a much stronger, net cash position.

FINANCIAL PERFORMANCE

Whilst our current financial position is now much stronger, I am disappointed to report that the Company recorded a net loss after tax of $217.9 million for the 2015 financial year. This loss directly relates to the ongoing challenging market conditions impacting the sector which resulted in the Company incurring significant restructuring costs and needing to impair a significant amount of idle equipment and excess inventory. Excluding these one-off items, the Company's underlying profit after tax was $10 million.

Given the ongoing challenges facing the industry, the Board has determined that no dividend will be declared for the year ending 30 June 2015. The Board remains committed to returning value to shareholders and will seek to implement a number of capital management initiatives as soon as the Company reaches sustainable profitability.

OUTLOOK

Whilst market conditions remain challenging for the resources sector, there has been an increase in the number of contracting opportunities coming to market as mining companies continue to seek additional ways to reduce their cost base. As a result, the Company is currently tendering more than $2.2 billion of new work, both in Australia and overseas. This work is spread across a range of commodities including gold, copper, nickel, iron ore, coal and phosphate.

With Macmahon's improved balance sheet position, our strategy for the forthcoming period is to return the Company to profitability, and to target growth by:

- maintaining a low cost base;
- improving operational performance; and
- pursuing targeted growth opportunities.

Whilst securing new work is a clear priority, Macmahon is remaining disciplined in regards to tendering new work. Our current focus is on improving our performance across all existing contracts and ensuring that all operations achieve benchmarked performance rates.

CHAIRMAN'S REVIEW

PEOPLE

The past 12 months have been exceptionally challenging for our people as we have resized and restructured the business. On behalf of the Board, I wish to take this opportunity to sincerely thank those employees who have left the business, for their passion and commitment over the years.

In January 2015, I assumed the role of Executive Chairman following the resignation of Ross Carroll, our Chief Executive Officer. Ross had been with the Company since 2006 in a number of senior roles including Chief Financial Officer and Chief Operating Officer – Mining, before taking on the role of Chief Executive Officer in 2012. On behalf of the Board, I wish to take this opportunity to thank Ross for his hard work and dedication during what has been a very challenging period for the Company. We wish him the best in his future endeavours.

Over the past six months I have taken the opportunity to implement a new organisational structure in order to drive accountability across our senior project and operational personnel.

As a result of this revised structure, several changes to the Company's senior management team have also been made. The new leadership team now has a clear objective to deliver improved returns to shareholders through enhanced performance – both operationally and financially. I am confident that with our new streamlined operating model and a much lower cost base in place, this new team will be successful in delivering on their objectives.

New Chief Executive Officer

In July 2015, following an extensive search process, the Board appointed Sybrandt van Dyk to the role of Chief Executive Officer. Sybrandt has been with Macmahon since April 2014, when he was appointed as Chief Financial Officer. Prior to joining the Company, Sybrandt was at the WesTrac Group where he held a number of senior operational roles, including Chief Operating Officer (WA), Chief Financial Officer (Group) and General Manager – Mining (WA/NSW).

I am pleased to report that since joining Macmahon, Sybrandt has been instrumental in reshaping the Company into the leaner, more dynamic and resilient business that we are today. He has an intimate understanding of the Company's history and importantly, knows what is required to grow the business and deliver sustainable profits. Accordingly, the Board and I are confident that Sybrandt has what it takes to deliver on the Company's strategic vision – to be a leading international contractor.

With Sybrandt's appointment confirmed, I have now relinquished my executive duties and resumed my previous role as Non-executive Chairman of the Board.

GOVERNANCE AND THE BOARD

The Board is committed to maintaining high standards of governance, compliance, business ethics and safety performance. We strongly believe that good corporate governance is critical to the long term sustainability of the organisation. With this in mind we have continued to monitor and review our corporate governance and reporting practices to ensure alignment with the latest ASX principles and recommendations. In addition to this report, our corporate governance statement can be found on our website, and we encourage all shareholders to read it.

In keeping with the Board's commitment to an orderly renewal process, further changes were made to the composition of the Board during the year. As foreshadowed at the Company's Annual General Meeting in November, Non-executive Director and Deputy Chairman, Mr Barry Cusack, resigned from the Macmahon Board in January. In line with the Company's revised size and structure, a replacement for Mr Cusack's position has not been sought. On behalf of the Board I wish to take this opportunity to thank Mr Cusack for his contribution to the Company during his service as a director over the past 12 and half years.

SHAREHOLDERS AND SUPPLIERS

In closing, I wish to acknowledge and thank our shareholders and our suppliers for their ongoing support during the year. This has certainly been a challenging period for Macmahon and the sector more broadly and I thank you for your patience and trust in the Company.

We remain firmly committed to returning the Company to sustainable profitability and are continuing to make the necessary changes to our business in order to achieve the returns that shareholders deserve.

Jim Walker
CHAIRMAN

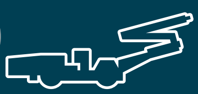
OPERATIONAL AND
FINANCIAL REVIEW

THE RIGHT FIT FOR ANY PROJECT

SURFACE MINING AND CONSTRUCTION

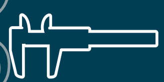
- MINE PLANNING
- MINE MANAGEMENT
- DRILLING AND BLASTING
- MINING (BULK AND SELECTIVE)
- CRUSHING AND SCREENING
- FIXED PLANT MAINTENANCE
- CAMP AND MINE MANAGEMENT
- TRAIN LOADOUT MANAGEMENT
- OPERATE AND MAINTAIN CLIENT EQUIPMENT

UNDERGROUND MINING



- TOTAL MINE MANAGEMENT
- UNDERGROUND DEVELOPMENT
- UNDERGROUND PRODUCTION
- PORTAL ESTABLISHMENT
- RAISEDRILLING
- CABLEBOLTING
- SHOTCRETING
- REMOTE SHAFT LINING
- PRODUCTION DRILLING
- SHAFT SINKING

ENGINEERING



- DESIGN AND ENGINEERING, ELECTRICAL AND MECHANICAL WORKS FROM CONCEPT TO TURNKEY PACKAGES
- FABRICATION, INSTALLATION AND MAINTENANCE OF STRUCTURAL, MECHANICAL, MINING AND ELECTRICAL PLANT AND EQUIPMENT FOR SURFACE AND UNDERGROUND CLIENTS
- PROCUREMENT, INCLUDING EQUIPMENT SELECTION, DESIGN AND FABRICATION
- PROJECT MANAGEMENT AND COMMISSIONING
- INSTALLATION WORKS, WITH RAPID MOBILISATION TO BUILD PROJECTS

PLANT AND MAINTENANCE

- COMMISSIONING, SHUTDOWN AND MAINTENANCE MANAGEMENT
- OPERATION AND MAINTENANCE OF CLIENT-OWNED PLANT AND INFRASTRUCTURE
- WATER MANAGEMENT AND TAILINGS DAM MAINTENANCE SERVICES
- MODIFICATION TO EXISTING PLANT TO SUIT CLIENTS' NEEDS
- DESIGN, CONSTRUCT, COMMISSION AND MAINTAIN CRUSHING AND SCREENING PLANT
- SPECIALISED ENGINEERING - ORE FLOW SYSTEM MANAGEMENT
- 3D SCANNING AND MODELLING
- SPECIALISED SERVICE TEAM

OPERATIONAL AND
FINANCIAL REVIEW

Macmahon is an international contracting company offering the complete package of mining services to clients in Australia, New Zealand, South East Asia, Central Asia and Africa. Headquartered in Perth, the Company has extensive knowledge and experience in both surface and underground mining as well as engineering design and fabrication, construction and maintenance services.

OPERATIONAL

SURFACE MINING AND CONSTRUCTION

Macmahon offers a full range of surface mining and construction services, including, but not limited to, mine planning, drill and blast, bulk and selective mining, crushing and screening, materials handling, resource infrastructure development, civil construction, water management, and plant operation and maintenance.

Project activity

- Macmahon is currently providing a full range of mining services at the Tropicana Gold Mine in Western Australia for AngloGold Ashanti and Independence Group. Over the past six months project performance has improved significantly and the Company remains on target to achieve further productivity gains.
- In January 2015, the Company was awarded a 3 year contract extension by Rio Tinto to continue its tailings dam management operations at the Argyle Diamond Mine in Western Australia.
- Throughout the year the Company successfully entered into a number of short-term, wet and dry equipment hire agreements with a range of customers across Australia.
- The Company's Maintenance Service business unit also continued to grow the volume of work from external clients during the year – successfully offsetting reduced internal workload demand.

Projects successfully completed

- In February 2015 Fortescue Metals Group consolidated its two Christmas Creek Mines in Western Australia. As a result, Macmahon's mining services contract at the Christmas Creek Expansion Project concluded on 20 May 2015.
- In May 2015, Newmont Waihi Gold announced that Macmahon's mining contract at the Martha Mine in New Zealand would be concluding ahead of schedule. The decision to cease operations early was due to a geotechnical issue with the mine wall. The Company has since successfully demobilised from site.
- During the period, operations at Peabody's Eaglefield Mine in Queensland were completed ahead of schedule and demobilisation activities were finalised safely and efficiently.

Other achievements

During the period the Company successfully transitioned its indigenous joint-venture partnership with Triodia Tropicana Pty Ltd to a standalone business. The successful joint venture was established in an effort to bridge the gap between the mining sector and the Great Victorian Desert communities through the creation of employment opportunities and workplace training. Following the successful completion of the program, Triodia Tropicana now has sole responsibility for providing Light Vehicle Workshop services to Macmahon and AngloGold Ashanti at the Tropicana Gold project.

OPERATIONAL AND FINANCIAL REVIEW

UNDERGROUND MINING

Macmahon specialises in providing high quality underground development and production services and its expertise extends to the provision of ground support services (rock bolting, cable bolting and shotcreting) as well as the full suite of ventilation and access services (shaft sinking, raise drilling and shaft lining).

Project activity

- Macmahon is currently providing a range of underground mining services at BHP Billiton's Olympic Dam Mine in South Australia. The Company is on track to successfully complete its development contract in September 2015. Separately, Macmahon is currently delivering raise drilling services at Olympic Dam which are contracted to 2018.
- Macmahon's Mining Services business currently provides a range of services (including drilling, shotcreting, raise drilling, shaft sinking, cablebolting and engineering design) to a number of projects including the Mount Wright Gold Mine in Queensland for Carpentaria Gold, Lanfranchi and Savannah Mines in Western Australia for Panoramic Resources, Ballarat Gold Project in Victoria for Castlemaine Gold Fields and Newcrest Mining's Cadia Project in New South Wales.
- During the period Macmahon was awarded a new drilling contract at George Fisher utilising a new Canadian designed drill rig. This rig is the first of its kind in Macmahon's underground fleet and offers great flexibility in relation to mobility, drill length and drill diameter.

Projects substantially completed

- Construction of ERA's Ranger 3 Deeps exploration decline in the Northern Territory was successfully completed during the period. In June 2015 ERA announced that the expansion project would not proceed amid depressed uranium prices. Macmahon has been retained on site to provide care and maintenance services.
- Works at Rio Tinto's Argyle Diamond Mine in Western Australia were completed in August 2014.
- Mining Services also completed drilling activities at the Tritton Mine in New South Wales for Straits Resources during the period.

Other achievements

Highlighting Macmahon's commitment to utilising leading edge technologies, the Company is currently trialling a new blind box-hole borer developed by Atlas Copco. The technological advances of this machine enable it to be setup within hours (compared to days for conventional machines). The requirement for site preparation is also drastically reduced, as there is no requirement for a bolt down pad, which significantly reduces cost. This rig can also be operated by a single driller creating greater efficiencies.

INTERNATIONAL OPERATIONS

Macmahon has been operating successfully overseas for more than 25 years.

The Company's international operations span a number of regions including Central Asia, South East Asia and Africa. Macmahon is currently providing a range of mining services in these regions and is continuing to seek new opportunities to further expand its footprint.

Project activity

- Macmahon is currently providing mining services for Lafarge at a number of operations in Malaysia, Indonesia and Nigeria.
- During the period Macmahon was awarded a new 5 year contract at the Lafarge Kanthan Quarry in Malaysia where the Company has been contracted since 2003. The contact was awarded following an open tender process, demonstrating the Company's ability to provide quality services at a competitive price.

Projects successfully completed

- Quarrying activities at Lafarge's Rawang cement project in Malaysia were successfully completed following the end of the five year contract with Lafarge in mid-October 2014.
- The Company's operations at the Tavan Tolgoi Mine ceased in August 2014 (see separate note below).

Other achievements

- Highlighting the Company's long term commitment to its African operations, during the period existing hire fleet was replaced by Macmahon owned assets, reducing cost and improving plant availability.

Mongolia

In August 2014, the Company's operations at the Tavan Tolgoi coal project in Mongolia were suspended following a dispute with the client regarding payment delays for work completed. Failure to reach an agreement led both parties to enter into a standstill agreement in September 2014.

In June 2015, Macmahon announced the sale of its Mongolian business to a private company for US$65 million. Full payment was received by Macmahon prior to the year-end resulting in net proceeds of approximately US$62 million.

This transaction concludes Macmahon's current mining operations in Mongolia. However, the Company remains optimistic about the future of the mining industry in Mongolia and is currently investigating a number of new opportunities in the region.

FINANCIAL

PROFIT AND LOSS

Income

The Company reported total revenue of $660.2 million. Revenue was lower than the 2014 financial year, due to the completion of the Ore Body 18 and George Fisher projects in financial year 2014, completion of the Eaglefield, Argyle Underground and Tavan Tolgoi projects midway through the 2015 Financial Year and the termination of the Christmas Creek 2 project in May 2015.

The Company reported a consolidated loss after tax of $217.9 million for the 2015 financial year. This was largely due to a number of significant one off items, the most significant being an impairment charge of $202.0 million and inventory write-downs of $27.3 million. Excluding significant one off items, the Company reported an underlying Net Profit After Tax of $10 million.

Expenditure

Recurring expenditure from continuing operations (consisting of materials, sub-contractors, operating leases and personnel costs) was $558.8 million.

Depreciation of property, plant and equipment from continuing operations for the 2015 financial year was $59.6 million. The vast majority of the Company's plant and equipment is depreciated on cumulative hours worked.

Net finance costs of $23.7 million was greater than the 2014 financial year. The increase was primarily a result of the recognition of an $8.2 million loss on interest rate swaps and a $3.2 million write-down of capitalised borrowing costs associated with the Company's Syndicated Debt Facility.

Tax expense

The Group reported a tax expense of $0.5 million for continuing operations. The effective tax rate for continuing operations for the year was 0.2 percent. This was impacted by adjustments for impairments and inventory write-downs and the sale of the Company's Mongolian operations. Excluding the adjustments the effective tax rate would be 29.8%.

Dividend

The Board has determined that a dividend will not be declared for the year ending 30 June 2015. The Board remains committed to a 50 percent dividend payout ratio, however its focus at this time is on strengthening the Company's balance sheet.

BALANCE SHEET

Financing

The Company's balance sheet is in a strong position, with a cash balance of $236.9 million at year end against a total debt of $162.7 million. This resulted in a net cash position of $74.2 million.

On 31 July 3015, the Company repaid it's Syndicated Debt Facility in full. The Company is currently assessing a number of alternative financing options. Moving forward, the Company's existing bank guarantees will be cash backed.

Working capital

Current trade and other receivables were $66.8 million at 30 June 2015, while current trade and other payables were $89.1 million at 30 June 2015. The reduction in receivables and payables was largely due to the completion of the Orebody 18, Eaglefield and Christmas Creek 2 projects and the sale of the Company's Mongolian operations.

Non-current assets

As at 30 June 2015, the value of the Company's property, plant and equipment, totalled $141.5 million, compared to $442.9 million from the prior year. The reduction in property plant and equipment was driven largely by an impairment charge of $183.7 million, depreciation and the disposal of the Company's Mongolian assets on 23 June 2015.

Despite the closure of several projects, the Company has redeployed some of its surplus equipment to existing projects and as a result maintains a manageable level of idle equipment. Management recognises the importance of discipline with regards to its capital expenditure and will seek to transition idle fleet when appropriate either via deployment to new projects or disposal.

Cash flow

Net operating cash during the year totalled $53.8 million. Excluding cash outflows of $6.7 million related to the discontinued construction business, continuing operations generated operating cash flows of $60.5 million.

The Company realised $79.0 million from investment activities primarily relating to the sale of its Mongolian operations for $84.1 million. Offsetting this inflow the Company incurred net capital expenditure of $5.7 million.

Net cash outflows from financing activities in the 2015 financial year totalled $8.3 million consisting of borrowing costs and leasing expenditure.

Impairment and write-downs

In addition to the impairment of property, plant and equipment, of $183.7 million and inventory write-downs of $27.3 million, the Company recognised an impairment of goodwill of $18.3 million, totalling $229.3 million.

BUSINESS
STRATEGY

THE RIGHT STRATEGY

Macmahon's overarching objective is to secure and deliver work that is profitable and repeatable in order to deliver sustainable returns to shareholders.

As outlined in last year's annual report, Macmahon has implemented a two-tiered business strategy.

The first tier centres on strengthening the Company's operations in its base market of Australia, where it has an established reputation. The second tier focuses on growth via diversification into geographies that offer strong market growth based on Macmahon's existing expertise and international experience.

Whilst current market conditions remain challenging, Macmahon remains committed to this strategy, and is currently focusing on securing new work by capitalising on its reputation as a highly experienced contractor with proven mining and construction capabilities. Furthermore, the Company's recent organisational restructure and cost reduction program have enabled the business to adjust its pricing model which has in turn, significantly bolstered its competitiveness – both domestically and overseas.

Macmahon's core domestic Surface Mining business strategy revolves around improving safety and operational performance, customer focus and project selection, ensuring that the business increases its contract retention and tender win rates while maintaining discipline on the use of its balance sheet and resources.

In its Underground Mining business, Macmahon's strategic focus is on improving its safety and operational performance, bolstering its client engagement activities and developing a competitive advantage through the implementation of a range of new technologies and cost effective mining techniques.

Internationally, Macmahon's strategy is to capitalise on its foothold in South East Asia, Central Asia and Africa. These regions are continuing to produce new opportunities which provide the Company with an ideal platform for global expansion.

The Macmahon Way

The Macmahon Management Operating System is the cornerstone for how we undertake our work and ensure that we achieve the Company's strategic business objectives. We believe that we can minimise risk and improve performance by having clear and comprehensive documented processes which guide the behaviour of our leaders and employees. With the restructure of the business over the past 12 months, we recognise the need to ensure that the Macmahon Management Operating System is updated to reflect these changes. We will revise and continually improve our business processes during the 2016 financial year to ensure they deliver on the needs of the business.

THE RIGHT APPROACH TO RISK

Macmahon defines risk management as the identification, assessment and management of risks that have the potential to materially impact the Company's operations, people, reputation, and financial results.

Macmahon's risk management framework is embedded within existing processes and is aligned to the Company's strategic business objectives. Given the breadth of operations and the geographies and markets in which the Company operates, a wide range of risk factors have the potential to affect the achievement of these objectives.

Set out below is an overview of a number of material risks facing Macmahon. These risks are not set out in any particular order and do not comprise every risk that Macmahon could encounter when conducting its business. Rather, they are the most significant risks that, in the opinion of the Board, should be monitored and managed and considered by investors before investing in the Company.

Health, Safety, Sustainability and Environment Risk

The mining industry involves a high degree of operational risk. Macmahon believes it takes reasonable precautions to manage safety and environmental risks and thereby ensure the continued sustainability of it's business. However, there can be no assurance that the Company will avoid significant costs, liability and penalties or criminal prosecution. This risk is mitigated by progressively improving on already high safety performance standards across the business. Central to this is the Company's Safety Lifesaving Rules which are well embedded and embraced across the business.

Project Delivery Risk

The execution and delivery of projects involves judgment regarding the planning, development and operation of complex operating facilities and equipment. Some parts of Macmahon's business are involved in large-scale, complex projects that may occur over extended time periods. As a result, the Company's operations, cash flows and liquidity could be affected if Macmahon miscalculates the resources or time needed to complete a project, if it fails to meet contractual obligations, or if it encounters delays or unspecified conditions.

Competition Risk

The market in which Macmahon operates is highly competitive, which may result in downward pressure on prices and margins. If Macmahon is unable to compete effectively in its markets, it runs the risk of losing market share.

Demand Risk

Macmahon is a contractor operating predominantly in the mining and resources sector. As a result, failure to obtain contracts, delays in awards of contracts, cancellations or terminations of contracts, delays in completion, changes in economic conditions and the volatile and cyclical nature of commodity prices means that the demand for Macmahon's goods and services can vary markedly over relatively short periods. Accordingly, changes in market conditions could impact Macmahon's financial performance.

Order Book Risk

Generally in the mining industry, most contracts can be terminated for convenience by the customer at short notice and without penalty, with the customer paying for all work completed to date, unused material and in most cases demobilisation from the site and redundancies. As a result, there can be no assurance that work in hand will be realised as revenue in any future period. Macmahon is selective in the contracts that it enters into and always seeks to extend contracts where possible in an effort to maximise its return on capital.

Contract Pricing Risk

Macmahon has mixed exposure to contract types. However, if the Company materially underestimates the cost of providing services, equipment, or plant, there is a risk of a negative impact on Macmahon's financial performance.

Contractual Risk

Macmahon operates under contracts that are generally complex and require skill to administer correctly. From time to time, the Company is involved in disputes with clients about contractual entitlements. If the Company fails to provide the necessary documentation to substantiate claims or is otherwise unsuccessful in negotiating a reasonable settlement, Macmahon's financial performance could be affected.

RISK
MANAGEMENT

Legal Claims and Proceedings Risk

Macmahon may be subject to various claims or legal proceedings which arise in the ordinary course of business. These claims may seek compensation for, amongst others things, personal injury, breach of work place practices, breach of contract or statutory duty, property damage, liquidated damages and lost profits. The outcomes of these disputes can be difficult to predict. An adverse determination on such claims or proceedings may harm our reputation and in certain instances where our insurance coverage is inadequate, may cause a material negative impact on any one year's financial performance.

Liquidity Risk

The risk of Macmahon not being able to meet its financial obligations as they fall due is managed by maintaining adequate cash reserves and available borrowing facilities, as required. Errors or unforeseen changes in actual and forecast cash flows that then create a mismatch against the maturity profiles of financial assets and liabilities could have a detrimental effect on the Company's liquidity. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Partner Risk

Macmahon, in some cases, may undertake services through and participate in, joint ventures or partnering/alliance arrangements. The success of these partnering activities depends on the satisfactory performance by Macmahon's partners. The failure of partners to meet performance obligations could impose additional financial and performance obligations that could cause significant impact on Macmahon's reputation and financial results, including loss or termination of the contract and loss of profits.

Interest rate risk

The risks associated with fluctuating interest rates, specifically on the Company's variable rate borrowings is managed under the Company's approved Treasury Policy in which interest rate exposures on committed capital finance borrowings are hedged in order to attain 100% fixed rates (by volume). The hedging instruments approved by the Board of Directors for this purpose, are interest rate swaps and interest rate caps and floors. Further information is contained in note 31 of the financial statements.

Currency fluctuation

As a Company with international operations, Macmahon is exposed to fluctuations in the value of the Australian dollar versus other currencies. Because Macmahon's consolidated financial results are reported in Australian dollars, if Macmahon generates sales or earnings or has assets and liabilities in other currencies, the translation into Australian dollars for financial reporting purposes can result in a significant increase or decrease in the amount of those sales or earnings and net assets.

Other material risks that could affect Macmahon include:

- A major operational failure or disruption at key facilities or to communication systems which interrupt Macmahon's business;
- Changing government regulation including tax, occupational health and safety, and changes in policy and spending;
- Operating in international markets can expose Macmahon to economic conditions, civil unrest, conflicts, and bribery and corrupt practices;
- Loss of reputation through poor project outcomes, unsafe work practices, unethical business practices, and not meeting the market's expectation of our financial performance; and
- Loss of key Board, management or operational personnel.

CORPORATE
RESPONSIBILITY

SAFETY, PEOPLE AND ENVIRONMENT

SAFETY

The safety of Macmahon's people is core to every aspect of the business. The Company's vision, values and policies reflect it's priority to ensure that all employees return home safe and well at the end of every working day. Effective health and safety performance is critical, and Macmahon believes that everyone has a role in ensuring the care of their colleagues and in taking the appropriate steps to prevent workplace-related injuries and illness.

Macmahon's vision and values are reflected in the processes and controls it has in place throughout the Company. Regardless of where it's people are located, the site at which they operate or the type of work they undertake, Macmahon strives to create a working environment that is safe. Safety is a Macmahon priority as set out in our company values and is seen as an integral discipline in all of our activities. As such, workers at all levels within the business are expected to live these values and articulate them through consistent behaviour.

Macmahon recognises that Lost Time Injury Frequency Rate (LTIFR) is a lag indicator where lower rates do not necessarily equate to a safer workplace. Rather, we believe that the promotion of a reporting culture where a higher number of incidents are reported provides the opportunity for improvement and the opportunity to avoid future injuries across the Company.

In the 2015 financial year, a total of five lost time injuries were recorded, the lowest number of injuries since the 2011 financial year. This LTIFR result represents a significant improvement and remains an order of magnitude better than the most recent mining industry average published by Safe Work Australia.

While the overall safety performance shows room for improvement, many of the Company's projects recorded exceptional safety results, with 70% of Macmahon's projects remaining LTI free for the entire year.

Macmahon is committed to continually improving its safety performance and is determined to set the standard when it comes to safety. Accordingly, during the year a number of safety improvement initiatives were developed and rolled out across the business, which focused on two central pillars: the promotion of a safe and healthy culture and behaviours; and, the consolidation of internal Health Safety Environment and Quality systems and processes.

Health and safety achievements and key milestones over the past 12 months:

- Improved TRIFR ratio;
- Kanthan, Malaysia operating 10 years LTI free;
- Eaglefield operating over 8 years LTI free;
- WAC workshop operating 7 years LTI free;
- Nebo workshop operating 7 years LTI free;
- Doorn-Djil Yoordaning – No LTIs recorded;
- Maintenance of certification to ISO18001 and AS/NZS 4801;
- 14247 Safe Act Observations conducted; and
- 3869 Planned Task Observations conducted.

In 2016, we will continue to focus on leadership and culture as well as building on our systems, standards and governance. We believe that these focus areas and related initiatives will help drive our safety performance and deliver on our priority to ensure that all our people return home safe and well at the end of every working day.

CORPORATE
RESPONSIBILITY

PEOPLE

Despite the current challenging economic conditions, Macmahon's focus has remained on its people as the core to building a better business.

Rightsizing the business

Throughout the year Macmahon restructured the business to reduce costs and generate cash whilst still retaining the capability to allow the business to further explore high potential growth opportunities. Working together with external consultants, a number of significant changes have been made to the organisation structure including:

- Rationalisation of senior management from two levels to one level to promote effective decision making;
- Decentralisation of plant maintenance to Project Managers to drive operational effectiveness and accountability; and
- Centralisation of the tendering and business development teams to ensure that maximum effort is applied to winning new work.

Retaining talent

A number of projects were also completed during the year and Macmahon maintained its commitment to retaining talent and maximising opportunities for internal redeployment of impacted employees. Over 143 people from an available pool of 180 were successfully placed from our Orebody 18 (OB18) team into the Christmas Creek and Tropicana projects, whilst 36 people were placed into the business (predominantly into Tropicana and Nigeria) at the conclusion of the Christmas Creek contract in February 2015.

Macmahon continues to have a strong international focus and engages over 400 direct employees, both expatriate and national, in international projects. With likely future growth in our international operations, building Macmahon's global sourcing, engagement and training capability and standards has been a key focus for the management and HR team in the last year.

Training and development

Macmahon is committed to the philosophy of continuous improvement in the training and development of its people, regardless of where Macmahon operates. At the centre of this commitment is the Macmahon Enterprise Registered Training Organisation (ERTO) which enables Macmahon employees to be trained within an accredited qualification framework.

The Macmahon ERTO also developed and implemented the MacTrain Online Training Portal that allows employees and contractors across our domestic and international operations to complete online Corporate and Operational inductions and training programs that are specific to their site and job role.

The ERTO's key achievements include:

- The issue of 1,224 Units of Competency to 612 people;
- The delivery of Mainpac systems training to 301 people; and
- The delivery of online training to 1888 employees and contractors.

Leadership development

The Macmahon Leadership Pathways program has continued to develop the current and future leaders of our business to the highest standards. This has included completion of the following:

- 8 Project and Senior Functional Managers through the Impact Leadership program;
- 36 Supervisors and Superintendents through the core Leadership Foundations program; and
- 25 Employees through the Financial Acumen program.

Apprenticeships

Macmahon's Apprenticeship Program continued its success with 20 apprentices completing their tradesman certification in a range of trades, including HD fitter, boilermaker, auto electrician and electricians. A further 47 apprentices are still on the program, ensuring Macmahon continues as one of Western Australia's largest employers of apprentices.

Traineeships

The Macmahon Traineeship Program offers site-based employees the opportunity to gain the nationally recognised RII30112 Certificate III in Surface Extraction Operations. 83 employees successfully completed the traineeship this year with a further 47 employees currently enrolled.


MACMAHON

CORPORATE
RESPONSIBILITY

ENVIRONMENT

Macmahon's overarching goal for environmental management is to minimise, and where possible eliminate, any impact of our operations on the environment. The Company recognises that the efficient and responsible use of resources is critical to the sustainability of our environment and it will continue to focus on reducing it's greenhouse gas emissions and on improving it's energy use and efficiency.

During the year, Macmahon continued to refine it's environmental management strategies and plans to ensure the highest levels of compliance, to minimise environmental impacts and to reduce energy consumption and greenhouse gas emissions. The Company sustained it's industry leading level of compliance across all jurisdictions in which we operate. Macmahon had no environmental fines, breaches or major environmental incidents during this period which contributes to our unblemished record of compliance within the mining sector.

Although Macmahon's environmental management systems and processes have ensured the achievement of desired environmental outcomes, the Company believes it can always improve on it's performance. In order to achieve continual improvement Macmahon aims to learn from environmental incidents that may occur and it's performance evaluation processes (including audits) and apply those lessons to our future performance. Macmahon also seeks to learn from positive impacts when projects make breakthroughs in environmental management practices, such as minimising habitat disturbance and reducing the volume and toxicity of the wastes it generates.

Key environmental achievements over the last 12 months:

- No environmental enforcement actions, prosecutions, notices or fines;
- No environmental incidents causing reportable environmental harm;
- All environmental operations covered by management plans; and
- Maintenance of certification to ISO14001.

THE BOARD

Jim Walker
NON-EXECUTIVE DIRECTOR, CHAIRMAN

Mr Walker has over 40 years of experience in the resources sector, most recently as Managing Director and Chief Executive Officer of WesTrac Group, where he led the Company's rapid development in industrial and mining services locally and in China. Prior to this, Mr Walker held various roles with other Australian Caterpillar dealers.

Giles Everist
INDEPENDENT NON-EXECUTIVE DIRECTOR

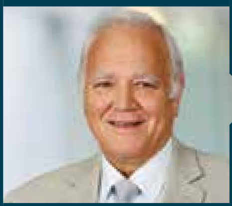
Mr Everist brings a strong commercial background and extensive experience in the contracting and resources sectors at both the Board and executive management level.

Mr Everist completed his Bachelor of Sciences (Honours) in Mechanical Engineering at the University of Edinburgh and is also a Chartered Accountant.

Eva Skira
INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms Skira has a background in banking, capital markets, stockbroking and financial markets, previously holding executive positions at Commonwealth Bank in the Corporate Banking/Capital Markets divisions and later with stockbroker Barclays de Zoete Wedd.

She has served on a number of boards in business, government and the not-for-profit sectors across a range of industries.



Vyril Vella
NON-EXECUTIVE DIRECTOR

Mr Vella has over 40 years experience in the civil engineering, building, property and construction industries.

During Mr Vella's 34 years with the Leighton Group (now CIMIC) he held various positions including General Manager NSW, Director of Leighton Contractors Pty Ltd, Founding Director of Welded Mesh Pty Ltd, Managing Director of Leighton Properties and Associate Director of Leighton Holdings

Sy Van Dyk
MANAGING DIRECTOR

Mr van Dyk was appointed as CEO and Managing Director in July 2015.

Mr van Dyk joined Macmahon as Chief Financial Officer in April 2014 and has more than 25 years' finance experience primarily within the resources sector. He holds a Bachelor of Commerce (Hons) and is a Chartered Accountant.

Prior to joining Macmahon, Mr van Dyk was with the WesTrac Group for 13 years where he held a number of senior operational roles, including Chief Operating Officer Western Australia and more recently Chief Financial Officer.

EXECUTIVE
PROFILES

THE EXECUTIVE TEAM

Sy Van Dyk
CHIEF EXECUTIVE OFFICER

Mr van Dyk was appointed as CEO and Managing Director in July 2015.

Mr van Dyk joined Macmahon as Chief Financial Officer in April 2014 and has more than 25 years' finance experience primarily within the resources sector. He holds a Bachelor of Commerce (Hons) and is a Chartered Accountant.

Prior to joining Macmahon, Mr van Dyk was with the WesTrac Group for 13 years where he held a number of senior operational roles, including Chief Operating Officer Western Australia and more recently Chief Financial Officer.

Greg Miller
GENERAL MANAGER
UNDERGROUND

Mr Miller holds a Bachelor of Engineering (Mining) and more than 15 years' experience in underground mining in Australia. More than nine of those years in senior management roles.

Working at Macmahon since 1996, Mr Miller has previously held a number of project manager roles across Australia.

Michael Finnegan
GENERAL MANAGER
SURFACE WEST AND SE ASIA

Mr Finnegan holds a Bachelor of Engineering (Mining) with 20 years' experience in the mining industry. The last 10 years have primarily been spent in senior line management positions.

Mr Finnegan has a strong commercial and technical background and has spent time in operations on the east and west coast of Australia as well as a number of countries throughout Asia.

Mark Ruston
GENERAL MANAGER
SURFACE EAST AND AFRICA

Mr Ruston holds a Bachelor of Engineering (Civil), Graduate Diploma of Mining, and a Master of Business Administration. He has more than 25 years mining industry experience, both with mine owners and mining contractors, with a focus on the design, operation and management of open cut operations.

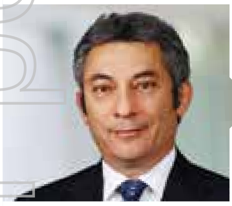
More recently, Mr Ruston has held a number of executive management positions, and has been responsible for creating significant value and building cultures that consistently deliver exceptional performance.

Brenton Perry
GENERAL MANAGER
CONSTRUCTION

Mr Perry holds a Bachelor of Engineering (Civil) and a Master of Business Administration. He has 24 years experience in construction and surface mining contracting.

Mr Perry commenced with Macmahon in 1993 and has previously held Project Manager roles on a variety of projects throughout Australia.

Mr Perry has held business unit management roles for the last 4 years.



Coogee Barbuzza
GENERAL MANAGER
BD AND ESTIMATING

Mr Barbuzza holds a Bachelor of Engineering (Hons) (Civil). He has 33 years working in the resources sector. Of this, 25 years has been with several mining contractors including Macmahon (since 2010), Eltin, HWE and Downer.

Since 1994 he has primarily held senior tender management and work winning roles. He has a wide understanding of mining contracting across a range of contract types, different countries, minerals and mining companies

Peter Truscott
GENERAL MANAGER
PLANT AND MAINTENANCE

Mr Truscott holds a Bachelor of Engineering (Mechanical). He joined Macmahon in 2005 as Engineering Manager for the Underground Division before becoming the Group National Plant Manager and then Group General Manager Plant in 2005.

Mr Truscott has worked for 15 years in maintenance engineering and project management roles across a diverse industrial background including processing plants, underground mine infrastructure, surface and underground mobile plant

Roger Hughes
GENERAL MANAGER
HR AND HSEC

Mr Hughes holds a Bachelor of Commerce and a double major in Human Resources and Industrial Relations.

Mr Hughes joined Macmahon in 2011 as the General Manager Human Resources for the Mining Division before becoming the Group Manager for Human Resource Services in 2012.

Prior to joining Macmahon, Mr Hughes worked for 20 years in numerous senior human resources, industrial relations and strategy roles, including senior management positions with BHP Billiton and FMG. Roger has significant contractor management experience and his BHP Billiton training includes the DuPont Safety Leadership program and ICAM.

30 JUNE 2015

FINANCIAL REPORT

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or the 'consolidated entity') consisting of Macmahon Holdings Limited (referred to hereafter as the 'parent entity' or 'the Company') and the entities it controlled at the end of, or during, the year ended 30 June 2015.

DIRECTORS

The following persons were Directors of Macmahon Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

J A Walker (Chairman, Non-executive) (Executive Chairman for the period 22 January 2015 to 13 July 2015)

R A Carroll (Chief Executive Officer and Managing Director resigned 22 January 2015)

B L Cusack (Deputy Chairman, Non-executive) (resigned 22 January 2015)

C R G Everist (Non-executive)

E Skira (Non-executive)

S J van Dyk (Chief Executive Officer and Managing Director commencing 13 July 2015)

V A Vella (Non-executive)

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity consisted of the provision of contract mining services. There were no significant changes in the nature of the activities of the consolidated entity during the financial year under review.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to $217.9 million (June 2014: profit of $30.4 million).

A review of, and information about, the operations of the consolidated entity during the financial year and of the results of those operations, is contained on pages 1 to 20, which forms part of this Directors' Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were a number of significant changes in the state of affairs of the consolidated entity during the financial year.

Contract completions

In February 2015, the Company's Christmas Creek 2 mining services contract was terminated early by Fortescue Metals Ltd resulting in a Material Contract Review Event under the consolidated entity's Syndicated Facility Agreement. In addition, in May 2015, the Company was notified that its Olympic Dam development contract would not be extended beyond September 2015. Lastly, the Company's Waihi mining services contract was terminated early in June 2015. Additionaly, the Company successfully completed operations at it's Eaglefield, Argyle and Tavan Tolgoi operations.

Sale of Mongolia

The Company sold its Mongolian business in June 2015 for proceeds of US$65 million (A$ equivalent $84.6 million).

Settlement of disputes

During the year the Company settled outstanding disputes relating to the discontinued construction business as well as a dispute related to the CSA contract which was terminated in the 2013 financial year. This resulted in a gain of $16.3 million.

Impairment and inventory write downs

The consolidated entity impaired its assets by $229.3 million during the 2015 financial year, consisting of $183.7 million impairment of property, plant and equipment, $18.3 million impairment of intangible assets and $27.3 million write down of inventory to net realisable value.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Debt repayment

Following the sale of its Mongolian business in June 2015, the Company repaid all its outstanding debt under the Syndicated Facility Agreement on 31 July 2015. The Company is currently in advanced negotiations regarding a new facility to provide greater financial flexibility to capitalise on future work opportunities.

CEO appointment

Mr S J van Dyk was appointed as Chief Executive Officer and Managing Director on 13 July 2015.

Other than the matters noted above, no matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations have been included generally within the financial report and on pages 1 to 20.

ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

INFORMATION ON DIRECTORS

Mr James Walker

Title:

Independent Non-executive Chairman (until 21 January 2015), Executive Chairman (22 January 2015 to 13 July 2015)

Qualifications:

GAICD, FAIM

Experience and expertise:

Mr Walker joined the Board as a Non-executive Director in October 2013 and was appointed Chairman in March 2014. From January 2015 until July 2015 Mr Walker assumed the role of Executive Chairman while the Board sought a replacement Chief Executive Officer.

Mr Walker has over 40 years of experience in the resources sector, most recently as Managing Director and Chief Executive Officer of WesTrac Pty Ltd, where he led the Company's rapid development in industrial and mining services locally and in China. Prior to this, Mr Walker held various roles with other Australian Caterpillar dealers. Mr Walker is a graduate member of the Australian Institute of Company Directors (AICD) and a fellow of the Australian Institute of Management (AIM WA), holding the position of President WA (2008 - 2010) and National President - Australia (2010 - 2013).

Other current directorships:

Mr Walker is currently a Non-executive Director of SKILLED Group Limited (appointed November 2013), Seeing Machines (appointed May 2014) and RACWA Holdings Pty Ltd (appointed November 2013).

Former directorships (last 3 years):

Mr Walker was a director of Seven Group Holdings Ltd, National Hire Group Limited and Coates Group Holdings Pty Ltd.

Special responsibilities:

Mr Walker is currently a member of the Board's Audit & Risk Committee and the Board's Remuneration & Nomination Committee.

Interests in shares:

300,000

Interests in options:

None

Mr Giles Everist

Title:

Independent Non-executive Director

Qualifications:

BSc (Hons), CA, GAICD

Experience and expertise:

Mr Everist joined the Board as a Non-executive Director in June 2013. Mr Everist has a strong commercial background and extensive experience in the contracting and resources sectors at both the Board and executive management level. Mr Everist completed his Bachelor of Sciences (Honors) in Mechanical Engineering at the University of Edinburgh and is also a Chartered Accountant. He was previously the Chief Financial Officer and Company Secretary at Monadelphous Group and has also held senior roles at Fluor Australia, Hamersley Iron and Rio Tinto London.

Other current directorships:

Mr Everist is a director of Decmil Group, LogiCamms and Austal

Former directorships (last 3 years):

None

Special responsibilities:

Mr Everist is currently a member of the Board's Audit & Risk Committee and the Board's Remuneration & Nomination Committee.

Interests in shares:

500,000

Interests in options:

None

DIRECTORS' REPORT

Ms Eva Skira

Title:

Independent Non-executive Director

Qualifications:

BA (Hons), MBA, SF Fin, Life Member Fin, FAICD, FAID, FGIA, FCIS

Experience and expertise:

Ms Skira joined the Board as a Non-executive Director in September 2011. Ms Skira has a background in banking, capital markets, stockbroking and financial markets, previously holding executive positions at Commonwealth Bank in the Corporate Banking/Capital Markets divisions and later with stockbroker Barclays de Zoete Wedd. She has served on a number of boards in business, government and the not-for-profit sectors across a range of industries. Ms Skira completed her BA (1st Class Honors, Economic History) at the University of New South Wales, and obtained her Masters of Business Administration (Dux and Distinction) at IMD Switzerland.

Other current directorships:

Ms Skira is currently the Chairman of the Water Corporation WA, Chairman of Trustees of St John of God Health Care Inc. and a director of RCR Tomlinson.

Former directorships (last 3 years):

None

Special responsibilities:

Ms Skira is currently the Chair of the Board's Audit & Risk Committee and a member of the Board's Remuneration & Nomination Committee.

Interests in shares:

None

Interests in options:

None

Mr Vyril Vella

Title:

Non-independent Non-executive Director

Qualifications:

BSc, BE (Hons), M.Eng.Sc, FIEAust, FAICD

Experience and expertise:

Mr Vella joined the Board as a Non-independent Non-executive Director in November 2007. Mr Vella has over 40 years' experience in the civil engineering, building, property and construction industries. During Mr Vella's 34 years with the Leighton Group he held various positions including General Manager NSW, Director of Leighton Contractors Pty Ltd, Founding Director of Welded Mesh Pty Ltd, Managing Director of Leighton Properties and Associate Director of Leighton Holdings. Mr Vella was a consultant to Leighton Holdings, where he advised on investment in the residential market, general property issues and major construction and infrastructure projects.

Other current directorships:

None

Former directorships (last 3 years):

Mr Vella was a Non-executive Director of Devine Limited from April 2007 until April 2014.

Special responsibilities:

Mr Vella is currently Chairman of the Board's Remuneration & Nomination Committee and a member of the Board's Audit & Risk Committee.

Interests in shares:

1,357,842

Interests in options:

None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

COMPANY SECRETARIES

Mr Gettingby joined the Company in 2002 and was appointed to the position of Group General Counsel / Company Secretary in February 2011. Mr Gettingby previously held the roles of Commercial Manager and Legal Counsel for the Company. Prior to joining the Company he worked as a lawyer in private legal practice.

DIRECTORS' REPORT

Mr Brown joined the Company in 2011 as Company Secretary. Mr Brown has previously held the role of Company Secretary for various public companies and is a Chartered Secretary. Mr Brown has also worked as an in-house lawyer for a number of investment banks in London and in private legal practice. Mr Brown resigned as joint Company Secretary on 17 July 2015.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each Director were:

	FULL BOARD MEETINGS		SPECIAL BOARD MEETINGS [6]		AUDIT & RISK COMMITTEE MEETINGS		REMUNERATION & NOMINATION COMMITTEE MEETINGS		OTHER COMMITTEE MEETINGS	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
J A Walker [1, 4]	9	9	19	19	-	-	1	1	5	5
B L Cusack [2]	4	4	6	7	2	2	1	1	1	1
R A Carroll [2]	4	4	6	7	-	-	-	-	1	1
C R G Everist [3]	9	9	19	19	4	4	1	1	5	5
E Skira [3]	9	9	18	19	4	4	1	1	5	5
V A Vella [5]	9	9	17	19	2	2	1	1	-	-

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

1. Mr Walker was appointed Executive Chairman on 22 January 2015
2. Mr Carroll and Barry Cusack resigned 22 January 2015
3. Mr Everist and Ms Skira joined the Remuneration & Nomination Committee 1 May 2015
4. Mr Walker resigned from the Remuneration & Nomination Committee upon being appointed as Executive Chairman
5. Mr Vella Joined the Audit and Risk Committee 22 January 2015
6. Special meetings were held on short notice during the financial year due to corporate activity.

REMUNERATION REPORT (AUDITED)

The audited remuneration report is set out on pages 27 to 38 and forms part of this Director's report.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the Corporations Act 2001.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE PARENT ENTITY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the parent entity, or to intervene in any proceedings to which the parent entity is a party for the purpose of taking responsibility on behalf of the parent entity for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 34 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

DIRECTORS' REPORT

The Directors are of the opinion that the services as disclosed in note 34 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the parent entity, acting as advocate for the parent entity or jointly sharing economic risks and rewards.

ROUNDING OF AMOUNTS

The parent entity is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 51.

AUDITOR

KPMG continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

J A Walker
Director

27 August 2015
Perth

REMUNERATION REPORT – AUDITED

INTRODUCTION FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

Dear Shareholder,

On behalf of the Board, I present the Remuneration Report for the financial year ended 30 June 2015 ("FY15"). It has been a challenging twelve months for the Company and the mining services sector. This has resulted in considerable change to the structure of the Company and the Executive Team.

The Board is continuing to review the remuneration framework to ensure we have the right remuneration structure to attract and retain the calibre of executives and senior management needed to rebuild Macmahon, and ensure the effective execution of the Company's business strategy to deliver sustainable and positive long term performance.

FY 15 REMUNERATION OUTCOMES

The key remuneration outcomes in FY15 are outlined below:

1. The CEO and Managing Director, Ross Carroll, resigned his position on 22 January 2015. His termination payment only included payment in lieu of the required notice period and accrued leave entitlements.
2. The Chairman of the Board took up the role of Executive Chairman from 22 January 2015 with no additional remuneration. These duties ceased as of 13 July 2015 with the appointment of the new CEO.
3. The Board welcomed the appointment of Mr Sybrandt van Dyk as the CEO and Managing Director as of 13 July 2015.
4. There was a restructure of the Executive team with two KMP roles being made redundant and the KMP being reduced down to two roles, the CEO and CFO.
5. The Board elected not to replace the Board position vacated by Mr Barry Cusack and also elected to take a 10% reduction in Board and Committee fees from 1 May 2015. In addition, the fees paid to the Chairperson of the Board subcommittees were abolished from 1 May 2015. Details of the new fees are set out in Section 4.
6. In FY15, the Company did not meet the short-term incentive ("STI") payment gateway, resulting in no STI payments being made to eligible Executives or staff. Similarly, no performance rights under the Company's Long Term Incentive ("LTI") Plans vested during FY15, given that the hurdles for those rights to convert into shares were not met.

REVIEW OF REMUNERATION FOR FY16

The Board has continued to review the Company's remuneration framework which was implemented on 1 July 2013. As a result, the STI Plan has been simplified and hurdles strengthened, to ensure reward is only for above budget performance.

The LTI Plan has been delayed until the financial position of the Company is such that a suitable baseline and reward structure can be established. Any change will be reflective of market practice and will ensure the performance hurdle will challenge senior management to achieve growth in shareholder value over the long term.

KEY MANAGEMENT PERSONNEL

The recent restructure of the Company recognised the much smaller size of the business, the smaller breadth of responsibility and the number of managers reporting to the CEO. As a result of this change the only roles that remain Key Management Personnel within the Executive team are the CEO and CFO roles.

The Committee believes the Company's remuneration framework continues to reward pay for performance. We therefore seek your support for this Report at the Company's Annual General Meeting in November 2015.

Vyril Vella

Chairman of the Remuneration & Nomination Committee

Note: References to years relate to financial years (eg. '2015' means the year ended 30 June 2015).

REMUNERATION
REPORT – AUDITED

REMUNERATION REPORT

This Remuneration Report forms part of the Directors' Report for 2015 and outlines the remuneration strategy and arrangements for the Company's Directors and Executives (together "Key Management Personnel" or "KMP") in accordance with section 300A of the Corporations Act. This report has been audited by the Company's external auditor.

REMUNERATION REPORT CONTENTS

1. REMUNERATION OVERVIEW

1.1 Key Management Personnel

The Company's KMP include all Directors and Executives of the Company and its controlled entities who have the authority and responsibility for planning, directing and controlling the activities of the Company. As part of the recent restructure, the roles and reporting lines were re-assessed in line with the smaller size of the business and changes were made to reduce the management structure reflecting the reduction in operations. As a result, from 28 March 2015 a number or senior executives who were previously considered KMP (due to the roles they occupied and level of authority they possessed) no longer fall into this category. These senior executives are listed below. In some cases, these senior executives are continuing their employment in the Company.

PERSON	POSITION	PERIOD IN POSITION DURING THE YEAR
Non-Executive Directors		
J A Walker	Non-executive Chairman	1 July 2014 - 22 January 2015
C R G Everist	Non-executive Director	Full year
E D R Skira	Non-executive Director	Full year
V A Vella	Non-executive Director	Full year
Director – Executive		
J A Walker	Executive Chairman	22 January 2015 - 13 July 2015
R A Carroll	Managing Director and Chief Executive Officer	1 July 2014 - 22 January 2015
Executives		
S J van Dyk [1]	Chief Financial Officer	Full year
Former Key Management Personnel		
R J Barker [2]	Group General Manager - Market Development	1 July 2014 – 27 March 2015
B L Cusack	Non-executive Deputy Chairman	1 July 2014 – 22 January 2015
R M Hughes	Group General Manager –Human Resources	1 July 2014 – 27 March 2015
G J Miller	Executive General Manager - Underground	1 July 2014 – 27 March 2015
F E Ramsay [2]	Chief Operating Officer - Surface and Infrastructure	1 July 2014 – 27 March 2015
D A Todd	Group General Manager - Health, Safety, Environment and Quality	1 July 2014 – 19 December 2014

1. Sybrandt van Dyk was appointed as CEO and Managing Director on 13 July 2015.

2. 27 March was the service end date for the two redundant executives R J Barker and F E Ramsay and the change of structure whereby the KMP roles were reduced to the CEO and CFO roles.

REMUNERATION
REPORT - AUDITED

1.2 Remuneration Strategy

The Board is continuing to review the remuneration framework to ensure the Company attracts and retains the calibre of Executive and senior management to rebuild Macmahon and ensure the effective execution of the Company's strategy.

BUSINESS STRATEGY

Our overarching objective is to secure and deliver work that is profitable in order to achieve sustainable returns for shareholders. Our strategy centres on strengthening the Company's operations in its base market of Australia and diversifying into geographies that offer strong market growth based on Macmahon's existing expertise and international experience.

REMUNERATION STRATEGY

The primary goal of the remuneration strategy is to encourage stronger than market growth in shareholder value over the short and longer term. This is achieved by setting a remuneration framework that attracts and retains key talent, drives business performance and grows shareholder returns.

FY15 REMUNERATION FRAMEWORK

ATTRACT & RETAIN TALENT	DRIVE BUSINESS PERFORMANCE	GROW SHAREHOLDER RETURNS
TOTAL FIXED REMUNERATION (TFR)	**SHORT-TERM INCENTIVE (STI)**	**LONG-TERM INCENTIVE (LTI)**
• TFR is targeted at the 62.5th percentile compared to peer companies • Peer companies are those with broadly similar revenue, market capitalisation and are in related industries • TFR is reviewed annually	• Payment gateway is 90% of budgeted profit • Award opportunity for achievement of Key Performance Indicators (KPI) linked to business strategy • Financial and non-financial KPIs, for example customer metrics and safety • Deferral of a portion of the STI for Executives with a clawback for the CEO	• Performance assessed over 3 years • Value will only be realised to the extent that Total Shareholder Return and Earnings Per Share targets are achieved or exceeded • Grants of performance rights are based on the participants' ability to influence returns to Shareholders

1.3 Remuneration Governance

The Board oversees the remuneration arrangements of the Company. In performing this function the Board is assisted by input and recommendations from the Remuneration & Nomination Committee ("Committee"), external consultants and internal advice. The Committee is responsible for the overview and recommendation to the full Board, of remuneration arrangements for Directors, the Chief Executive Officer ("CEO"), and other Executives. The CEO, in consultation with the Board, sets remuneration arrangements for other Executives. No Executive is directly involved in deciding their own remuneration (including the CEO).

Further details of the role and function of the Committee are set out in the Charter for the Remuneration & Nomination Committee on the Company's website at http://www.macmahon.com.au.

The Committee obtains advice and market remuneration data from external remuneration advisors as required. When advice and market remuneration data is obtained, the Committee follows protocols regarding the engagement and use of external remuneration consultants to ensure ongoing compliance with executive remuneration legislation. These protocols ensure that any remuneration recommendation from an external consultant is free from undue influence by any member of the Company's KMP to whom it relates.

During the 2015 financial year, the Committee did not seek any external advice in relation to CEO and Executive remuneration related matters.

1.4 Group Performance Affecting FY15 Outcomes

KPIs for both short-term and long-term Executive incentive schemes are linked to the Company's strategic objectives and as a result, pay outcomes are directly aligned with Company performance against these objectives.

The following Company performance measures are among those that have been included in incentive plans for relevant Executives. Whilst the performance for FY15 demonstrates unsatisfactory outcomes and the KPIs for the short-term incentive scheme were not met, the Committee believes these KPIs are aligned to shareholder wealth and returns to investors.

REMUNERATION REPORT – AUDITED

1.4 Group Performance Affecting FY15 Outcomes (continued)

	FY15	FY14	FY13	FY12	FY11
Reported net profit/(loss) attributable to equity holders of the parent (NPAT) ($m)	(217.92)	30.4	(29.5)	56.1	1.0
Reported return on equity (ROE) (%)	(98.25)	7.3	(7.8)	16.5	0.3
Reported basic earnings per share (EPS) (cents)	(17.34)	2.4	(3.0)	7.7	0.1
Order book ($m)	1,150	2,573	3,230	3,139	2,013
New contracts and extensions ($m)	68	387	1,846	2,997	1,052
Safety – Total recordable injury frequency rate (TRIFR)	5.44	8.5	7.7	7.7	3.5
Dividends declared (cents)	-	-	-	4.0	-
Share price at 30 June (cents)	6.6	10.0	13.0	57.5	56.0
Total Shareholder Return (TSR) (%)	(34.00)	(20.6)	(70.0)	3.8	7.0

2. EXECUTIVE REMUNERATION FRAMEWORK AND OUTCOMES

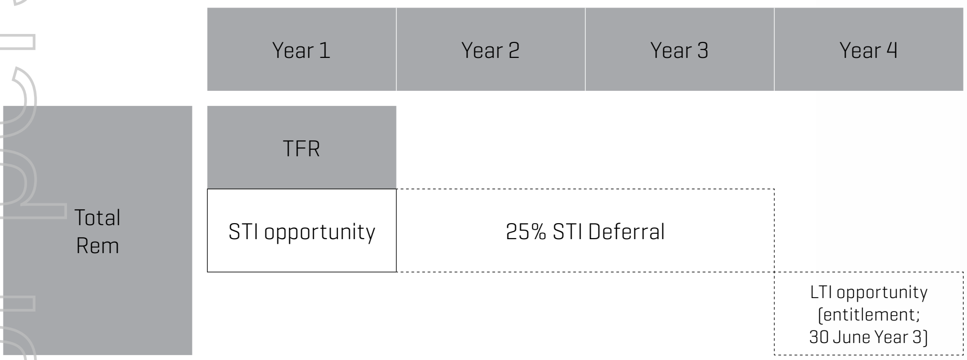
For the 2015 financial year, Macmahon continued the remuneration framework and structure that was established in FY13.

2.1 Target remuneration mix

With the change of structure of the KMP and size of the Company, a change to the overall remuneration for the Managing Director and CEO as well as remuneration mix was considered appropriate. A significantly lower TFR combined with a reduced STI and stronger focus on long term outcomes has been proposed by the Board. The new remuneration mix for the CEO as well as the CFO's remuneration mix is set out in Diagram below.

2.2 Remuneration payment cycle

The diagram below outlines the timing and components of the Managing Director's and KMP's remuneration packages for both FY15 and FY16. Each component is linked to the remuneration mix and, in the case of the STI and LTI, is dependent on achievement of performance outcomes.



2.3 Total Fixed Remuneration (TFR)

All Executive KMP and Senior Management receive a TFR package that is based on the size and scope of their role, knowledge and experience and market benchmarks for that role. TFR comprises base salary, any applicable role specific allowances, and superannuation.

Macmahon regularly reviews and benchmarks the base salaries and TFR of KMP and Senior Management to ensure that the remuneration is appropriate and competitive with its market and industry peers. Benchmarking was completed using industry surveys and reports.

The KMP's TFR is outlined in the remuneration table on page 38 of this report.

REMUNERATION REPORT – AUDITED

2.4 Short-Term Incentive (STI) Plan

The FY15 Macmahon Short Term Incentive Plan is applied to all KMP and senior management and is designed to reward performance against key performance indicators (KPIs) that are considered to drive positive business outcomes.

The common KPIs applied to the KMP for FY15 include:

- Net Profit After Tax (NPAT);
- Return on Equity (ROE);
- Total Recordable Injury Frequency Rate (TRIFR); and
- Order Book.

Group and Business Unit level financial and safety targets are agreed with the Board and personal KPIs are set in consultation with the relevant member of the KMP.

The Board considers these measures key to driving shareholder and investor returns.

The key features of the STI Plan for FY15 are outlined below.

2.4.1 Eligibility

Eligibility is extended to senior management employees who have a significant influence on the business performance of the Company, aligning incentives with Company performance.

2.4.2 Structure

In line with the strategy to place more emphasis on 'At Risk' pay and drive improved performance against budget expectations the following achievement hurdles were applied to the FY15 STI Plan for the CEO/Managing Director and KMP:

	% OF TFR EARNED ON THRESHOLD ACHIEVEMENT (90% OF BUDGET)	% OF TFR EARNED ON TARGET ACHIEVEMENT (100% OF BUDGET)	% OF TFR EARNED ON STRETCH ACHIEVEMENT (112.5% OF BUDGET)	% OF TFR EARNED ON MAXIMUM ACHIEVEMENT (125% OF BUDGET)
CEO	31.25%	75%	100%	125%
CFO, COO and EGM	12.5%	37.5%	50%	62.5%
Group General Managers	10%	30%	40%	45%

For the FY16 STI Plan proposed changes have been made to simplify the structure and make the 'Threshold' achievement targets match expectations that STI awards will relate to 'budget and above' performance only. The new plan structure is set out below:

	% OF TFR EARNED ON THRESHOLD ACHIEVEMENT (100% OF BUDGET)	% OF TFR EARNED ON TARGET ACHIEVEMENT (112.5% OF BUDGET)	% OF TFR EARNED ON STRETCH ACHIEVEMENT (125% OF BUDGET)
CEO	25%	50%	75%
CFO	25%	50%	75%

2.4.3 Deferral and clawback

The STI Plan provides for deferral of 25% of the KMP's STI achieved award for a period of two years. If an Executive leaves during this two year period, payment will be at the Board's discretion. This has been retained for the FY16 STI Plan.

2.4.4 STI Gateway and conditions

The FY15 plan has a requirement that 90% of the Company's NPAT is achieved before any STI payment can be made, subject to Board discretion. The Board may exercise discretion to award STI where the gateway has not been met for exceptional safety or business unit performance.

If a fatality occurs, the safety KPI will have a nil STI contribution for that year for all line management and the business unit involved. Depending on the cause of the fatality, the Board may further amend potential bonus payments.

STI is forfeited if an Executive resigns or is terminated before the payment date. In exceptional circumstances this may be reviewed by the Board.

2.4.5 STI outcomes for FY15

The STI achievement award for the Managing Director and CEO and all KMP, both past and present, was nil and 100% of the STI has been forfeited as the Company did not meet the NPAT payment gateway. Therefore none of the other performance KPIs were considered, despite there being good performance, particularly in safety.

The departing Executives from FY15, Rob Barker, Fraser Ramsay and David Todd, were not employed for the full year and forfeited any right to a STI payment.

2.5 Long Term Incentive (LTI) Plan

The FY16 LTI Plan has been deferred as the Board believes that the current share price and uncertainty at the time of considering the LTI Plan makes it difficult to set a fair baseline and the Board also wishes to consider the new tax applications to options that may make a more suitable and tax effective LTI structure.

The FY15 LTI Plan that was offered to Executives and other senior personnel applied the structure set out in the 2014 Annual Report and is designed to ensure reward for long term positive shareholder outcomes.

The FY15 Plan offered performance rights with the opportunity to receive fully paid ordinary shares in the Company for no consideration. The number of performance rights granted was determined by applying the executive remuneration mix as outlined in the 2014 Annual Report and is at the discretion of the Board. Details of the number of performance rights issued are set out in 3.2.4 of this report.

2.5.1 Eligibility

The FY15 Plan was open to Executives and Senior Management of Macmahon as determined by the Board, including the CEO.

REMUNERATION REPORT – AUDITED

2.5.2 Structure

For the FY15 Plan, half of the performance rights (50%) are tested against a relative Total Shareholder Return (TSR) performance hurdle against two comparator groups. The remaining half of the performance rights (50%) are tested against an absolute Earnings Per Share (EPS) performance hurdle. Both performance conditions are measured over a three year period. There is no time-based component of the Plan.

2.5.3 Performance Hurdles

The FY15 LTI Plan is based on applying measures against both TSR and EPS performance as set out below.

Total Shareholder Return (TSR)

The TSR performance hurdle measures the growth in the Company's share price together with the value of dividends during that period, on the basis that the dividends are reinvested into new shares.

In the FY15 Plan the Company's TSR is measured as a percentile ranking compared to the TSR of the two comparator groups over the performance period. The proportion of TSR performance rights which are eligible to vest at the end of the performance period will be determined as follows:

MACMAHON'S TSR RANK RELATIVE TO THE COMPARATOR GROUP	PROPORTION OF TSR SHARE PERFORMANCE RIGHTS THAT ARE ELIGIBLE TO VEST
Less than 50th percentile	0%
50th percentile	50%
Between 50th and 75th percentile	50% plus an additional 2% of this award for each additional percentile ranking above the 50th percentile
At or above the 75th percentile	100%

The Company's TSR will be measured against the TSR performance of the following two comparator groups of listed entities over the performance period, weighted at 50% each:

- Seven companies with similar businesses to Macmahon, being:
  - Ausdrill Limited;
  - Downer EDI Limited;
  - Leighton Holdings Limited (now CIMIC Group Ltd);
  - Monadelphous Group Limited;
  - NRW Holdings Limited;
  - Decmil Limited;
  - MACA Limited;

  and
- Companies ranked between 101-200 in the ASX 200 classified as materials or industrials.

Earnings Per Share (EPS)

The EPS performance hurdle for the FY15 LTI Plan is based on the compounded annual growth rate ("CAGR") of Macmahon's EPS measured from a starting point, to the EPS reported by Macmahon for the financial year ending 30 June 2017. The starting point for the EPS performance hurdle was set against the reported EPS as at 30 June 2014.

The proportion of EPS performance rights eligible to vest at the end of the performance period will be determined as follows:

MACMAHON'S EPS CAGR OVER THE PERFORMANCE PERIOD	PROPORTION OF PERFORMANCE RIGHTS THAT ARE ELIGIBLE TO VEST
less than 5% EPS CAGR	0%
5% EPS CAGR	50%
Between 5% EPS CAGR and 12% EPS CAGR	50% plus an additional 7.1% of this award for each additional EPS CAGR % above 5% EPS CAGR.
At or above 12% EPS CAGR	100%

2.5.4 Vesting schedule

The LTI Plan provides for 100% of performance rights to vest after three years if performance hurdles are met and employment is continued.

2.5.5 Re-testing

There is no re-testing for LTI grants.

2.5.6 Restrictions on disposals

Vested plan shares held in trust are subject to disposal restrictions, in line with the Company's Trading in Shares Policy.

2.5.7 Dilution limits

Macmahon seeks to limit dilution of existing Shareholders. At 30 June 2015 the Company had 23,996,621 performance rights on issue, which was less than 2% of the number of ordinary shares. Macmahon currently purchases shares for all Executive performance rights on market and holds them in trust, and in these circumstances dilution is not applicable.

2.5.8 Dividends

Performance rights do not carry any rights to dividends or voting rights. Shares allocated upon vesting of performance rights rank equally with other ordinary shares on issue.

2.5.9 Change of control

If a change of control occurs or if the Company is wound up or delisted, the Board may (in its absolute discretion) determine that all or a portion of the performance rights will vest notwithstanding that time restrictions or performance conditions applicable to the share performance have not been satisfied.

2.5.10 Cessation of employment

If an Executive ceases employment before performance rights vest, rights to unvested Plan shares lapse immediately unless the Board in its absolute discretion determines otherwise.

3. EXECUTIVE REMUNERATION

3.1 Managing Director and CEO Remuneration

In FY15, Mr Ross Carroll's remuneration package comprised the following components:

1. Total Fixed Remuneration (TFR) of $1,100,000 per annum, inclusive of superannuation. This was reviewed in FY15 and was not increased due to the challenging market conditions experienced by the Company. Mr Carroll had not received a remuneration increase since being appointed in September 2012.
2. Under the terms of his employment contract Mr Carroll was entitled to a pro-rata payment of the STI up until the date of his resignation. However, his STI Plan was aligned with other senior Executives under the same Plan rules with KPIs that align to winning work, profitable performance and safety. As a result of the STI Plan not achieving the NPAT gateway, there was no pro-rata payment of the STI to Mr Carroll for FY15.
3. Under the terms of the various LTI Plans to which Mr Carroll was invited, his resignation resulted in the forfeiture of all of his entitlements to receive share performance rights convertible into fully paid shares. There was therefore no entitlements converted or currently due to be allocated to Mr Carroll as a result of his departure from the Company.

It is intended to invite the new CEO to participate in the FY16 LTI Plan once it is formalised by the Board. If required this participation will be put to the shareholders for approval.

For the period 22 January 2015 to 30 June 2015, Mr Jim Walker was paid $84,445, whilst holding the position of Executive Chairman. This represented the fees that Mr Walker would have received as Chairman of the Board and there were no additional payments made whilst holding this position.

3.2 Executive Remuneration

3.2.1 Executive Salary Adjustments

With the restructure of the company and the drive to find cost savings within the business, a 10% salary reduction was applied to all Executives from 1 June 2015 as part of the introduction of a nine day fortnight across the senior salaried workforce within the Corporate support functions. The nine day fortnight has been introduced as an interim roster change until such time as the performance of the company is sufficient to support reinstating the pre-existing roster.

There were no pay increases during the year for the current or previous KMP.

3.2.2 No hedging of performance rights

The Board has adopted the Macmahon Trading in Shares Policy which prohibits employees from entering into transactions that limit the economic risk of participating in unvested employee entitlements. Hedging of unvested equity will result in immediate forfeiture.

3.2.3 LTI performance rights

During the period the company issued 21,100,000 performance rights under the FY2015 LTI Plan to Executives and key talent.

Following shareholder approval at the 2014 Annual General Meeting, 9,500,000 Class D CEO Performance Rights were issued to Mr Carroll on 13 November 2014. These performance rights lapsed when Mr Carroll resigned on 22 January 2015.

During the period relevant performance hurdles were tested and as no hurdles were met, no performance rights vested. As at 30 June 2015, Macmahon had 23,996,621 performance rights outstanding from all grants under past LTI plans.

REMUNERATION REPORT – AUDITED

3.2.4 Options and Rights

3.2.4.1 Rights over equity instruments granted as compensation

Details of rights over ordinary shares in the Company that were granted as compensation to each KMP during the reporting period are as follows:

RIGHTS	NUMBER OF RIGHTS GRANTED DURING FY15	VESTING CONDITION	GRANT DATE	FAIR VALUE AT GRANT DATE	EXPIRY DATE
Current KMP					
S J van Dyk	1,250,000	EPS (2014)	7 August 2014	$0.105	30 June 2017
2,500,000	625,000	Relative TSR (2014) - Adjusted ASX 200	7 August 2014	$0.078	30 June 2017
	625,000	Relative TSR (2014) - Board Selected	7 August 2014	$0.077	30 June 2017
Former KMP					
R A Carroll	4,750,000	EPS (2014)	13 November 2014	$0.087	30 June 2017
9,500,000	2,375,000	Relative TSR (2014) - Adjusted ASX 200	13 November 2014	$0.064	30 June 2017
	2,375,000	Relative TSR (2014) - Board Selected	13 November 2014	$0.063	30 June 2017
R J Barker	675,000	EPS (2014)	7 August 2014	$0.105	30 June 2017
1,350,000	337,500	Relative TSR (2014) - Adjusted ASX 200	7 August 2014	$0.078	30 June 2017
	337,500	Relative TSR (2014) - Board Selected	7 August 2014	$0.077	30 June 2017
R M Hughes	475,000	EPS (2014)	7 August 2014	$0.105	30 June 2017
950,000	237,500	Relative TSR (2014) - Adjusted ASX 200	7 August 2014	$0.078	30 June 2017
	237,500	Relative TSR (2014) - Board Selected	7 August 2014	$0.077	30 June 2017
G J Miller	950,000	EPS (2014)	7 August 2014	$0.105	30 June 2017
1,900,000	475,000	Relative TSR (2014) - Adjusted ASX 200	7 August 2014	$0.078	30 June 2017
	475,000	Relative TSR (2014) - Board Selected	7 August 2014	$0.077	30 June 2017
F E Ramsay	1,250,000	EPS (2014)	7 August 2014	$0.105	30 June 2017
2,500,000	625,000	Relative TSR (2014) - Adjusted ASX 200	7 August 2014	$0.078	30 June 2017
	625,000	Relative TSR (2014) - Board Selected	7 August 2014	$0.077	30 June 2017
D A Todd	250,000	EPS (2014)	7 August 2014	$0.105	30 June 2017
500,000	125,000	Relative TSR (2014) - Adjusted ASX 200	7 August 2014	$0.078	30 June 2017
	125,000	Relative TSR (2014) - Board Selected	7 August 2014	$0.077	30 June 2017

REMUNERATION
REPORT – AUDITED

3.2.4.2 Details of equity incentives affecting current and future remuneration

Details of vesting profiles of the rights over ordinary shares in the Company held by each KMP are detailed below:

NAME	GRANT DATE	NUMBER GRANTED	NUMBER VESTED IN FY15	NUMBER FORFEITED IN FY15	OTHER CHANGES*	HELD AT 30 JUNE 2015	FINANCIAL YEAR IN WHICH THE GRANT VESTS, SUBJECT TO MEETING PERFORMANCE HURDLES	
							FY16	FY17
Current KMP								
S J van Dyk	7-Aug-14	2,500,000	-	-	-	2,500,000		2,500,000
Former KMP								
Rob Barker	25-Jul-13	600,000	-	600,000	-	-	-	-
	7-Aug-14	1,350,000	-	1,350,000	-	-	-	-
Ross Carroll	15-Jan-10	1,588,437	-	1,588,437	-	-	-	-
	17-Jun-11	1,934,700	-	1,934,700	-	-	-	-
	1-Jul-12	709,390	-	709,390	-	-	-	-
	13-Dec-13	6,225,310	-	6,225,310	-	-	-	-
	13-Nov-14	9,500,000	-	9,500,000	-	-	-	-
Roger Hughes	25-Jul-13	500,000	-	-	-	500,000	-	500,000
	7-Aug-14	950,000	-	-	-	950,000	-	950,000
Greg Miller	15-Jan-10	317,687	-	-	(317,687)	-	-	-
	17-Jun-11	483,675	-	-	(362,756)	120,919	120,919	-
	1-Jul-12	515,920	-	-	-	515,920	206,368	309,552
	25-Jul-13	1,000,000	-	-	-	1,000,000	-	1,000,000
	7-Aug-14	1,900,000	-	-	-	1,900,000	-	1,900,000
Fraser Ramsay	15-Jan-10	397,109	-	397,109	-	-	-	-
	17-Jun-11	483,675	-	483,675	-	-	-	-
	1-Jul-12	515,920	-	515,920	-	-	-	-
	25-Jul-13	1,500,000	-	1,500,000	-	-	-	-
	7-Aug-14	2,500,000	-	2,500,000	-	-	-	-
D A Todd	7-Aug-14	500,000	-	500,000	-	-	-	-

*Other changes represent rights that lapsed during the year.

All performance rights held at 30 June 2015 have not vested and are neither exercisable or unexercisable.

REMUNERATION REPORT – AUDITED

3.2.5 Shareholdings

The number of shares in the Company held during the financial year by each Director and other members of the KMP of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	PURCHASES	RECEIVED ON EXERCISE OF OPTIONS/ GRANTED	SOLD	BALANCE AT END OF THE YEAR*
Directors					
J A Walker	0	300,000	–	–	300,000
G Everist	0	500,000	–	–	500,000
E D R Skira	0	–	–	–	0
V A Vella	357,842	1,000,000	–	–	1,357,842
Executives					
S J van Dyk	0	1,400,000	–	–	1,400,000
Former Directors & Executives					
R A Carroll	2,699,006	–	–	–	N/A
B L Cusack	1,500,000	–	–	–	N/A
R Barker	124,000	–	–	–	N/A
R Hughes	21,739	100,000	–	–	121,739
G J Miller	314,918	–	–	–	314,918
F E Ramsay	353,341	–	–	–	N/A
D Todd	0	–	–	–	N/A
Total	5,370,846	3,300,000	–	–	3,994,499

* The holdings of KMP who have terminated are not shown in the end of year balance given these individuals were not KMP at 30 June 2015.

3.3 Executive KMP contracts

3.3.1 Employment contract

All Executives have an employment contract with Macmahon that is ongoing and has no fixed end date. The employment details of the CEO and each Executive are outlined in this section.

3.3.2 Annual performance review

An annual performance review is undertaken with each Executive, through the Company performance and development review process, whereby discussions are held on performance, KPI achievement and development needs. This is an important human resource practice in the ongoing development of our people to recognise their achievements and focus on continual improvement of performance.

3.3.3 Executive service contracts

Remuneration and other terms of employment for the CEO and other Executives are formalised in service agreements. Major provisions of the agreement relating to the newly appointed CEO are set out below. The CFO role was being recruited at the time of this report. The notice period for the CFO role is proposed to be 3 months.

EXECUTIVE	APPOINTMENT TO KMP	NOTICE PERIOD FOR CONTRACT CESSATION
S J van Dyk Chief Executive Officer	Promoted to CEO 13 July 2015. The contract is ongoing and has no fixed term.	The CEO contract can be terminated by either party with 12 months' notice or payment in lieu.
S J van Dyk Chief Financial Officer	Appointed to KMP 14 April 2014 as CFO. The contract was ongoing and had no fixed term.	The CFO contract was able to be terminated by either party with 6 months' notice or payment in lieu.

All contracts contain retrenchment / severance benefits in accordance with applicable legislation

REMUNERATION
REPORT – AUDITED

4. NON-EXECUTIVE DIRECTORS' FEES

The structure of remuneration for Non-executive Directors is distinct from that applicable to Executives. Fees for Non-executive Directors are fixed and are not linked to the financial performance of the Company. Fees reflect Board and Committee responsibilities.

In the context of supporting the drive to reduce costs a 10% reduction in Board fees was undertaken by the Board, effective from 1 May 2015. This follows a similar 10% reduction applied in November 2012, thereby amounting to an effective 19% reduction in base Board fees since that time.

Further, the Board has agreed to abolish fees paid to Chairpersons of Board subcommittees and each Non-executive Director will receive only one committee fee allowance of $8,505, providing a total Board fee allowance of $97,605 (inclusive of superannuation). The Board will not seek any increase to the relevant fee pool at the 2015 Annual General Meeting.

FEE APPLICABLE FROM 1 JULY 2015	FEE $
Chairman	178,200
Non-executive Directors	97,605

The maximum aggregate amount that can be paid to Non-executive Directors (the fee pool) is currently $1,100,000 per annum, including superannuation, which includes an allowance for an increase in the number of Directors if required. Actual Directors' fees for the reporting period were $611,524. No retirement benefits other than superannuation were paid to Non-executive Directors. There has been no increase in the fee pool amount since its approval by Shareholders at the 2008 Annual General Meeting.

Please refer to Page 38 for KMP Remuneration

REMUNERATION REPORT – AUDITED

KMP Remuneration

	Year	Short-term: Salary $	Short-term: Committee fees $	Short-term: Cash bonus/ STI $	Short-term: Non-monetary benefits $	Total short-term $	Leave Payout Payments $	Other long-term benefits[7] $	Post employment: Super annuation $	Post employment: Termination payments $	Share-based payment: Options and rights $	Performance related %	Non-performance related %	Compensation consisting of options and rights %	Total compensation $
Current KMP as at 30 June 2015															
Directors Non-executive															
J A Walker [1]	2015	101,035	-	-	-	101,035	-	-	9,598	-	-	-	100	-	110,633
(Chairman)	2014	90,509	-	-	-	90,509	-	-	8,372	-	-	-	100	-	98,881
B L Cusack [2]	2015	76,233	-	-	-	76,233	-	-	7,242	-	-	-	100	-	83,475
(Deputy Chairman)	2014	143,100	-	-	-	143,100	-	-	-	-	-	-	100	-	143,100
C R G Everist	2015	97,350	9,293	-	-	106,643	-	-	-	-	-	-	100	-	106,643
	2014	99,000	7,327	-	-	106,327	-	-	-	-	-	-	100	-	106,327
E D R Skira	2015	88,904	15,884	-	-	104,788	-	-	9,955	-	-	-	100	-	114,743
	2014	90,618	15,469	-	-	106,087	-	-	9,813	-	-	-	100	-	115,900
V A Vella	2015	88,904	13,000	-	-	101,904	-	-	9,681	-	-	-	100	-	111,585
	2014	90,618	18,107	-	-	108,725	-	-	10,057	-	-	-	100	-	118,782
Total compensation for Non-executive directors	2015	452,426	38,177	-	-	490,603	-	-	36,476	-	-	-	100	-	527,079
	2014	513,845	40,903	-	-	554,748	-	-	28,242	-	-	-	100	-	582,990
Directors – Executive															
J A Walker [1]	2015	77,118	-	-	-	77,118			7,326	-	-	-	100	-	84,445
(Executive Chairman)	2014		-	-	-	-				-	-	-	100	-	
S J van Dyk	2015	514,229	-	-	5,878	520,107		26,481	29,931	-	76,042	12	88	12	652,561
Chief Financial Officer	2014	112,936	-	50,000	1,198	164,134		-	5,814	-	-	29	71	-	169,948
Former Key Management Personnel															
R J Barker [5]	2015	289,407	-	-	5,125	294,532	51,539	(48,148)	36,820	151,036	(22,000)	(5)	105	(5)	463,779
Group General Manager – Market Development	2014	355,979	-	-	10,314	366,293		-	32,928	-	22,000	5	95	5	421,221
R A Carroll [3]	2015	627,083	-	-	4,661	631,744	498,850	(554,004)	14,583	549,999	(539,934)	(90)	190	(90)	601,238
Chief Executive Officer	2014	1,075,070	-	-	13,211	1,088,281			24,930	-	613,565	36	64	36	1,726,776
R M Hughes	2015	240,275	-	-	3,807	244,082		3,963	22,826	-	47,229	15	85	15	318,100
Group General Manager – Human Resources	2014	316,832	-	-	8,600	325,432		-	24,907	-	18,333	5	95	5	368,672
G J Miller	2015	311,198	-	-	1,293	312,491	267,922	(293,754)	22,083	-	155,258	33	67	33	464,000
EGM Underground	2014	395,036	-	-	10,716	405,752			35,950	-	175,108	28	72	28	616,810
F E Ramsay [5]	2015	426,325	-	-	5,490	431,815	358,768	(395,646)	19,324	463,804	(190,324)	(28)	128	(28)	687,741
Chief Operating Officer – Surface Mining & Infrastructure	2014	549,199	-	-	11,243	560,442		-	50,801	-	199,057	25	75	25	810,300
D A Todd [6]	2015	120,563	-	-	2,963	123,526	10,714	(2,367)	16,789	56,159	-	-	100	-	204,821
Group General Manager – HSEC	2014	233,132	-	-	4,699	237,831		-	19,208	-	-	-	100	-	257,039
Total compensation executive personnel	2015	2,606,198	-	-	29,217	2,635,415	1,187,793	(1,263,475)	169,682	1,220,998	(473,729)	(14)	114	(14)	3,476,685
	2014	3,038,184	-	50,000	59,981	3,148,165	-	-	194,538	-	1,028,063	25	75	24	4,370,766
"Total compensation:															
Directors and Executives"	2015	3,058,625	38,177	-	29,217	3,126,020	1,187,793	(1,263,475)	206,160	1,220,998	(473,729)	(12)	112	(12)	4,003,767
	2014	3,552,029	40,903	50,000	59,981	3,702,913		-	222,780	-	1,028,063	22	78	21	4,953,756

1 J A Walker assumed the role of Executive Chairman on 22 January 2015.

2 B J Cusack stepped down as Deputy Chairman on 22 January 2015.

3 R A Carroll ceased employment on 22 January 2015 and was paid entitlements in accordance with his contract of employment.

4 R Hughes and G J Miller were no longer classified as KMP effective 27 March 2015.

5 R J Barker and F E Ramsay ceased employment on 27 March 2015 and were paid all leave and notice/severance entitlements in accordance with their contracts of employment.

6 D A Todd ceased employment on 19 December 2014 and was paid his termination entitlements in accordance with his contract of employment.

7 Represents accruals for annual and long service leave balances including reversals when key management personnel leave the company

CORPORATE GOVERNANCE STATEMENT

Macmahon is committed to operating in accordance with high standards of corporate governance. We believe that doing so enhances the Company's sustainable long-term performance and value creation for all stakeholders.

This Statement reports on Macmahon's key governance principles and practices which are reviewed regularly and revised as appropriate to reflect changes in law and developments in corporate governance.

As required by the Australian Securities Exchange Limited ("ASX") Listing Rules ("ASX Listing Rules"), this Statement also reports on:

- the extent to which the Company has followed the Corporate Governance Recommendations contained in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) ("ASXCGC Recommendations"); and
- the reasons for any departures from the ASXCGC Recommendations, in compliance with the "if not, why not" regime.

The Board of Macmahon (the "Board") is satisfied that the Company either meets the ASXCGC Recommendations, or where it does not, has sound reasons for not doing so as explained in this Statement. A checklist cross-referencing the ASXCGC Recommendations to the relevant sections of this Statement and other Company publications is provided later in the Statement.

THE BOARD OF DIRECTORS

1.1 Board role and responsibilities

The Company's constitution provides that the business and affairs of the Company are to be managed by or under the direction of the Board. The Board has established and disclosed (on the Company's website) its Board Charter which details the Board's role, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of Macmahon's business activities is delegated to the Chief Executive Officer ("CEO") who is accountable to the Board. The Board Charter and the delegation of Board authority to the CEO are reviewed regularly.

During the year Macmahon undertook a significant restructure in response to market conditions. As part of that restructure Mr Walker assumed the role of Executive Chairman in January 2015 while the Board conducted an extensive executive search process for a new CEO. Mr van Dyk's appointment marked the conclusion of that process.

Following Mr van Dyk's appointment, the Company returned to its standard convention of separating the role of Chief Executive Officer and Chairman. Consequently, references in Company charters and policies to the CEO implied reference to the Executive Chairman in the interim period.

1.2 Board composition and expertise

The current Board composition includes two independent non-executive directors, two non-independent non-executive directors, and the CEO, who is also the Managing Director. Details on each of the directors including experience, knowledge and skills and their status as an independent or non-independent director are set out in the Directors' Report and on the Company's website.

In assessing the composition of the Board, the directors have regard to the following policies:

- the Chairman should be an independent, non-executive;
- the role of the Chairman and CEO should not be filled by the same person;
- the CEO should be a full-time employee of the Company;
- the Board should represent a broad range of qualifications, diversity, experience and expertise considered of benefit to the Company; and
- the Board should include a majority of independent non-executive directors.

As previously noted, given the Company's restructure initiatives, Mr Walker assumed the role of Executive Chairman for an interim period while the Company undertook an executive search process to appoint a new CEO. As a consequence of Mr Walker having recently held executive responsibilities the Board has determined that he should now, for the time being, be considered as a non-independent non-executive director. The Board will reassess this determination as the time since Mr Walker last held executive responsibilities increases.

Where a casual vacancy arises, the Board will seek to appoint a non-executive director with the appropriate skills and experience to fill any potential expertise gaps.

The directors on the Board collectively have the skills and experience outlined in the Board Skills Matrix on the Company's website. The Board considers that the non-executive directors collectively bring an appropriate range of skills, knowledge and experience to direct the Company.

Section 1.6 on Board succession planning provides further information on the mix of skills and diversity the Board seeks to achieve in membership of the Board.

1.3 Chairman of the Board

Mr Jim Walker, who joined the Board in October 2013, assumed the Chairmanship when Mr Scott-Mackenzie retired in March 2014. This succession was part of the ongoing Board renewal plan as has been highlighted previously to shareholders. His appointment to the Board was as an independent, non-executive director, however as discussed above, Mr Walker is currently considered to be non-independent non-executive director. Details of Mr Walker's career including experience, knowledge and skills are set out in the Directors' Report and on the Company's website.

As Chairman of the Board, Mr Walker is responsible for leadership and effective performance of the Board and for the maintenance of relations between directors and management that are open, cordial and conducive to productive cooperation. The Chairman's responsibilities are set out in more detail in the Board Charter.

Mr Walker is currently a non-executive director of SKILLED Group Limited (appointed November 2013), Seeing Machines (appointed May 2014) and RACWA Holdings Pty Ltd (appointed November 2013). The Board does not consider that these roles, nor any of his other commitments, interfere with the discharge of his duties to the Company. The Board is satisfied that Mr Walker commits the time necessary to discharge his role effectively.

CORPORATE GOVERNANCE STATEMENT

1.4 Director independence

In assessing the independence of each director, the Board considers, amongst other things, whether the director is a substantial Shareholder of the Company (as defined by the Corporations Act) or an officer of, or otherwise associated directly with a substantial Shareholder of the Company;

- within the last three years, has been employed in an executive capacity by the Company or another Group member or been a director after ceasing to hold any such employment;
- within the last three years, has been a principal of a material professional advisor or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or another Group member other than as a director of the Company;
- has served on the Board for a period which could or could reasonably be perceived to materially interfere with the director's ability to act in the bests interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Applying the above criteria, the Board has determined that Mr Giles Everist and Ms Eva Skira are independent directors.

The independent status of directors standing for election or re-election is identified in the notice of the Company's annual general meeting ("AGM"). If the Board's assessment of a director's independence changes, that change is disclosed.

1.5 Conflicts of interest

Directors are required to disclose any actual or potential conflict or material personal interests on appointment as a director and are required to keep these disclosures up to date.

In the event that there is, or may be, a conflict between the personal or other interests of a director, then the director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter. When the matter comes before the Board for discussion, the director withdraws from the meeting for the period the matter is considered and takes no part in the discussion or decision making process.

Minutes reporting on matters in which a director is considered to have a conflict of interest are not provided to that director. However, the director might be given notice of the broad nature of the matter for discussion and is updated in general terms on the progress of the matter.

The Company has established and disclosed (on its website) a Board Conflict of Interest Policy that dictates the appropriate procedures to be followed.

1.6 Board succession planning and performance evaluation

The Board manages its succession planning with the assistance of the Remuneration & Nomination Committee, reviewing its size, composition, diversity and effectiveness as a whole and the mix of existing and desired competencies across members. In conducting the review, the Board Skills Matrix referred to in section 1.2 is used to enable the Committee to assess the skills and experience of each director and the combined capabilities of the Board.

In considering overall Board balance, the Committee will give due consideration to the value of a diversity of backgrounds and experiences among the members. With the exception of the Managing Director, Directors appointed by the Board are subject to Shareholder election at the next AGM.

Macmahon undertakes appropriate background and screening checks prior to nominating a director for election by shareholders, and provides to shareholders all material information in its possession concerning the director standing for election or re-election in the explanatory notes accompanying the notice of meeting.

The Board recognises the importance of rejuvenation via changes in Board membership. The main driver of change during FY2015 has been the Company's restructure initiatives. The past year has seen the resignation of Mr Ross Carroll (the former Managing Director and CEO), retirement of Mr Barry Cusack (the long-standing Deputy Chairman) and subsequent to FY2015 year-end, the appointment of Mr Sybrandt van Dyk as the new Managing Director and CEO. The size of the Board has reduced from six to five members.

The Board undertakes an annual evaluation of its size, composition, diversity and effectiveness against a broad range of good practice criteria and where deemed appropriate engages the services of an external facilitator to assist with this process. The Chairman reviews the performance of individual Board members and meets individually with each director to discuss the findings of their report, including performance of the Chairman. The Board reviews the performance of individual Board members seeking re-election prior to any Board recommendation being given to Shareholders.

An evaluation of the performance of the Board and its Committees is currently being undertaken by the Board in accordance with the processes outlined above.

Any director whose performance is consistently unsatisfactory will be asked to retire.

1.7 Director retirement and re-election

Non-executive directors must retire and stand for re-election at the third AGM following their election or most recent re-election. At least one non-executive director must stand for election at each AGM. Any director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves for election at the next AGM.

Board support for a director's re-election is not automatic and is subject to satisfactory director performance (in accordance with the evaluation process described above).

CORPORATE GOVERNANCE STATEMENT

1.8 Directors' appointment, induction training and continuing education

All new directors are provided with a formal letter of appointment setting out the key terms and conditions of the appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

Induction training is provided to all new directors. It includes comprehensive meetings with the CEO, key executives and management, information on key corporate and Board policies, and the opportunity to visit the Company's primary operations.

All directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the Company where appropriate.

1.9 Board access to information and independent advice

Directors may, in carrying out their Company related duties, seek external professional advice. If external professional advice is sought, a director is entitled to reimbursement of all reasonable costs where such a request for advice is approved by the Chairman. In the case of a request made by the Chairman, approval is required by the Chair of the Audit & Risk Committee.

1.10 Directors' remuneration

Details of remuneration paid to directors (executive and non-executive) are set out in the Remuneration Report. The Remuneration Report also contains information on the Company's policy for determining the nature and amount of remuneration for directors and executives and the relationship between the policy and Company performance.

Shareholders will be invited to consider and approve the Remuneration Report at each Annual General Meeting.

1.11 Board meetings

During FY 2015, the Board held nine scheduled Board meetings and 19 unscheduled Board meetings on short notice. There were only three occasions of absence at meetings called on short notice, and no absence otherwise. Details of directors' attendance at Board and committee meetings are set out in the Directors' Report.

The Chairman sets the agenda for each meeting in conjunction with the CEO and the company secretary. Any director may request additional matters be added to the agenda. The Chief Financial Officer ("CFO") attends the Board meetings by standing invitation. Other members of senior management attend meetings of the Board by invitation.

At each scheduled Board meeting there is a session for non-executive directors to meet without management present. This session is presided over by the Chairman.

Copies of Board papers are circulated in advance of the meetings predominantly in electronic form. Directors are entitled to request additional information where they consider further information is necessary to support informed decision making.

1.12 Company Secretaries

Details of the company secretaries are set out in the Directors' Report. The appointment and removal of a company secretary is a matter for decision by the Board. The position of Company Secretary is responsible for providing advice to directors and executives on corporate governance and regulatory matters, ensuring that Board procedures are complied with and that governance matters are addressed, recording minutes of Board and committee meetings, developing the Company's corporate governance framework and giving effect to the Board's decisions. All directors have access to advice from the Company Secretary (or secretaries when there is more than one) who is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

2. BOARD COMMITTEES

2.1 Board committees, membership and charters

The Board delegates its powers and responsibilities to committees of the Board in order to allow the directors to spend additional and more focused time on specific issues. The areas of risk management and safety remain items of elevated strategic importance to the Company and hence remain standing Board agenda items. All committees operate under individual charters approved by the Board which are disclosed on the Company's website.

In December 2014, the Board determined that while it would retain ultimate responsibility for the management of the Company's key risks, the oversight of the Company's risk management framework would be allocated the responsibility of a newly constituted Audit & Risk Committee.

The Board currently has the following standing committees to assist in discharging its responsibilities:

BOARD OF DIRECTORS	COMMITTEE	DESCRIPTION	MEMBERS
	Audit & Risk Committee	Monitors the financial reporting process, the risk management framework, and external and internal audit functions.	Ms Eva Skira (Chairman) Mr Giles Everist Mr Vyril Vella Mr Jim Walker
	Remuneration & Nomination Committee	Assists the Board with Board appointments, and in considering remuneration policies, practices and decisions. Ensures the Board and the CEO have the necessary range of skills, expertise and experience to further corporate objectives.	Mr Vyril Vella (Chairman) Mr Giles Everist Ms Eva Skira Mr Jim Walker

Given the Company's restructure initiatives in FY2015 the number of non-executive directors reduced to four. Consequently, all non-executive directors have been appointed to all committees. The relevant executive management attend committee meetings by invitation. Details of the attendance of directors at meetings held during the year are set out in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT

Minutes of all committee meetings are available to all directors and a company secretary provides secretarial services for each committee.

2.2 Audit & Risk Committee

The role of the Audit & Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, the risk management framework and procedures, compliance with related legal and regulatory requirements, and the internal and external audit functions. In doing so, it is the Committee's responsibility to maintain free and open communication between the Committee and the external auditors and the management of Macmahon.

The Audit & Risk Committee is required to have a minimum of three members and be composed of all non-executive directors, a majority of whom should be independent. The Chair of the Audit & Risk Committee must not be the Chair of the Board and must be an independent director.

Now that Mr Walker is considered by the Board to be a non-independent director (for the time being), there is an equal number of independent and non-independent directors on this Committee. However, the chair of the Committee is an independent director, and would have a casting vote in the event of any deadlock.

The external auditor, the internal auditor, the directors who are not members of the Audit & Risk Committee, the Chief Executive Officer, the Chief Financial Officer and the Group Financial Controller are all invited to attend Audit & Risk Committee meetings at the discretion of the Audit & Risk Committee.

Key activities undertaken by the Audit & Risk Committee during the year included:

- approval of the scope, plan and fees for the 2015 external audit;
- review of the independence and performance of the external auditor;
- review of significant accounting policies and practices;
- review of tax compliance and developments in taxation matters;
- monitoring developments in accounting and financial reporting relevant to Macmahon;
- review of internal audit reports and approval of the 2015 Internal Audit program;
- assessment of the impact of material commercial disputes on the Company's financial performance;
- reviewing the Group's key risks and risk management framework and confirming that the framework was sound;
- monitoring matters arising under the Code of Conduct and the Whistleblower Policy;
- reviewing and making recommendations to the Board on amendments to the Committee's charter; and
- review and recommendation to the Board for the adoption of the Group's half-year and annual financial statements.

The number of Audit & Risk Committee meetings that were held during the reporting period and the attendance of the Committee members at those meetings are set out in the Directors' Report.

2.3 Remuneration & Nomination Committee

The role of the Remuneration & Nomination Committee is to assist the Board in reviewing its composition, performance and succession planning, and by reviewing and approving the Company's remuneration policies and practices for directors and executives. The Committee's responsibilities include:

- assessing the necessary and desirable competencies of Board members against the Board Skills Matrix;
- reviewing the size and composition of the Board and Board succession planning;
- reviewing the Company's remuneration framework, which is used to attract, retain and motivate directors and employees to achieve operational excellence and create value for Shareholders;
- reviewing the remuneration packages and incentive schemes for the CEO and executives, to establish rewards, which are fair and responsible, having regard to the Company's strategic goals, individual performance and general remuneration conditions; and
- reviewing the performance and succession planning for the CEO and executives.

The Remuneration & Nomination Committee is required to have a minimum of three members and should be composed of a majority of independent non-executive directors. Despite the ASX Principles, the Committee currently has an equal number of independent and non-independent directors now that Mr Walker is considered to be a non-independent director. Mr Vella is also the non-independent Chair of this Committee. However, the Board has determined that given its current size, the Committee is currently structured in the optimal way. Further, the Board considers that given Mr Vella's experience and strong working understanding of relevant employment terms and conditions, he is best placed to discharge this function in accordance with the Committee Charter.

The Company's Non-executive Directors' Remuneration Policy is available on the Company's website. The Company's non-executive directors receive fees as remuneration for acting as a director of the Company and a standard fee for acting as a member of all standing Committees of the Board. Non-executive directors are not entitled to participate in equity schemes of the Company and are not entitled to receive performance based bonuses. The Company has not established any schemes for the provision of retirement benefits, other than statutory superannuation, for non-executive directors.

Further details regarding non-executive directors' remuneration are set out in the Remuneration Report.

The Company's Senior Executives Remuneration Policy is available on the Company's website. The Company's senior executives are remunerated in accordance with the principles described in that policy, which provides that senior executive remuneration is to consist of elements of fixed salary, short-term incentives based on performance, participation in long-term incentive equity schemes and other benefits including superannuation. It is the Company's policy to prohibit employees from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.

Further details regarding executive remuneration are set out in the Remuneration Report.

Key activities undertaken by the Remuneration & Nomination Committee during the year included:

- monitoring legislative and corporate governance developments in relation to employment and remuneration matters relevant to Macmahon;
- reviewing the Company's remuneration policies and practices;
- reviewing the Company's recruitment and retention strategies;
- recommendation of the appointment and remuneration packages of executives reporting directly to the CEO;
- monitoring progress against measurable objectives in respect of gender diversity; and
- reviewing and making recommendations to the Board on remuneration for non-executive directors and the CEO and the criteria for the evaluation of the performance of the CEO.

Any director who is not a member of the Remuneration & Nomination Committee, the CEO and the General Manager of Human Resources are invited to attend Committee meetings at the discretion of the Remuneration & Nomination Committee. The CEO is not present where decisions are being made in respect to their own remuneration.

The number of Committee meetings that were held during the reporting period and the attendance of the Committee members at those meetings are set out in the Directors' Report.

3. SHAREHOLDERS AND CORPORATE RESPONSIBILITY

Macmahon aims to produce positive outcomes for all stakeholders in managing its business and to maximise financial, social and environmental value from its activities. In practice, this means having a commitment to transparency, fair dealing, responsible treatment of employees and customers and positive links into the community.

Sustainable and responsible business practices within Macmahon are viewed as an important long-term driver of performance and Shareholder value. Through such practices Macmahon seeks to reduce operational and reputation risk and enhance operational efficiency while contributing to a more sustainable society. Macmahon accepts that the responsibilities of the Board and management, which flow from this approach, go beyond strict legal and financial obligations. In particular, the Board seeks to take a practical and broad view of directors' fiduciary duties, in line with stakeholders' expectations.

3.1 Shareholder communications

Directors recognise that Shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares.

The Company's Continuous Disclosure Policy (which is available on the Company's website) encourages effective communication with its Shareholders by requiring:

- the disclosure of full and timely information about Macmahon's activities in accordance with the disclosure requirements contained in the ASX Listing Rules and the Corporations Act;
- all information released to the market to be placed on Macmahon's website promptly following release;
- the Company's market announcements to be maintained on Macmahon's website for at least three years; and
- all disclosures, including notices of meetings and other Shareholder communications, are drafted clearly and concisely using plain English.

Macmahon endeavours to communicate all major activities affecting operations to investors through the Annual Report, half year and full year results announcements, formal disclosures to the ASX (i.e. company announcements), letters to Shareholders when appropriate, the Company website and at the AGM. The AGM also provides an important opportunity for investors to ask questions, express views and respond to Board proposals.

Periodic reviews of communication systems to take advantage of new technologies may further enhance the Company's ability to communicate effectively with its investors. Macmahon endeavours to provide advance notification of public briefings and make them widely accessible, including through the use of webcasting or conference calls where possible. The Company also keeps a summary record for internal use of the issues discussed at briefings as well as a record of those present, and the time and place of the briefing.

Macmahon encourages direct electronic contact from shareholders. The Company's website has a Contacts page within its Investors and Media section which allows shareholders to email the Company directly with queries or to provide feedback, as well as a direct link into the Company's share registry, Computershare, so that Computershare can be contacted directly.

The Company recognises the importance of shareholder participation in general meetings and supports and encourages that participation. The Company provides facilities for online voting through Computershare, allowing shareholders unable to attend the AGM to direct voting on resolutions through the appointment of a proxy. Shareholders are also able to register their voting instructions electronically.

The outcome of voting on the items of business are disclosed to the market and posted to the Company's website after the AGM or any other Shareholder meeting.

All Macmahon directors attended the Company's 2014 AGM and are expected to attend the 2015 AGM.

The Company's external auditor attends the Company's AGM to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

3.2 Continuous disclosure

Macmahon is committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information.

Macmahon's Continuous Disclosure Policy reinforces the Company's commitment to ASX continuous disclosure requirements and outlines management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes Macmahon's guiding principles for market communications.

The Continuous Disclosure Policy is available on the Company's website.

CORPORATE GOVERNANCE
STATEMENT

4. PROMOTING ETHICAL AND RESPONSIBLE BEHAVIOUR

4.1 Code of conduct and whistleblower policy

Macmahon has a Code of Conduct which outlines its commitment to appropriate and ethical corporate practices and reflects the high ethical standards of conduct necessary to maintain confidence in the Company's integrity.

The Code of Conduct describes Macmahon's mission, vision and values together with the business principles approved by the Board. It sets out the principles, practices and standards of personal and corporate behaviour Macmahon expects in daily business activities. The Code of Conduct covers matters such as compliance with laws and regulations, responsibilities to Shareholders and the community, sound employment practices, confidentiality, privacy, conflicts of interest, giving and accepting business courtesies and the protection and proper use of Macmahon's assets. Compliance with the Code of Conduct also assists Macmahon in effectively managing its operating risks and meeting its legal and compliance obligations, as well as enhancing Macmahon's corporate reputation.

The Company's Code of Conduct is issued to every new employee and an online refresher is issued to all staff and Officers each year. The Code of Conduct is available on the Company's intranet and website. The Company's Whistleblower Policy highlights Macmahon's commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal. The Whistleblower Policy is available on the Company's website.

In addition to the above, all executives and key finance managers complete a questionnaire from the directors on a half-yearly basis which includes questions on compliance by the managers and all employees within their area of responsibility with the Code of Conduct and other Company policies. The responses to the questionnaire, together with a report on any breaches of the Code of Conduct and matters that might be raised through the Whistleblower Policy, are considered by the Audit & Risk Committee.

4.2 Trading in shares policy

Macmahon's Trading in Shares Policy provides a brief summary of the law on insider trading and the ASX Listing Rule requirements, and sets out the restrictions on dealing in securities by directors and Officers. The Policy is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

Directors and Officers are encouraged to follow a long-term investment strategy and are prohibited from any trading of a short-term or speculative nature in the securities of the Company. Directors and Officers may not deal in securities of the Company (other than the exercise of employee options and performance rights, dividend reinvestment and rights issues and transfers to related parties) in the four week period leading up to the profit announcement in respect of each June and December half year, or immediately prior to announcements in relation to any material changes in the Company's financial performance or changes to major contracts.

Any director wishing to deal in the Company's securities may only do so after first having obtained the prior approval of the Chairman (who will consult with the CEO and CFO). Any dealings by the Chairman require prior approval of the Chair of the Audit Committee (who will consult with the CEO and CFO). An Officer may only deal in the Company's securities after first having obtained the prior approval of the CFO (who will consult with the CEO). Confirmation of any dealing must also be given to the Company by the director or executive within two business days after the dealing.

All Officers and employees are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme. Any hedging of unvested equity will result in immediate forfeiture.

The Company's Trading in Shares Policy is available on the Company's website.

5. RISK MANAGEMENT AND INTERNAL CONTROLS

5.1 Approach to risk management

Macmahon recognises that risk is inherent to its business and effective management of risk is vital to delivering on its objectives, success and continued growth. Macmahon's approach to risk enhances opportunities, reduces threats and sustains Macmahon's competitive advantage. Macmahon is committed to managing all risk in a proactive and effective manner.

The Company's aim is to ensure that risk management is embedded in all aspects of the Company's operations, by aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing uncertainties. Particular focus is given to activities in key stages of the project life cycle including project selection, tendering, project start-up and project execution. The Company's Risk Management Policy can be viewed on the Company's website.

5.2 Risk management roles and responsibilities

The Board is responsible for reviewing and approving the Company's risk management strategy, policy and key risk parameters, including determining the appetite for country risk and major investment decisions. The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. The Board has delegated oversight of the Risk Management Policy, including oversight of the risk management framework and procedures to the Audit & Risk Committee.

Management is responsible for designing, implementing, reviewing and providing assurance as to the effectiveness of the Risk Management Policy. This responsibility includes developing business risk identification processes, implementing appropriate risk treatment, strategies and controls, monitoring effectiveness of controls and reporting on risk management capability and performance.

CORPORATE GOVERNANCE STATEMENT

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- regular updates to the Board at monthly meetings on key risks associated with the business' operations;
- Board approved annual operating budgets and plans, with ongoing monitoring of progress against budget;
- internal audit reports to the Audit & Risk Committee on areas of material business risk; and
- ensuring that executives are responsible for developing policies, processes and procedures to identify risks in the Company's activities and to implement mitigation strategies.

More information on the Company's risks are set out on pages 12 and 13 of the Company's 2015 Annual Report. In FY2015, the Audit & Risk Committee reviewed the company's risk management framework and confirmed that the framework was sound.

5.3 Internal Audit

The Company's internal audit function is managed by Deloitte Touche Tohmatsu, who was appointed the internal auditor following a competitive tender process in September 2012. The internal audit function is independent of management and the external auditor and operates under the direction of the Audit & Risk Committee. In accordance with the Audit & Risk Committee Charter the internal auditor's appointment or removal is a matter for that Committee.

The Internal Audit function provides independent and objective assurance on the adequacy and effectiveness of the Group's systems for risk management, internal control and governance, along with recommendations to improve the efficiency and effectiveness of these systems and processes.

The Audit & Risk Committee agrees an Internal Audit Plan at the commencement of each new financial year.

5.4 CEO and CFO assurance on corporate reporting

The Board receives monthly reports about the financial condition and operational results of the Company and its controlled entities.

At the end of each six monthly period, the CEO and CFO provide a formal declaration to the Board confirming that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and the operational results have been prepared in accordance with the relevant accounting standards. The statement also confirms that the integrity of the Company's financial statements and notes to the financial statements, are founded on a sound system of risk management and controls.

In addition, all executives and key business managers complete a questionnaire from the directors on a half-yearly basis. The questions relate to the financial position of the Company, market disclosure, the application of Company policies and procedures (including the Risk Management Policy), compliance with external obligations and other governance matters. This process assists the CEO and the CFO in making the declarations to the Board referred to above.

6. EXTERNAL AUDITOR RELATIONSHIP

The Board has a policy requiring rotation of the audit partner at least every five years, prohibits the re-involvement of a previous audit partner in the audit service for two years following their rotation, and provides that a former partner of the audit firm, or member of the audit team, may only be recruited into a position as a director or senior employee of Macmahon after the expiry of at least two years. External audit services are the subject of market tender from time to time.

Furthermore, the Audit & Risk Committee oversees the terms of engagement of the Company's external auditor. Guidelines referenced to in the Code of Ethics published by the International Federation of Accountants ("IFAC") are utilised to assist the Board in maintaining the independence of the external auditor and in assessing whether the provision of any non-audit services by the external auditor that may be proposed are appropriate.

The guidelines contain a set of controls which address threats to the independence of the external auditor including, in particular, any threat which may arise by reason of self-interest, self-review, advocacy, familiarity or intimidation (all terms defined by the IFAC's Code of Ethics). The guidelines classify a range of non-audit services which are considered not acceptable for provision by the external auditor.

As the current external auditor, KPMG attends the Company's AGM and the lead partner, Mr Trevor Hart is available to answer questions from shareholders relevant to the audit at, or ahead of, the AGM. KMPG's independence declaration is contained in the Directors' Report of the Annual Report.

7. DIVERSITY

Macmahon recognises and appreciates the value inherent in a diverse workforce. As part of its focus on rebuilding the company, diversity will be a core focus of the Company to ensure it has a competitive advantage within the industry and supports the broader community goals of diversity across age, race, culture, faith and gender.

The objectives of the Company's Diversity Policy include:

- enhancing the employee talent pool - to foster recruitment, retention and promotion practices that take account of the diversity within the communities in which Macmahon operates;
- supportive environment - to ensure a supportive workplace in which employee differences are treated fairly and with respect and dignity within a safe working environment;
- work/life balance - to promote workplace structures, systems and procedures that assist employees balance their work, family and other responsibilities effectively; and
- social responsibility - to ensure Macmahon contributes positively to the social wellbeing of the communities it serves.

During the past 12 months there has been considerable downsizing of the Company, which has had an impact on diversity numbers, particularly amongst Indigenous Australians and female employees. This was primarily due to the loss of the Christmas Creek contract where the majority of our Indigenous employees were engaged, and the downsizing of our corporate functions where there is strong female representation.

CORPORATE GOVERNANCE STATEMENT

Positively, the Company successfully achieved it's Australian Employment Covenant target of 500 new jobs in five years, which was achieved six months ahead of schedule. Macmahon was also able to assist a significant number of our Indigenous employees at Christmas Creek to attain work with the new contractor at that project, and to retain a good representation of females within our senior management group during the downsizing, which actually lifted the representative percentages across the Group.

Internationally, Macmahon continued to employ and develop local nationals into various roles, including senior leadership. This is a strong focus of the Company, as it builds its capability to operate overseas using local national workforces.

Indigenous employees

Macmahon was a signatory to the Australian Employment Covenant in August 2010, pledging to create 500 new jobs for Indigenous people over five years. This milestone was achieved on 15 January 2015, six months ahead of the pledged date.

Prior to the loss of the Christmas Creek project, Macmahon's Indigenous employment was approximately 18% of the total Christmas Creek employee workforce of around 600. This was a great achievement and a credit to the team who assisted to recruit, train and support this group.

Subsequent to the loss of the Christmas Creek project, Indigenous representation dropped to 3.6% of the Company's domestic workforce at 30 June 2015. However, the Company's target for Indigenous representation remains at 7.5% of its total Australian workforce.

Female employees

Female leadership remains a key objective of the business with one female Board member and five females within the Senior Leadership Group, which lifts the senior leadership to 10.8%. We were also successful in achieving our target of 14% female employment earlier in the financial year. However, with the significant downsizing in the latter half of the year the overall participation has declined to 8.6%. This compares with 12.9% last year.

7.2 Targets

The following table outlines the Company's measurable objectives in relation to diversity, as disclosed in the 2014 Annual Report, and the progress made towards achieving those objectives at 30 June:

GROUP	TARGET	ACTUAL 2015	ACTUAL 2014
Indigenous Australians	7.5%	3.6%	6%
Female Directors	1	1	1
Senior female leadership	20.0%	10.8%	2.5%
All female employees	14.0%	8.6%	12.9%

7.3 Diversity strategies

The Company continues to pursue the following initiatives which have been successful in building diversity.

INITIATIVE	DESCRIPTION
Enhancing the employee talent pool	Targeted strategies to attract and retain Indigenous and female employees continue as objectives for current and ongoing operations.
Facilitate work / life balance	Macmahon continues to provide flexible working arrangements to enable employees to achieve work/life balance, particularly where they have family support requirements.
Pursue social responsibility	The Company has put in place a cadetship for one of our young Indigenous workers to enable them to achieve a Mining Engineering qualification. The Company has continued to participate in events for women such as CME Women in Resources Awards.

CORPORATE GOVERNANCE
STATEMENT

8. CHECKLIST AGAINST ASXCGC RECOMMENDATIONS

	ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS	REFERENCE	COMPLIANCE
Principle 1 – Lay solid foundations for management and oversight			
1.1	A listed entity should disclose: a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	1.1, Remuneration Report	✔
1.2	A listed entity should: a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	1.6	✔
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	1.8, Remuneration Report	✔
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	1.12	✔
1.5	A listed entity should: a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b) disclose that policy or a summary of it; and c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	7	✔
1.6	A listed entity should: a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	1.6	✔
1.7	A listed entity should: a) have and disclose a process for periodically evaluating the performance of its senior executives; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Remuneration Report	✔

CORPORATE GOVERNANCE STATEMENT

Principle 2 - Structure the Board to add value			
2.1	The Board of a listed entity should: a) have a nomination committee which: 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	2.1, 2.3	Partial compliance
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	1.2	✔
2.3	A listed entity should disclose: a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3 (which appears on page 16 of the ASXCGC Recommendations and is entitled "Factors relevant to assessing the independence of a director"), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each director.	1.4, Directors' Report	✔
2.4	A majority of the board of a listed entity should be independent directors.	1.4	✔
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	1.3	Partial compliance
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	1.8	✔
Principle 3 – Act ethically and responsibly			
3.1	A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it.	4.1	✔
Principle 4 – Safeguard integrity in corporate reporting			
4.1	The Board of a listed entity should: a) have an audit committee which: 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2. is chaired by an independent director, who is not the chair of the board, and disclose: 3. the charter of the committee; 4. the relevant qualifications and experience of the members of the committee; and 5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	2.1, 2.2, Directors' Report	Partial compliance

CORPORATE GOVERNANCE
STATEMENT

4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	5.4	✔
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	3.1	✔
Principle 5 – Make timely and balanced disclosure			
5.1	A listed entity should: a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) disclose that policy or a summary of it.	3.2	✔
Principle 6 – Respect the rights of security holders			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	4.1	✔
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	4.1	✔
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	4.1	✔
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	4.1	✔
Principle 7 – Recognise and manage risk			
7.1	The board of a listed entity should: a) have a committee or committees to oversee risk, each of which: 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a risk committee or committees that satisfy a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	2.1, 2.2	Partial compliance
7.2	The board or a committee of the board should: a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) disclose, in relation to each reporting period, whether such a review has taken place.	2.2, 5.1, 5.2	✔
7.3	A listed entity should disclose: a) if it has an internal audit function, how the function is structured and what role it performs; or b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	5.3	✔
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	5.1, 5.2, Annual Report	✔

CORPORATE GOVERNANCE STATEMENT

Principle 8 – Remunerate fairly and responsibly			
8.1	The board of a listed entity should: a) have a remuneration committee which: 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	2.1, 2.3	Partial compliance
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Remuneration Report	✔
8.3	A listed entity which has an equity-based remuneration scheme should: a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it.	4.2	✔

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Macmahon Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

KPMG

KPMG

Trevor Hart
Partner

Perth

27 August 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	NOTE	CONSOLIDATED 15 $'000	14 $'000
Revenue from continuing operations	5	660,194	1,015,917
Other income	6	40,376	2,004
Expenses			
Materials and consumables used	7	(217,617)	(282,842)
Employee benefits expense	7	(288,559)	(444,414)
Subcontractor expense	7	(24,211)	(51,342)
Depreciation and amortisation expense	7	(59,620)	(101,663)
Equipment and office expenses under operating leases	7	(23,967)	(26,353)
Other expenses		(49,155)	(41,989)
Net finance costs	7	(23,726)	(18,773)
		13,715	50,545
Impairment of property, plant and equipment and goodwill	7	(201,998)	(2,044)
Writedown of inventory	7	(27,328)	-
Onerous provisions raised	7	(4,493)	-
(Loss) / profit before income tax expense from continuing operations		(220,104)	48,501
Income tax expense	8	(463)	(19,563)
(Loss) / profit after income tax expense from continuing operations		(220,567)	28,938
Profit after income tax expense from discontinued operations		2,647	1,491
(Loss) / profit after income tax expense for the year attributable to the owners of Macmahon Holdings Limited		(217,920)	30,429
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		(3,888)	(667)
Foreign currency translation		4,330	604
Reclassification of foreign currency reserve on sale of foreign operation		(1,047)	-
Cash flow hedges - reclassified to profit or loss	7	8,206	-
Other comprehensive (loss)/income for the year, net of tax		7,601	(63)
Total comprehensive (loss)/income for the year attributable to the owners of Macmahon Holdings Limited		(210,319)	30,366
Total comprehensive (loss)/income for the year is attributable to:			
Continuing operations		(212,966)	28,875
Discontinued operations		2,647	1,491
		(210,319)	30,366
		CENTS	CENTS
Earnings per share for (loss) / profit from continuing operations attributable to the owners of Macmahon Holdings Limited			
Basic earnings per share	44	(17.55)	2.30
Diluted earnings per share	44	(17.55)	2.24
Earnings per share for profit from discontinued operations attributable to the owners of Macmahon Holdings Limited			
Basic earnings per share	44	0.21	0.12
Diluted earnings per share	44	0.21	0.12
Earnings per share for (loss) / profit attributable to the owners of Macmahon Holdings Limited			
Basic earnings per share	44	(17.34)	2.42
Diluted earnings per share	44	(17.34)	2.36

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		CONSOLIDATED	
	NOTE	15 $'000	14 $'000
Assets			
Current assets			
Cash and cash equivalents	9	236,892	109,424
Trade and other receivables	10	66,842	138,980
Inventories	11	50,908	87,485
Derivative financial instruments	12	359	-
Income tax	13	14,671	14,801
		369,672	350,690
Assets classified as held for sale	14	12,900	3,895
Total current assets		382,572	354,585
Non current assets			
Receivables	15	-	6,056
Investments accounted for using the equity method		171	220
Property, plant and equipment	16	141,479	442,875
Intangibles	17	21	18,368
Deferred tax	18	66	1,644
Total non current assets		141,737	469,163
Total assets		524,309	823,748
Liabilities			
Current liabilities			
Trade and other payables	19	89,056	120,473
Borrowings	20	162,405	141,344
Derivative financial instruments	21	8,206	1,053
Income tax		1,854	1,651
Employee benefits	22	16,804	34,313
Provisions	23	19,830	43,176
		298,155	342,010
Liabilities directly associated with assets classified as held for sale	24	3,163	15,190
Total current liabilities		301,318	357,200
Non current liabilities			
Borrowings	25	280	23,959
Derivative financial instruments	21	-	4,757
Employee benefits		901	1,619
Deferred tax	18	-	4,046
Total non current liabilities		1,181	34,381
Total liabilities		302,499	391,581
Net assets		221,810	432,167
Equity			
Issued capital	28	391,390	391,390
Reserves	29	(1,468)	(9,069)
(Accumulated losses)/Retained profits		(168,112)	49,846
Total equity		221,810	432,167

The above statement of financial position should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	(ACCUMULATED LOSSES) /RETAINED PROFITS $'000	TOTAL EQUITY $'000
Balance at 1 July 2014	391,390	(9,069)	49,846	432,167
Loss after income tax expense for the year	-	-	(217,920)	(217,920)
Other comprehensive income for the year, net of tax	-	7,601	-	7,601
Total comprehensive income/(loss) for the year	-	7,601	(217,920)	(210,319)
Transactions with owners in their capacity as owners:				
Share-based payments (note 45)	-	-	(38)	(38)
Balance at 30 June 2015	391,390	(1,468)	(168,112)	221,810

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
Balance at 1 July 2013	391,390	(8,304)	18,115	401,201
Profit after income tax expense for the year	-	-	30,429	30,429
Other comprehensive loss for the year, net of tax	-	(63)	-	(63)
Total comprehensive (loss)/income for the year	-	(63)	30,429	30,366
Transactions with owners in their capacity as owners:				
Share-based payments (note 45)	-	-	1,302	1,302
Treasury shares purchased net of tax	-	(702)	-	(702)
Balance at 30 June 2014	391,390	(9,069)	49,846	432,167

The above statement of changes in equity should be read in conjunction with the accompanying note for the year ended 30 June 2015

STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	NOTE	CONSOLIDATED 15 $'000	14 $'000
Cash flows from operating activities			
Receipts from customers		819,120	1,173,963
Payments to suppliers		(753,760)	(1,043,186)
Net receipts from joint venture entities		1,131	(28,273)
Interest received and settlement of foreign exchange contracts		4,231	2,681
Interest and other finance costs paid		(15,063)	(18,603)
Income taxes paid		(1,908)	(8,676)
Net cash from operating activities	43	53,751	77,906
Cash flows from investing activities			
Payments for property, plant and equipment	16	(19,668)	(99,018)
Proceeds from disposal of property, plant and equipment		13,996	31,616
Proceeds from sale of subsidiaries		84,635	-
Net cash generated from/(used in) investing activities		78,963	(67,402)
Cash flows from financing activities			
Purchase of own shares		-	(1,003)
Repayment of borrowings		-	(50,000)
Repayment of hire purchase and finance lease liabilities		(3,431)	(3,859)
Payment of transaction costs related to loans and borrowings		(4,897)	-
Net cash used in financing activities		(8,328)	(54,862)
Net increase /(decrease) in cash and cash equivalents		124,386	(44,358)
Cash and cash equivalents at the beginning of the financial year		109,424	153,450
Effects of exchange rate changes on cash and cash equivalents		3,082	332
Cash and cash equivalents at the end of the financial year	9	236,892	109,424

The above statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

The financial statements cover Macmahon Holdings Limited ("the Company") as a consolidated entity (referred to hereafter as "the Group" or "the consolidated entity" consisting of Macmahon Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Macmahon Holdings Limited's functional and presentation currency.

Macmahon Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity. Its registered office and principal place of business are:

Registered office & Principal place of business

15 Hudswell Road
PERTH AIRPORT
Western Australia, 6105

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 August 2015.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Changes in accounting policy

The Consolidated Entity applied for the first time AASB 2013-3 *Recoverable amount disclosures for non-financial assets*, AASB 1031 *Materiality* and AASB 2014-1 *Annual improvements to IFRS's 2010-2012 Cycle*. Several other amendments apply for the first time in 2015 however they do not impact the annual consolidated financial statements of the Consolidated Entity.

The nature and the impact of certain new standards and amendments are described below:

(i) AASB 2013-3 *Recoverable amount disclosures for non-financial assets:* adopted on 1 July 2014.

AASB 2013-3 *Recoverable amount disclosures for non-financial assets* make amendments to the disclosures required by AASB 136 *Impairment of assets* which:

- Remove the requirement to disclose the recoverable amount of all cash generating units (CGU) that contain goodwill or identifiable assets with indefinite lives if there has been no impairment. This disclosure was introduced with AASB 13 *Fair Value Measurement*;
- Require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed;
- Requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed.

As a result of adopting AASB 2013-3 *Recoverable amount disclosures for non-financial assets*, the Consolidated Entity has amended its impairment and written down value disclosures in Note 11 and Note 16 to reflect the updated disclosure requirements.

(ii) AASB 1031 *Materiality*: adopted on 1 July 2014.

The revised AASB 1031 *Materiality* is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 *Materiality* will be withdrawn when references to AASB 1031 *Materiality* in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031 *Materiality*.

Application of AASB 1031 *Materiality* has not impacted the financial statements of the Consolidated Entity.

(iii) AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial instruments* contains three main parts which make amendments to a number of standards and interpretations.

- Part A of the amendment makes consequential amendments arising from the issuance of AASB CF 2013-1, which was adopted in the previous reporting period.
- Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also minor editorial amendments to various other standards adopted on 1 July 2014.
- Part C makes amendments to a number of Australian Accounting Standards, incorporating Chapter 6 Hedge Accounting into AASB 9 *Financial Instruments* applicable to annual reporting periods beginning on or after 1 July 2015.

Parts A and B of this amendment have been adopted by Macmahon and have not materially impacted the financial statements of the Consolidated Entity. Macmahon will continue to prepare financial statements and apply materiality in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 101 *Presentation of Financial Statements*.

Part C of this amendment relates to incorporation of hedge accounting into AASB 9. Macmahon has not elected to early adopt this section. Adoption of this part of the amendment is not expected to have a significant impact on the Consolidated Entity.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Changes in accounting policy continued

(iv) AASB 2014-1 *Annual improvements to IFRS's 2010-2012 Cycle*: adopted on 1 July 2014.

This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements process. The following items are addressed by this standard:

- AASB 2 *Share-Based Payments* – Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- AASB 3 *Business Combinations* – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137 Provisions, Contingent Liabilities and Contingent Assets.
- AASB 8 *Operating Segments* – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets.
- AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangibles* – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- AASB 124 *Related Party Disclosures* – Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 *Related Party Disclosures* for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

Adoption of these standards has impacted recognition of share based payment expense for the current year as the requirements of the improvements are prospective application. The impact of this change is noted further in these accounting policies and at Note 45 of these financial statements.

The change in definition under AASB 2 *Share-Based Payments* to 'performance condition' does not impact the valuation or share-based payment expense as the conditions included within these plans meet the definition of a 'performance condition'. Application of other amendments of AASB 2014-1 *Annual improvements to IFRS's 2010-2012 Cycle* has not materially impacted the financial statements of the Consolidated Entity, however, additional disclosures may be required in future periods, if applicable.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, defined benefit plan assets and liabilities and derivative financial instruments which are stated at their fair value, certain property, plant and equipment and inventory is recognised at fair value less costs to sell and net realisable value respectively.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 38.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Macmahon Holdings Limited ('parent entity' or 'the Company') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Macmahon Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Interest in equity accounted investees

The consolidated entity's interests in equity accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the consolidated entity has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the consolidated entity has joint control, whereby the consolidated entity has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Principles of consolidation continued

Interest in equity accounted investees continued

Interest in associates and the joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the consolidated entity's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Operating segments

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components. All operating segments' operating results are regularly reviewed by the consolidated entity's Chief Executive Officer (CEO) and Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO and Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Macmahon Holdings Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at the exchange rate at that date. The income and expenses of foreign operations are translated into Australian dollars at the average exchange rates for the period. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are recognised to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

Revenue recognition

Revenue (including maintenance services) is recognised when the services are provided and is based on surveys of work performed where applicable.

Revenue is recognised at the fair value of the consideration received or receivable, to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Income tax continued

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The consolidated entity does not distribute non-cash assets as dividends to its Shareholders.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Macmahon Holdings Limited.

Current income tax expense / benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable to / (receivable from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the consolidated entity as an equity contribution or distribution.

The consolidated entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the unused tax losses can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to / (from) the head entity equal to the current tax asset / (liability) assumed by the head entity and any deferred tax loss asset assumed by the head entity, resulting in the head entity recognising an inter-entity payable / (receivable) equal in amount to the tax asset / (liability) assumed. The inter-entity payables / (receivables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TRADE AND OTHER RECEIVABLES

Trade and other receivables

Trade and other receivables are stated at cost less impairment losses. Due to the short-term nature of trade and other receivables, their carrying value is assumed to approximate their fair value.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Accrued revenue

Accrued revenue represents the unbilled amount at year end in respect of mining services provided.

Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for construction work performed to date. It is measured at cost plus profit recognised to date (see revenue accounting policy) less an allowance for foreseeable losses and progress billings. Costs include all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the consolidated entity's contract activities based on normal operating capacity.

Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments

The consolidated entity uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its foreign currency risk and interest rate exposures, respectively. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect income or expenses. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Hedges of a net investment

Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Non-current assets or disposal groups classified as held for sale continued

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges from foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged, on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised within other income / other expenses in profit or loss.

Depreciation and amortisation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation on buildings, leasehold improvements and minor plant and equipment is calculated on a straight-line basis. Depreciation on major plant and equipment and components is calculated on machine hours worked over their estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the consolidated entity will obtain ownership by the end of the lease term. Land is not depreciated.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Property, plant and equipment continued

Depreciation and amortisation *continued*

Depreciation methods, useful lives and residual values are reviewed on regular basis with annual reassessments for major items and adjusted if appropriate.

The expected useful lives for the current and comparative years are as follows:

- Buildings: 40 Years;
- Leasehold improvements: Period of the lease; and
- Plant and equipment: 3-12 years.

The carrying amounts of the consolidated entity's assets, other than inventories (see inventory accounting policy) and deferred tax assets (see income tax accounting policy), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see impairment of non financial assets).

For goodwill, the recoverable amount is estimated annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the consolidated entity, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Major component expenditure on operating leased equipment is capitalised to plant and equipment and amortised over the shorter of the remaining lease term or the useful life of the component.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Software

Development expenditure is capitalised only if development costs can be measured reliably or the process is technically and commercially feasible, future economic benefits are probable, and the consolidated entity intends to and has sufficient resources to complete development and to use the asset. The software expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised software development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including;

- interest on short-term and long-term borrowings; and
- interest on finance leases.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields on national government bonds at the reporting date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available. Contributions to a defined contribution plan which are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans

The consolidated entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the consolidated entity, the recognised asset is limited to the present value of the economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Employee benefits continued

Termination benefits

Termination benefits are recognised as an expense when the consolidated entity is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the consolidated entity has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Share-based payments

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period; and
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

During the current period, the entity has adopted the amendments introduced by the annual improvements to IFRS 2010-2012 cycle, to determine the accounting for any performance rights which have been forfeited for failure to complete a service period. Any performance rights issued post 1 July 2014 or earlier, have accordingly been treated as a forfeiture and the costs of the performance rights are trued up i.e., amounts previously expensed are no longer incurred and accordingly reversed in the current year. This policy is applied irrespective of whether the employee resigns voluntarily or is dismissed by the Company.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Fair value measurement continued

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

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

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Macmahon Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTE 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgments and estimates will seldom equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgment. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

Allowance for impairment of inventories

The Allowance for impairment of inventories assessment requires a degree of estimation and judgment. The level of the Allowance is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability. Considerable judgment is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions; including the continued performance of contracted work, growth rates of the estimated future cash flows and discount rates based on the current cost of capital.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Long service leave provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Provision for project closure

The provision for project closure requires a degree of estimation and judgement around contractual terms, expected redundancy and demobilisation costs and reimbursement from customers. The provision is assessed by taking into account past history of contract closures and the likelihood of contract extensions.

Client plant maintenance provision

The provision for client plant maintenance requires a degree of estimation and judgment. The level of provision is assessed by taking into account actual and forecast utilisation of the fleet and current consumption rate and maintenance cost.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity has identified its reportable segments based on the internal reports that are reviewed and used by the CEO and Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

Management have identified three operating segments; Surface Mining, Underground Mining and International Mining. These segments have been aggregated into "Mining" due to all segments exhibiting similar characteristics in terms of; the nature of the products and services, production processes, type or class of customers, methods used to provide their services and regulatory environment.

The following describes the operations of each reportable segment.

Mining

Provides a complete mining service for surface and underground operations - from mine development to materials delivery, and including the full range of engineering services, including design, construction and on site services to deliver on client needs from the design phase right through to completion.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Joint Ventures

Revenue from joint venture entities is not recognised in the financial statements as these entities are equity accounted. For such entities, the share of net profits is recognised.

The consolidated entity's share of revenue from joint venture entities is excluded from the income statement in accordance with Accounting Standards. Details of the consolidated entity's share of joint venture entities' revenue are provided as additional information in these financial statements.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the consolidated entity's CEO and Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Operating segment information

CONSOLIDATED - 2015	MINING $'000	UNALLOCATED $'000	TOTAL $'000
Revenue			
Total reportable segment revenue	660,194	5,328	665,522
Total revenue	660,194	5,328	665,522
Earnings before interest, tax, depreciation, amortisation, asset write-downs and onerous lease provision	100,254	589	100,843
Interest income	251	1,860	2,111
Finance costs	(9,596)	(16,241)	(25,837)
Depreciation and amortisation	(56,932)	(2,688)	(59,620)
Impairment of property, plant and equipment and goodwill	(199,691)	(2,307)	(201,998)
Writedown of inventory and onerous lease provision	(27,328)	(4493)	(31,821)
Profit/(loss) before income tax expense	(193,042)	(23,280)	(216,322)
Income tax expense			(1,598)
Loss after income tax expense			(217,920)
Assets			
Segment assets	273,296	251,013	524,309
Total assets			524,309
Liabilities			
Segment liabilities			
Total liabilities	123,133	179,366	302,499
Capital Expenditure	17,465	2,203	19,668

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. OPERATING SEGMENTS CONTINUED

Operating segment information continued

CONSOLIDATED - 2014	MINING $'000	UNALLOCATED $'000	TOTAL $'000
Revenue			
Total reportable segment revenue	1,017,419	26,887	1,044,306
Elimination of joint venture revenue	(1,502)	(24,397)	(25,899)
Elimination of joint venture recoveries	-	3,467	3,467
Total revenue	1,015,917	5,957	1,021,874
Earnings before interest, tax, depreciation and amortisation	182,997	(10,142)	172,855
Depreciation and amortisation	(94,313)	(8,238)	(102,551)
Impairment of assets	(2,044)	-	(2,044)
Interest revenue	414	2,267	2,681
Finance costs	(19,545)	(2,939)	(22,484)
Profit/(loss) before income tax expense	67,509	(19,052)	48,457
Income tax expense			(18,028)
Profit after income tax expense			30,429
Assets			
Segment assets	686,152	137,596	823,748
Total assets			823,748
Liabilities			
Segment liabilities	180,780	210,801	391,581
Total liabilities			391,581
Capital Expenditure	97,866	1,152	99,018

Geographical information

	SALES TO EXTERNAL CUSTOMERS		GEOGRAPHICAL NON-CURRENT ASSETS	
		CONSOLIDATED		CONSOLIDATED
	15 $'000	14 $'000	15 $'000	14 $'000
Australia	569,412	893,938	141,348	384,417
Mongolia	11,786	47,925	-	46,884
Other	84,324	80,011	323	36,218
	665,522	1,021,874	141,671	467,519

The Mining segment operated in three principal geographical areas - Australia, Mongolia and Other. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Major customer

Approximately 33% (2014: 26%) of the consolidated entities revenue is attributable to sale transactions with one customer.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 5. REVENUE

	CONSOLIDATED 15 $'000	14 $'000
Revenue from mining services	660,194	1,015,917

The consolidated entity's revenue excludes its share of revenue from joint ventures accounted for as equity accounted joint ventures, in accordance with Accounting Standards.

NOTE 6. OTHER INCOME

	CONSOLIDATED 15 $'000	14 $'000
Net gain on disposal of property, plant and equipment	-	1,334
Net foreign exchange gain	11,934	-
Gain on settlement of dispute	16,347	-
Other	12,095	670
Other income	40,376	2,004

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 7. EXPENSES

	CONSOLIDATED	
	15 $'000	14 $'000
(Loss) / Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Leasehold improvements	-	203
Plant and equipment	57,853	96,168
Plant and equipment under lease	1,062	419
Buildings	664	679
Total depreciation	59,579	97,469
Amortisation		
Intangibles	41	4,194
Total depreciation and amortisation	59,620	101,663
Impairment		
Plant and equipment (note 16)	183,701	2,044
Goodwill (note 17)	18,297	-
	201,998	2,044
Writedown of inventory (note 11)	27,328	-
Cost of Sales		
Materials and consumables used	217,617	282,842
Employee benefits expense	288,559	444,414
Subcontractor expense	24,211	51,342
Total cost of sales	530,387	778,598
Finance (income) and costs		
Interest income on financial assets (bank deposits)	(2,111)	(2,681)
Interest expense on financial liabilities carried at amortised cost	16,532	17,573
	14,421	14,892
Capitalised borrowing costs written off	3,219	3,881
Gain on settlement of foreign exchange contracts	(2,120)	-
Cash flow hedges reclassified from OCI	8,206	-
Net finance costs	23,726	18,773
Rental expense relating to operating leases		
Onerous lease provision raised*	4,493	-
Minimum lease payments	23,967	26,353
Equipment and office expenses under operating leases	28,460	26,353
Superannuation expense		
Defined contribution superannuation expense	19,098	26,842
Defined benefit superannuation expense	17	39
Total superannuation expense	19,115	26,881
Share-based payments expense	(38)	1,302

*Onerous lease provision raised

During the year, the Company consolidated offices and relocated all of the West Perth based employees to the Hudswell Road airport facilities. The Company is endeavouring to sublet the West Perth office to save on rental expenses. An onerous contract provision of $4.5 million has been taken up which is based on the present value of future outgoings (rental payments) net of estimated recoveries (from subletting).

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 8. INCOME TAX EXPENSE/(BENEFIT)

	CONSOLIDATED	
	15 $'000	14 $'000
Income tax expense/(benefit)		
Current tax	3,785	8,637
Adjustment recognised for prior periods	(329)	159
Deferred tax - origination and reversal of temporary differences	(1,858)	9,232
Aggregate income tax expense/(benefit)	1,598	18,028
Income tax expense/(benefit) is attributable to:		
Profit / (Loss) from continuing operations	463	19,563
Profit / (Loss) from discontinued operations	1,135	(1,535)
Aggregate income tax expense/(benefit)	1,598	18,028
Numerical reconciliation of income tax expense and tax at the statutory rate		
(Loss) / Profit before income tax expense from continuing operations	(220,104)	48,501
(Loss) / Profit before income tax benefit from discontinued operations	3,782	(44)
	(216,322)	48,457
Tax at the statutory tax rate of 30%	(64,897)	14,537
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	(4)	391
(Non-assessable income) / Non-deductible expenses	(3,107)	3,769
Distribution of partnership losses/ non assessable income	-	(1,522)
Foreign tax rate differential	(567)	(465)
Utilisation of foreign and domestic income tax losses not previously recognised	(528)	(351)
Other	763	668
Impairment for which no deferred tax asset was recognised	56,464	-
Current year temporary differences for which no deferred tax asset was recognised	11,505	-
Current year losses for which no deferred tax asset was recognised	2,298	842
	1,927	17,869
Adjustment recognised for prior periods	(329)	159
Income tax expense	1,598	18,028

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED 15 $'000	14 $'000
Cash on hand	24	22
Cash at bank	236,868	109,402
	236,892	109,424

NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 15 $'000	14 $'000
Trade receivables	32,011	67,621
Less: allowance for doubtful debts	(1,512)	(25,557)
	30,499	42,064
Work in progress	-	1,038
Other receivables and prepayments	13,662	18,593
Accrued revenue	22,681	77,285
	66,842	138,980

Impairment of receivables

The ageing of the impaired receivables allowance for above are as follows:

	15	14
Over 6 months overdue	1,512	25,296
Current	-	261
	1,512	25,557

Movements in the allowance for doubtful debts is:

	15	14
Opening balance	25,557	17,998
Additional allowances recognised	1,411	7,654
Allowances recovered through sale of subsidiaries and CSA settlement	(25,456)	-
Unused amounts reversed	-	(95)
Closing balance	1,512	25,557

Past due but not impaired

Customers with balances past due but without any allowance for impairment of receivables amount to $16.9 million as at 30 June 2015 ($12.3 million as at 30 June 2014).

After reviewing credit terms of customers based on recent collection practices, the consolidated entity did not consider a credit risk on the aggregate balances.

The ageing of the past due but not impaired receivables are as follows:

	15	14
Past due 0-30 days	13,773	7,240
Past due 31+ days	3,173	5,078
	16,946	12,318

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 11. CURRENT ASSETS – INVENTORIES

	CONSOLIDATED	
	15 $'000	14 $'000
Inventory at cost	42,754	90,877
Inventory at net realisable value	15,236	-
Less: Allowance for obsolescence	(7,082)	(3,392)
	50,908	87,485

The company reviewed the value of items in inventory and reduced inventory to net realisable value based on an assessment of current market conditions with the assistance of external valuations provided by an independent valuer and internal assessments.

At 31 December 2014, the Company recognised total write-offs of $10.8 million with the majority relating to surface mining tyres and rim stock. At 30 June 2015 the net realisable value of these assets was $7.0 million. Additionally, at 30 June 2015, the Company recognised a write-off of $16.5 million relating primarily to surplus inventory which had a net realisable value of $8.2 million. This was measured using quoted prices for identical or similar assets in markets that are not active at 30 June 2015. An additional $3.9 million allowance for stock obsolescence based on an internal assessment of slow moving items across the business has been recognised.

The allowances are included in 'materials'.

NOTE 12. CURRENT ASSETS – DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	15 $'000	14 $'000
Current derivative financial instruments		
Forward foreign exchange contracts – cash flow hedges	359	-
	359	-

Refer to note 31 for further information on financial instruments.

Refer to note 32 for further information on fair value measurement.

Foreign exchange forward contracts with a notional value of $1.9 million (2014: $28.6 million), measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of committed forecast purchase transactions in United States Dollars. The foreign exchange forward contract balances vary with the level of committed forecast purchases and changes in foreign exchange forward rates.

The cash flow hedges of committed forecast transactions were assessed to be highly effective, and as at 30 June 2015 a net unrealised gain of $0.4 million (2014: unrealised loss of $0.7 million) with related deferred tax liability of $0.1 million (2014: deferred tax asset $0.2 million) related to foreign exchange forward contracts is included in hedging reserve.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 13. CURRENT ASSETS – INCOME TAX REFUND DUE

	CONSOLIDATED	
	15 $'000	14 $'000
Income tax refund due	14,671	14,801

The current tax receivable for the consolidated entity of $14.7 million (2014: $14.8 million) and current tax liability of $1.9 million (2014: $1.7 million) represent the amounts of income tax receivable and payable in respect of current and prior periods for Australian and overseas operations.

NOTE 14. CURRENT ASSETS – ASSETS CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED	
	15 $'000	14 $'000
Trade and other receivables	655	962
Investments accounted for using the equity method	96	1,032
Property, plant and equipment*	12,149	1,901
	12,900	3,895

* Property, plant and equipment classified as held for sale has been measured at fair value less costs to sell as its carrying amount is expected to be recovered from sale rather than continuing use.

NOTE 15. NON-CURRENT ASSETS – RECEIVABLES

	CONSOLIDATED	
	15 $'000	14 $'000
Prepayments	–	6,056

NOTE 16. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 15 $'000	14 $'000
Buildings and freehold land - at cost	3,476	3,821
Less: Accumulated depreciation	(3,044)	(2,529)
	432	1,292
Leasehold improvements - at cost	7,449	7,449
Less: Accumulated depreciation	(4,775)	(4,775)
Less: Impairment of Leasehold improvement	(2,307)	-
	367	2,674
Plant and equipment - at cost	508,918	909,815
Less: Accumulated depreciation	(196,478)	(479,882)
Less: Impairment of property plant and equipment	(181,394)	(2,044)
	131,046	427,889
Equipment under finance lease	29,704	30,060
Less: Accumulated depreciation	(20,070)	(19,040)
	9,634	11,020
	141,479	442,875

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

CONSOLIDATED	BUILDINGS & FREEHOLD LAND $'000	LEASEHOLD IMPROVEMENTS $'000	PLANT & EQUIPMENT $'000	EQUIPMENT UNDER FINANCE LEASE $'000	TOTAL $'000
Balance at 1 July 2013	1,249	3,009	455,386	11,439	471,083
Additions	750	-	98,268	-	99,018
Classified as held for sale	-	-	(1,901)	-	(1,901)
Disposals	-	(132)	(23,857)	-	(23,989)
Exchange differences	(28)	-	(863)	-	(891)
Impairment of assets	-	-	(2,044)	-	(2,044)
Depreciation expense	(679)	(203)	(97,100)	(419)	(98,401)
Balance at 30 June 2014	1,292	2,674	427,889	11,020	442,875
Additions	5	-	19,663	-	19,668
Classified as held for sale	-	-	(12,131)	-	(12,131)
Disposals*	(216)	-	(73,593)	-	(73,809)
Exchange differences	15	-	8,465	(324)	8,156
Impairment of assets	-	(2,307)	(181,394)	-	(183,701)
Depreciation expense	(664)	-	(57,853)	(1,062)	(59,579)
Balance at 30 June 2015	432	367	131,046	9,634	141,479

* Includes sale of subsidiaries' assets.

Loss on disposal of property, plant and equipment from continuing operations was $13.0 million (2014: $1.3 million gain).

The impairment of assets of $183.7 million (2014: $2.0 million) represents a reduction in the carrying amount of assets to reflect the estimated fair value less costs to sell. Further, during the year the consolidated entity has reclassified $12.1 million of assets identified as held for sale (2014: $2.0 million).

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 16. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT CONTINUED

Property, plant and equipment secured under finance leases

Refer to note 25 for further information on property, plant and equipment secured under finance leases.

Security

Freehold land, buildings, leasehold improvements and plant and equipment are subject to a registered charge to secure banking facilities (see note 25).

Impairment of plant & equipment

During the year a review of the consolidated entity's idle plant and equipment was carried out by independent valuers.

At 31 December 2014, the valuation indicated that the recoverable amounts (fair value less costs of disposal) were lower than the carrying value of the assets. As a result, an impairment charge of $90.4 million was recognised in the consolidated profit and loss for plant and equipment which had a recoverable amount of $97.7 million which was measured using quoted prices for identical or similar assets in markets that are not active. $82.4 million was to write-down the carrying values of equipment within the surface and underground mining business units. $8.0 million related to write-down of assets located internationally.

In addition to this, the company had also impaired $2.3 million of leasehold improvements (furniture & fittings) attached to its leased office in respect of which an onerous provision has been raised.

At 30 June 2015, the idle fleet was reassessed following the loss of key contracts. This, together with further declining market conditions, resulted in additional impairment. Valuations on idle assets indicated that the recoverable amounts (fair value less costs of disposal) were lower than the carrying value of the assets. As a result, an impairment charge of $91.0 million was recognised in the consolidated profit and loss for plant and equipment which had a recoverable amount of $66.6 million. This was measured using quoted prices for identical or similar assets in markets that are not active. $72.0 million was to write-down the carrying values of equipment primarily within the surface and underground mining business units. $19.0 million related to write-down of assets located internationally.

NOTE 17. NON-CURRENT ASSETS - INTANGIBLES

	CONSOLIDATED	
	15 $'000	14 $'000
Goodwill - at cost	18,297	18,297
Impairment of goodwill	(18,297)	-
	-	18,297
Software - at cost	19,905	19,905
Less: Accumulated amortisation	(19,905)	(19,896)
	-	9
Intangibles- at cost	3,203	3,203
Less: Accumulated amortisation	(3,182)	(3,141)
	21	62
	21	18,368

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

CONSOLIDATED	GOODWILL $'000	SOFTWARE DEVELOPMENT COSTS $'000	OTHER INTANGIBLE ASSETS $'000	TOTAL $'000
Balance at 1 July 2013	18,297	4,011	254	22,562
Amortisation expense	-	(4,002)	(192)	(4,194)
Balance at 30 June 2014	18,297	9	62	18,368
Amortisation expense	-	(9)	(41)	(50)
Impairment of goodwill	(18,297)	-	-	(18,297)
Balance at 30 June 2015	-	-	21	21

Impairment at 31 December 2014

Goodwill

The Company has been carrying goodwill of $18.3 million recognised on acquisition of the underground mining and engineering business within the mining reportable segment. At 31 December 2014, management reviewed the carrying value of the goodwill and other intangible assets. Given the prolonged downturn in the resources sector, due largely to falling commodity prices, the Company reviewed its assessment of goodwill. Based on the Company's operational forecast and outlook, the review indicated that the recoverable amounts of the assets within the underground mining and engineering cash generating unit (CGU) were less than the carrying amount. This assessment has resulted in the impairment of goodwill of $18.3 million at 31 December 2014.

The recoverable amount using a value in use methodology was assessed by determining the present value of the estimated future cash flows of the CGU using a pre-tax discount rate of 8.92 percent (June 2014: 11.2 percent). Based on the cost of equity and debt. The cash flows are for a five year period based on forecast extrapolated to financial year 2019 with nil growth. Thereafter a terminal value using a 2.0 per cent growth rate has been utilised. Nil growth over the period reflects management's conservative estimate for the near future after taking into account macro-economic factors.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 18. NON-CURRENT ASSETS – DEFERRED TAX

	CONSOLIDATED	
	15 $'000	14 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Inventories	(22,540)	(24,824)
Trade and other receivables	-	(76)
Property, plant and equipment	(7,469)	(11,558)
Unbilled work	(5,932)	(21,731)
Income in advance	-	185
Employee benefits	9,276	30,532
Other creditors and accruals	10,903	1,654
Other items	10,555	9,441
Tax loss carry forward	5,273	13,388
	66	(2,989)
Amounts recognised in equity:		
Other items	-	587
Deferred tax asset/(liability)	66	(2,402)
Comprising of:		
Deferred tax asset	66	1,644
Deferred tax liability	-	(4,046)
Deferred tax asset/(liability)	66	(2,402)
Unrecognised temporary differences		
Impairment	50,975	-
Provisions	11,505	-
Foreign deferred tax assets	1,057	-
Unrecognised temporary differences	63,537	-
Foreign tax losses	2,791	-
	66,328	-

NOTE 19. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	15 $'000	14 $'000
Trade payables	19,602	54,653
Accrued expenses	64,210	58,478
Other payables	5,244	7,342
	89,056	120,473

Refer to note 31 for further information on financial instruments.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 20. CURRENT LIABILITIES – BORROWINGS

	CONSOLIDATED	
	15 $'000	14 $'000
Term facility	159,000	137,500
Lease liability	3,405	3,844
	162,405	141,344

Refer to note 25 for further information on borrowings.

Refer to note 31 for further information on financial instruments.

NOTE 21. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	15 $'000	14 $'000
Current derivative financial instruments		
Interest rate swap contracts – cash flow hedges	8,206	354
Forward foreign exchange contracts – cash flow hedges	–	699
	8,206	1,053
Non current derivative financial instruments		
Interest rate swap contracts – cash flow hedges	–	4,757
	–	4,757

Refer to note 31 for further information on financial instruments.

Refer to note 32 for further information on fair value measurement.

At 30 June 2015, the consolidated entity has interest rate swap agreements in place with a total notional amount of $155 million (2014: $159 million), whereby the consolidated entity pays a weighted average fixed rate of interest of 4.11% (2014: 4.38%) and receives variable rate of interest on the notional amount. The swaps were used to hedge the consolidated entity's exposure to changes in the fair value of its term facility (see note 33). On 31 July 2015 the Company repaid the term facility in full.

The cash flow hedges of interest rate exposures on the term facility were assessed to be ineffective at year end, resulting in a recognition of loss in profit or loss of $8.2 million (2014: $5.1 million) with a related deferred tax asset of $2.5 million (2014: $1.5 million).

NOTE 22. CURRENT LIABILITIES – EMPLOYEE BENEFITS

	CONSOLIDATED	
	15 $'000	14 $'000
Annual leave	10,966	24,973
Long service leave	4,921	8,291
Sick leave	69	893
Other employee benefits	848	156
	16,804	34,313

Accrued wages and salaries between the last pay date and 30 June 2015 of $2.0 million (2014: $5.0 million) are included within the trade payables and accrued expenses balance as disclosed in note 19.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 23. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED 15 $'000	14 $'000
Project closure	15,326	14,841
Warranties	192	97
Project bonus	121	243
Client plant maintenance	265	26,112
Onerous Contracts	3,926	-
Other	-	1,883
	19,830	43,176

Movements in provisions

Movements in each class of provision during the current financial year, are set out below:

CONSOLIDATED	PROJECT CLOSURE $'000	WARRANTIES $'000	PROJECT BONUS $'000	CLIENT PLANT MAINTENANCE $'000	ONEROUS CONTRACTS $'000	OTHER $'000	TOTAL $'000
Carrying amount at the start of the year	14,841	97	243	26,112	-	1,883	43,176
Additional provisions recognised	25,126	134	635	6,767	4,493	-	37,155
Provisions released during the year	-	-	-	(500)	-	-	(500)
Provisions utilised during the year	(24,642)	(38)	(757)	(32,114)	(567)	(1,883)	(60,001)
Carrying amount at the end of the year	15,326	192	121	265	3,926	-	19,830

NOTE 24. CURRENT LIABILITIES – LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED 15 $'000	14 $'000
Trade payables	2,024	6,185
Provisions – project closure	1,139	7,474
Provisions – onerous lease	-	1,531
	3,163	15,190

NOTE 25. NON-CURRENT LIABILITIES - BORROWINGS

	CONSOLIDATED 15 $'000	14 $'000
Term facility	-	20,157
Lease liability	280	3,802
	280	23,959

Refer to note 31 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	CONSOLIDATED 15 $'000	14 $'000
Term facility net of borrowing costs	159,000	157,657
Lease liability	3,685	7,646
	162,685	165,303

Details of currency, interest rate and year of maturity of borrowings are:

CONSOLIDATED	CURRENCY	INTEREST RATE	CALENDAR YEAR OF MATURITY	2015 $'000	2014 $'000
Term facility	AUD	5.10%	2017	159,000	159,000
Finance lease liabilities	NGN	16.0%	2016	3,685	7,646
				162,685	166,646

Term facilities

On 4 September 2014, the consoidated entity executed a new $317.5 million Syndicated Facility Agreement ("SFA"). On 10 September 2014 this SFA refinanced and replaced the previous $475 million SFA.

The new SFA consisted of working capital, bank guarantee and capital expenditure tranches on broadly similar terms to the previous Facility. In addition, the terms included the right for the lenders to review the Facility in the event that there was a significant decline or termination of business from existing material contracts.

The termination of the Christmas Creek Expansion Project on 20 April 2015 was a Material Contract Review Event and lenders undertook a review of the Facility. The review was concluded subsequent to the reporting date on 31 July 2015 when the Company voluntarily repaid all outstanding drawings under the SFA. As per the conditions in the SFA, the Company did not have an unconditional right to defer settlement of the debt at 30 June 2015 as it was under a Material Contract Review Event. Accordingly these amounts have been classified as current. On 31 July 2015 the Company repaid the term facility in full.

As at 30 June 2015, the domestic operating lease facility was drawn by $41.3 million (2014: $52.6 million).

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 25. NON-CURRENT LIABILITIES - BORROWINGS CONTINUED

Assets pledged as security

The consolidated entity's hire purchase / finance lease liabilities are secured by the leased assets and in the event of default, the leased assets revert to the lessor. All remaining assets of the Group are pledged as security under the SFA.

Finance lease liabilities are payable as follows:

	CONSOLIDATED 15 $'000	CONSOLIDATED 14 $'000	CONSOLIDATED 15 $'000	CONSOLIDATED 14 $'000	CONSOLIDATED 15 $'000	CONSOLIDATED 14 $'000
Finance lease liabilities						
Less than one year	3,731	4,882	326	1,038	3,405	3,844
Between one and 5 years	284	4,143	4	341	280	3,802
More than 5 years	-	-	-	-	-	-
	4,015	9,025	330	1,379	3,685	7,646

NOTE 26. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS

	CONSOLIDATED 15 $'000	CONSOLIDATED 14 $'000
Long service leave	901	1,619
	901	1,619

NOTE 27. NON-CURRENT LIABILITIES - RETIREMENT BENEFIT OBLIGATIONS

Superannuation plan

The Trust Company Ltd is the Trustee of the Macmahon Employees Superannuation Fund ("the Fund") and is responsible for all areas of compliance with regard to the Fund. All members of the now closed defined benefit section were previously invited to transfer their entitlement to the accumulation section of the Fund. At 30 June 2015, 4 members (2014: 4 members) remained in the defined benefit section.

Members of the old defined benefit section of the Fund who transferred to the accumulation section will continue to have their benefits assessed against the defined benefit section of the Fund to ensure that at any time when a condition of release is satisfied a member is not disadvantaged (as outlined in the Deed of Guarantee). The consolidated entity has entered into a Deed of Guarantee with each of these members to ensure that they are not disadvantaged by the transfer and accordingly, provides for the liability of these members, if any.

An actuarial assessment of the defined benefit section as at 30 June 2015 was undertaken by Dennis E. Barton F.I.A.A. of Barton Consultancy. The accumulation section of the Fund has 3,071 members at 30 June 2015. Members can choose both death and total and permanent disablement cover within the Fund. The Australian Superannuation Group (WA) Pty Ltd is the Funds administrator. TAL and Hanover Re underwrite the insured benefits of the Fund.

All assets are invested with professional investment managers via Equitysuper Pooled Superannuation Trust. Atchison Consultants act as asset consultant to the Fund. The Fund has equal representation of both employer and member representatives by way of the policy committee which meets regularly to discuss any issues.

Based on the assessment by the Fund's administrator, the defined benefit section of the Fund has net assets to meet vested benefits as at 30 June 2015. The differences between the accrued benefits and the net market value of plan assets are recognised in the financial statements in accordance with accounting policy.

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution plan is disclosed in note 7.

Statement of financial position amounts

The amounts recognised in the statement of financial position are determined as follows:

		CONSOLIDATED
	15 $'000	14 $'000
Present value of the defined benefit obligation	1,191	1,202
Fair value of defined benefit plan assets	(1,164)	(1,131)
	27	71

The amount recognised as current service expense in respect of the defined benefit section of the Fund during the year was $16,766 (2014: $38,875).

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 28. EQUITY - ISSUED CAPITAL

		CONSOLIDATED		CONSOLIDATED
	15 NUMBER	14 NUMBER	15 NUMBER	14 NUMBER
Ordinary shares - fully paid	1,261,699,966	1,261,699,966	391,390	391,390

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the parent entity in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the parent entity does not haveauthorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back plan.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The consolidated entity monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total equity. Net debt is calculated as 'total borrowings' less 'cash and cash equivalents' as shown in the statement of financial position. Total equity is as shown in the statement of financial position. At 30 June 2015 the consolidated entity was in a net cash position (Gearing ratio: nil).

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 29. EQUITY - RESERVES

	CONSOLIDATED 15 $'000	14 $'000
Reserve for own shares (net of tax)	(4,581)	(4,581)
Foreign currency reserve (net of tax)	2,862	(421)
Hedging reserve - cash flow hedges (net of tax)	251	(4,067)
	(1,468)	(9,069)

Reserve for own shares

The reserve for the Company's own shares comprises the cost (net of tax) of the Company's shares held by the trustee of the consolidated entity's equity compensation plans which were purchased on-market in anticipation of vesting of share-based payment awards under the equity compensation plans. During the year no shares were purchased (2014: 7,222,018 shares for $1.0 million). As at 30 June 2015, there are 15,122,476 (2015: 15,102,177) unallocated Macmahon shares held in trust.

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Hedging reserve - cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

CONSOLIDATED	RESERVE FOR OWN SHARES $'000	FOREIGN CURRENCY $'000	HEDGING $'000	TOTAL $'000
Balance at 1 July 2013	(3,879)	(1,025)	(3,400)	(8,304)
Foreign currency translation	-	604	-	604
Cash flow hedge	-	-	(667)	(667)
Treasury shares allocated on vesting of performance rights	(702)	-	-	(702)
Balance at 30 June 2014	(4,581)	(421)	(4,067)	(9,069)
Foreign currency translation	-	4,330	-	4,330
Reclassification of foreign currency difference on sale of foreign operation	-	(1,047)	-	(1,047)
Net change in the fair value of cash flow hedges taken to equity, net of tax	-	-	(3,888)	(3,888)
Cash flow hedges - reclassified to profit or loss	-	-	8,206	8,206
Balance at 30 June 2015	(4,581)	2,862	251	(1,468)

NOTE 30. EQUITY - DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 31. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. This framework is designed to identify, monitor and manage the material risks throughout the consolidated entity, to ensure risks remain within appropriate limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities. The consolidated entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity. The Board of Directors is assisted in its oversight role by the Audit and Risk Committee, to which internal audit reports. Internal audit undertakes reviews of controls and procedures, the results of which are reported to the Audit and Risk Committee.

The consolidated entity has exposure to the following risks from its use of financial instruments:

- Market risk;
- Credit risk;
- Liquidity risk; and
- Operational risk.

This note presents qualitative and quantitative information about the consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Currency risk

The consolidated entity is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than respective functional currencies of entities within the consolidated Group, which are primarily the Australian Dollar (AUD), but also the US Dollar (USD), New Zealand Dollar (NZD), Malaysian Ringgit (MYR), Nigerian Naira (NGN), Ghanaian Cedi (GHS), Indonesian Rupiah (IDR) and Mongolian Tugrik (MNT). The consolidated entity is also exposed to foreign currency risk on plant and equipment purchases that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily US Dollar (USD), European Euro (EUR) and Japanese Yen (JPY).

The consolidated entity uses foreign exchange forward contracts to hedge its purchases of major items of plant and equipment that are denominated in a foreign currency when a firm commitment is made. As at 30 June 2015, 100% of the notional value of the foreign exchange forward contracts have maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity and generally relate to changes in delivery date of major plant and equipment.

In respect of other monetary assets and liabilities held in currencies other than the AUD, the consolidated entity ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The average exchange rates and reporting date exchange rates applied were as follows:

	AVERAGE EXCHANGE RATES		REPORTING DATE EXCHANGE RATES	
	15	14	15	14
Australian dollars				
EUR	0.6957	0.6737	0.6866	0.6906
USD	0.8360	0.9142	0.7680	0.9420
NZD	1.0778	1.1071	1.1294	1.0761
MYR	2.8746	2.9729	2.9046	3.0235
HKD	6.4824	7.0903	5.9536	7.3013
JPY	95.39	92.21	93.92	95.43
NGN	144.14	141.92	150.87	146.23
MNT	1587.80	1554.48	1508.01	1719.85
IDR	10383	10479	10228	11177
GHS	2.83	2.30	3.33	2.83

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 31. FINANCIAL INSTRUMENTS CONTINUED

Currency risk continued

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	ASSETS		LIABILITIES	
	15 $'000	14 $'000	15 $'000	14 $'000
USD	359	260	-	-
JPY	-	-	-	(959)
MNT	-	1,229	-	(559)
IDR	247	366	(1,344)	(519)
	606	1,855	(1,344)	(2,037)

The following analysis demonstrates the increase / (decrease) to profit or loss and equity at the reporting date, assuming a 10 percent strengthening and a 10 percent weakening of the Australian dollar against the following currencies This analysis also assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

	AUD STRENGTHENED			AUD WEAKENED		
CONSOLIDATED - 2015	% CHANGE	EFFECT ON PROFIT BEFORE TAX $'000	EFFECT ON EQUITY $'000	% CHANGE	EFFECT ON PROFIT BEFORE TAX $'000	EFFECT ON EQUITY $'000
USD	10%	-	(210)	10%	-	257
MYR	10%	-	-	10%	-	-
JPY	10%	-	-	10%	-	-
NGN	10%	-	-	10%	-	-
MNT	10%	-	-	10%	-	-
IDR	10%	110	-	10%	(110)	-
		110	(210)		(110)	257
CONSOLIDATED - 2014						
USD	10%	-	(2,533)	10%	-	3,096
MYR	10%	-	-	10%	-	-
JPY	10%	-	(398)	10%	-	487
NGN	10%	-	-	10%	-	-
MNT	10%	(67)	-	10%	(67)	-
IDR	10%	15	-	10%	15	-
		(52)	(2,931)		(52)	3,583

Price risk

The consolidated entity is not exposed to any significant price risk.

NOTE 31. FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk

Interest rate risk on variable rate borrowings is managed under the consolidated entity's approved Financial Risk Management Policy. Under this policy, interest rate exposures on committed capital finance borrowings are hedged in order to attain 100% fixed rates (by volume). The hedging instruments approved by the Board of Directors for this purpose, are interest rate swaps and interest rate caps and floors.

As at the reporting date, the consolidated entity had the following variable rate exposed financial assets and liabilities:

CONSOLIDATED	15 $'000	14 $'000
Variable financial assets	236,892	109,424
Variable financial liabilities	(159,000)	(159,000)
Net exposure to cash flow interest rate risk (before hedging)	77,892	(49,576)

An analysis by remaining contractual maturities is shown in 'liquidity management' section.

Fair value sensitivity analysis for fixed rate instruments

The consolidated entity accounted for $8.2 million out of the money interest rate swaps at 30 June 2015. These swaps were ineffective at 30 June 2015 due to management's decision to repay the SFA debt in July 2015. These swaps were previously hedge accounted.

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the increase / (decrease) to profit or loss and equity at the reporting date, assuming a change in interest rates of 100 basis points. This analysis also assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	BASIS POINTS INCREASE			BASIS POINTS INCREASE		
CONSOLIDATED - 2015	BASIS POINTS CHANGE	EFFECT ON PROFIT BEFORE TAX $'000	EFFECT ON EQUITY $'000	BASIS POINTS CHANGE	EFFECT ON PROFIT BEFORE TAX $'000	EFFECT ON EQUITY $'000
Variable rate instruments	100	779	-	100	(779)	-
Interest rate swap	100	4,857	-	100	(5,065)	-
		5,636	-		(5,844)	-
CONSOLIDATED - 2014						
Variable rate instruments	100	(496)	-	100	496	-
Interest rate swap	100	-	1,105	100	-	(1,139)
		(496)	1,105		496	(1,139)

NOTE 31. FINANCIAL INSTRUMENTS CONTINUED

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's receivables from customers and cash and cash equivalents.

Cash and cash equivalents

The consolidated entity limits its exposure to credit risk for cash and cash equivalents by only investing in liquid securities and with counterparties that have an acceptable credit rating where possible.

Trade and other receivables

The consolidated entity's exposure to credit risk is influenced mainly by the characteristics of each individual customer. The demographics of the consolidated entity's customer base, including the default risk of the industries and countries in which customers operate, has less influence on credit risk. Approximately 33% (2014: 26%) of the consolidated entity's revenue is attributable to sale transactions with a single customer. Geographically, the concentration of credit risk is in Australia.

Under the consolidated entity's systems and procedures, each new customer is analysed individually for creditworthiness before the consolidated entity's standard payment and delivery terms and conditions are offered. The exposure to credit risk is monitored on an ongoing basis. The consolidated entity's analysis includes external ratings, when available, and in some cases bank references. Credit risk is minimised by managing payment terms, receiving advance payments, receiving the benefit of a bank guarantee or by entering into credit insurance for customers considered to be at risk.

More than 70% (2014: 19%) of the consolidated entity's trade receivables exposed to credit risk are from customers who have been transacting with the consolidated entity for over three years.

The consolidated entity has established a process to review for impairment that represents its estimate of expected / incurred losses in respect of trade and other receivables. At 30 June 2015 the consolidated entities collective impairment on its trade receivables was $1.5 million (2014: $25.6 million).

Guarantees

The consolidated entity's policy is to provide financial guarantees only to or for subsidiaries. Details of outstanding guarantees are provided in note 35.

Exposure to credit risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at the reporting date was:

		CONSOLIDATED
	15 $'000	14 $'000
Cash and cash equivalents	236,892	109,424
Receivables*	53,180	125,920
Total credit risk exposure	290,072	235,344

* Receivables are shown excluding work in progress and prepayments.

The consolidated entity's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

		CONSOLIDATED
	15 $'000	14 $'000
Mining customers	53,180	122,583
Other	-	3,337
Total credit risk exposure by customer	53,180	125,920

The consolidated entity's most significant trade receivable, a mining customer, accounts for $16.0 million of the trade receivables carrying amount at 30 June 2015 (2014: $38.8 million).

NOTE 31. FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Information about changes in term facilities during the year is disclosed in note 25. As at 30 June 2015, the undrawn amount on the term facility was $150.8 million (2014: $225.1 million) of which $27.3 million is represented by bank guarantees (2014: $34.1 million). Outstanding individual lease agreements drawn under past facilities remain in place until their expiry date. In addition, the consolidated entity has a $107.6 million (2014: $130 million) insurance bond facility with $96.3 million (2014: $73.5 million) available at year end.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

CONSOLIDATED 2015	1 YEAR OR LESS	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	REMAINING CONTRACTUAL MATURITIES $'000
Non-derivatives					
Non-interest bearing					
Trade payables and accrued expenses	(83,812)	-	-	-	(83,812)
Other payables	(5,244)	-	-	-	(5,244)
Interest-bearing - variable					
Lease liability	(3,731)	(284)	-	-	(4,015)
Term facility*	(159,000)	-	-	-	(159,000)
Total non-derivatives	(251,787)	(284)	-	-	(252,071)
Derivatives					
Interest rate swaps net settled*	(8,206)	-	-	-	(8,206)
Forward foreign exchange contracts net settled	359	-	-	-	359
Total derivatives	(7,847)	-	-	-	(7,847)
CONSOLIDATED 2014					
Non-derivatives					
Non-interest bearing					
Trade payables and accrued expenses	(119,316)	-	-	-	(119,316)
Other payables	(7,342)	-	-	-	(7,342)
Interest-bearing - variable					
Lease liability	(4,882)	(4,143)	-	-	(9,025)
Term facility	(142,658)	(22,133)	-	-	(164,791)
Total non-derivatives	(274,198)	(26,276)	-	-	(300,474)
Derivatives					
Interest rate swaps net settled*	(354)	(4,757)	-	-	(5,111)
Forward foreign exchange contracts net settled	(699)	-	-	-	(699)
Total derivatives	(1,053)	(4,757)	-	-	(5,810)

*This disclosure is based on expected settlements which are earlier than contractual maturities.

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 31. FINANCIAL INSTRUMENTS CONTINUED

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the consolidated entity's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from the unexpected termination of contracts by customers, legal and regulatory requirements and generally accepted standards of corporate behaviour. This risk includes loss of major contracts or non extension of current contracts. Operational risks arise from all of the consolidated entity's operations.

The consolidated entity's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the consolidated entity's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall consolidated entity's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective;
- Reporting and review of operations and financial performance against budgeted/forecast outcomes; and
- Contractual risk is managed through integral customer relationships and management of performance on existing contracts, which include measures to monitor costs and productivity.

Compliance with Company standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit and Risk Committee and senior management of the consolidated entity.

NOTE 32. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the consolidated entity's financial assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

CONSOLIDATED 2015	LEVEL 1	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Financial Liabilities				
Interest rate swaps	-	(8,206)	-	(8,206)
Foreign exchange forward contracts	-	359	-	359
Total liabilities	-	(7,847)	-	(7,847)
CONSOLIDATED - 2014				
Liabilities				
Interest rate swaps	-	(5,111)	-	(5,111)
Foreign exchange forward contracts	-	(699)	-	(699)
Total liabilities	-	(5,810)	-	(5,810)

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

CONSOLIDATED	2015 CARRYING AMOUNT	FAIR VALUE $'000	2014 CARRYING AMOUNT	FAIR VALUE $'000
Assets				
Cash at bank	236,892	236,892	109,424	109,424
Trade receivables	53,180	53,180	125,920	125,920
Derivative financial instruments	359	359	-	-
	290,431	290,431	235,344	235,344
Liabilities				
Trade payables	(83,812)	(83,812)	(119,316)	(119,316)
Other payables	(5,244)	(5,244)	(7,342)	(7,342)
Derivative financial instruments	(8,206)	(8,206)	(5,810)	(5,810)
Lease liability	(3,685)	(3,645)	(7,646)	(7,168)
Term facility	(159,000)	(159,000)	(159,000)	(152,809)
	(259,947)	(259,907)	(299,114)	(292,445)

NOTE 32. FAIR VALUE MEASUREMENT CONTINUED

Fair value hierarchy *continued*

The fair values of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used:

Financial instruments measured at fair value

- Fair value of derivative financial instruments are determined by applying valuation techniques such as forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial instruments not measured at fair value

- Fair value of cash and cash equivalents, receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of loans from banks and other financial liabilities, obligations under finance and hire purchase leases are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

NOTE 33. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

		CONSOLIDATED
	15 $	14 $
Short-term employee benefits	4,313,813	4,778,658
Long-term employee benefits	(1,263,475)	-
Post-employment benefits	206,160	305,021
Termination benefits	1,220,998	305,997
Share-based payments	(473,729)	723,347
	4,003,767	6,113,023

Individual Directors and Executives compensation disclosures

Information regarding individual Directors' and Executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report. Apart from the details disclosed in this note or in the Remuneration Report, no Director or Executive has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' or Executives' interests existing at year end.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 34. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the parent entity, and its international network firms:

	CONSOLIDATED 15 $	14 $
Audit services – KPMG		
Audit or review of the financial statements	379,500	318,493
Other services – KPMG		
Tax services	82,521	131,420
Other regulatory audit services	6,000	13,000
Other – restructuring services	597,881	-
Other	98,299	23,315
	784,701	167,735
	1,164,201	486,228
Other services – network firms		
Tax services	47,162	127,258

NOTE 35. CONTINGENT LIABILITIES

The following identifiable contingencies exist at 30 June 2015:

	CONSOLIDATED 15 $'000	14 $'000
Bank guarantees	7,715	13,773
Insurance performance bonds	11,312	56,520
	19,027	70,293

Bank guarantees and insurance bonds are issued to contract counterparties in the normal course of business as security for the performance by Macmahon of various contractual obligations.

Other contingent liabilities

In the ordinary course of business, Macmahon is also called upon to give guarantees and indemnities direct to contract counterparties in relation to the performance of contractual and financial obligations. The value of these guarantees and indemnities is indeterminable.

Macmahon has entered into various joint venture arrangements under which it may be jointly and severally liable for the liabilities of the joint arrangement. Macmahon has the normal contractor's liability in relation to its current and completed mining and construction projects (for example, liability relating to design, workmanship and damage), as well as liability for personal injury and property damage during a project. Potential liability may arise from claims, disputes and/or litigation against Group companies and/or joint venture arrangements in which the Group has an interest. Macmahon is currently managing a number of claims, disputes and litigation processes in relation to its contracts, as well as in relation to personal injury and property damage arising from project delivery.

During the year Macmahon was approached about a proposal to commence proceedings relating to an alleged failure by the Company to comply with its continuous disclosure obligations. The Company denies any failure and proceedings have not yet been commenced.

NOTE 36. COMMITMENTS

	CONSOLIDATED	
	15 $'000	14 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	6,069	40,430
One to five years	–	–
	6,069	40,430
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	18,014	22,236
One to five years	23,445	41,212
	41,459	63,448

The consolidated entity leases a number of offices and industrial workshop facilities. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Some leases provide for additional payments that are based on changes in a local price index or CPI. The consolidated entity does not have an option to purchase the leased assets at the expiry of their lease period.

On 31 July 2013, the consolidated entity entered into a Master Operating Lease Agreement for plant and equipment. The leases typically run for a term of 3 to 5 years with an option to extend for up to 1 to 2 years after that date. The consolidated entity has an option to purchase the assets at the expiry of their lease period. This agreement replaced the $230 million domestic operating lease facility signed in October 2007. Outstanding individual lease agreements drawn under the $230 million facility remain in place until their expiry. As at 30 June 2015, the total value of outstanding operating leases was $41.3 million (2014: $52.6 million).

Finance lease commitments in Note 25 include contracted amounts for various plant and equipment with a written down value of $9.6 million (2014: $11.0 million) under finance leases expiring within 3 to 4 years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 37. RELATED PARTY TRANSACTIONS

Parent entity

Macmahon Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 39.

Joint ventures

Interests in joint ventures are set out in note 40.

Key management personnel

Disclosures relating to key management personnel are set out in note 33 and the remuneration report in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	CONSOLIDATED	
	15 $	14 $
Other transactions:		
Jointly controlled ventures- provision for contract services	-	3,467

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 38. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	PARENT 15 $'000	PARENT 14 $'000
Loss after income tax	(134,110)	(24,637)
Total comprehensive loss	(129,791)	(24,637)

Statement of financial position

	PARENT 15 $'000	PARENT 14 $'000
Total current assets	138,443	50,346
Total assets	382,804	368,763
Total current liabilities	(165,161)	(144,053)
Total liabilities	(308,559)	(165,575)
Equity		
Issued capital	391,390	391,390
Hedging reserve - cash flow hedges	251	(4,067)
Share-based payments reserve	19,663	18,814
Reserve for own shares	(4,581)	(4,581)
Accumulated losses	(332,478)	(198,368)
Total equity	74,245	203,188

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of some of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in note 41.

Contingent liabilities

The parent entity does not have any contingent liabilities (2014: nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 39. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 15 %	14 %
Incorporated subsidiaries			
Macmahon Contractors Pty Ltd	Australia	100.00%	100.00%
Macmahon Contractors (WA) Pty Ltd	Australia	100.00%	100.00%
Macmahon Properties Pty Ltd	Australia	-	100.00%
Macmahon (Southern) Pty Ltd	Australia	100.00%	100.00%
Macmahon Mining Services Pty Ltd	Australia	100.00%	100.00%
Macmahon Construction Pty Ltd	Australia	-	100.00%
Macmahon Civil Construction Pty Ltd	Australia	-	100.00%
Doorn-Djil Yoordaning Mining and Construction Pty Ltd	Australia	100.00%	100.00%
Macmahon Underground Pty Ltd	Australia	100.00%	100.00%
Macmahon Africa Pty Ltd	Australia	100.00%	100.00%
Macmahon Asia Pty Ltd	Australia	-	100.00%
Macmahon Malaysia Pty Ltd	Australia	100.00%	100.00%
Macmahon Rail Pty Ltd	Australia	100.00%	100.00%
Macmahon Contractors (NZ) Ltd	New Zealand	100.00%	100.00%
PT Macmahon Indonesia	Indonesia	100.00%	100.00%
PT Macmahon - Mining Services	Indonesia	100.00%	-
Macmahon Contractors Nigeria Ltd	Nigeria	100.00%	100.00%
Macmahon Sdn Bhd	Malaysia	100.00%	100.00%
Macmahon Constructors Sdn Bhd	Malaysia	100.00%	100.00%
MVM (Malaysia) Sdn Bhd	Malaysia	-	100.00%
Macmahon Contracting International Pte Ltd	Singapore	100.00%	100.00%
Macmahon Mongolia Holdings Pte Ltd	Singapore	100.00%	100.00%
Five Hills Holdings Pte Ltd	Singapore	-	100.00%
Five Hills Leasing Pte Ltd	Singapore	-	100.00%
Macmahon Mongolia LLC	Mongolia	100.00%	100.00%
TT JV CO LLC	Mongolia	-	100.00%
Macmahon Contracting Ghana Limited	Ghana	100.00%	100.00%
Macmahon Rail Holdings Pty Ltd	Australia	100.00%	100.00%
Macmahon Rail Investments Pty Ltd	Australia	100.00%	100.00%
Macmahon Rail Operations Pty Ltd	Australia	100.00%	100.00%
Thomco (No. 2020) Pty Ltd	Australia	100.00%	100.00%
Thomco (No. 2021) Pty Ltd	Australia	100.00%	100.00%
Thomco (No. 2022) Pty Ltd	Australia	100.00%	100.00%
Macmahon Botswana (Pty) Ltd	Botswana	100.00%	-
Interest in trusts			
Macmahon Holdings Limited Employee Share Ownership Plans Trust	Australia	100.00%	100.00%
Macmahon Underground Unit Trust	Australia	100.00%	100.00%

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 40. INTERESTS IN JOINT VENTURES

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the consolidated entity are set out below:

NAME	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST 15 %	14 %
Macmahon / Adasa JV	Irrigation scheme design and construction	50.00%	50.00%
Gooring Jimbila Contracting JV*	Non-active	50.00%	50.00%
Dhurawine JV	Labour hire	50.00%	50.00%
Triodia JV	Labour hire and workshop maintenance	-	50.00%
Malana JV*	Non-active	50.00%	50.00%
Marapikurrinya JV*	Non-active	45.00%	45.00%
Karara Yamatji JV*	Non-active	50.00%	50.00%
Tonkin Highway JV*	Non-active	50.00%	50.00%
Roe Highway JV*	Non-active	50.00%	50.00%
Hale Street Link JV*	Non-active	33.33%	33.33%
Ross River Dam JV*	Non-active	50.00%	50.00%
Bell Bay Alliance JV*	Non-active	20.00%	20.00%
Rail Link JV*	Non-active	25.00%	25.00%
Eyre Peninsula JV*	Non-active	50.00%	50.00%

* Joint Ventures that were deregistered or not active during the year.

Summary financial information for equity accounted investees, unadjusted for percentage ownership held by the consolidated entity:

	15 $'000	14 $'000
Summarised statement of financial position		
Current assets	825	10,713
Total assets	825	10,713
Current liabilities	(495)	(9,221)
Total liabilities	(495)	(9,221)
Net assets/(liabilities)	330	1,492
Summarised statement of profit or loss and other comprehensive income		
Revenue	2,163	8,944
Expenses	(1,870)	(6,931)
Profit before income tax	293	2,013

Revenue and recoveries from the jointly controlled entities are disclosed in note 4. To support the activities of the joint venture, the consolidated entity and the other investors in the joint venture have agreed to make additional contribution in proportion to the interest to make up any losses, if required. The jointly controlled entities do not have any capital commitments, other than performance bonds and bank guarantees disclosed in note 35.

NOTE 41. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgment of financial statements, and Directors' report.

It is a condition of the Class Order that Macmahon Holdings Limited ("the Company") and each of the subsidiaries below enter into a Deed of Cross Guarantee ("Deed"). The effect of the Deed is that the Company guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The following entities are party to a Deed of Cross Guarantee under which each company guarantees the debts of the others:

Macmahon Southern Pty Ltd

Macmahon Mining Services Pty Ltd

Macmahon Underground Pty Ltd

Macmahon Contractors Pty Ltd

Macmahon Rail Pty Ltd

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position, comprising the Company and its controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at the end of the financial year.

Statement of profit or loss and other comprehensive income	15 $'000	14 $'000
Revenue	451,937	664,121
Share of profits of joint ventures accounted for using the equity method	-	3,975
Materials and consumables used	(167,483)	(161,779)
Employee benefits expense	(211,929)	(322,869)
Subcontractor costs	(18,041)	(71,934)
Depreciation and amortisation expense	(36,177)	(64,364)
Impairment and inventory write-downs	(162,800)	-
Equipment and office expenses under operating leases	(24,526)	(24,117)
Finance costs	(11,360)	(8,753)
Other expenses	(32,273)	(27,436)
Loss before income tax expense	(212,652)	(13,156)
Income tax expense	2,627	(11,477)
Loss after income tax expense	(210,025)	(24,633)
Other comprehensive income		
Cash flow hedges transferred to profit or loss, net of tax	4,318	(667)
Foreign currency translation	-	783
Other comprehensive income for the year, net of tax	4,318	116
Total comprehensive income for the year	(205,707)	(24,517)
Equity - retained profits		
Accumulated losses at the beginning of the financial year	(101,664)	(79,940)
Loss after income tax expense	(205,707)	(24,517)
Transfer from share premium reserve	(38)	1,302
Transfer from other reserves	-	708
Transfer to options reserve	-	783
Accumulated losses at the end of the financial year	(307,409)	(101,664)

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 41. DEED OF CROSS GUARANTEE CONTINUED

Statement of financial position	15 $'000	14 $'000
Current assets		
Cash and cash equivalents	211,547	91,089
Trade and other receivables	31,527	89,028
Inventories	37,521	68,497
Income tax	14,670	14,801
Assets of disposal groups classified as held for sale	769	3,895
	296,034	267,310
Non-current assets		
Receivables	113,821	251,580
Other financial assets	38,736	38,736
Property, plant and equipment	101,762	302,570
Intangibles	21	11,925
Deferred tax	-	-
	254,340	604,811
Total assets	550,374	872,121
Current liabilities		
Trade and other payables	50,601	112,335
Borrowings	159,000	137,500
Derivative financial instruments	7,847	1,053
Employee benefits	10,465	24,079
Provisions	8,737	8,279
Liabilities directly associated with assets classified as held for sale	3,163	15,190
	239,813	298,993
Non-current liabilities		
Payables	222,838	263,926
Borrowings	-	21,500
Derivative financial instruments	-	4,757
Deferred tax liabilities	6,601	557
Employee benefits	416	812
	229,855	290,995
Total liabilities	469,668	589,988
Net assets	80,706	282,133
Equity		
Issued capital	391,390	391,390
Reserves	(3,275)	(7,593)
Retained profits	(307,409)	(101,664)
Total equity	80,706	282,133

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 42. EVENTS AFTER THE REPORTING PERIOD

Material contract review event

Following the sale of its Mongolian business in June 2015, the Company repaid all its outstanding debt under the Syndicated Facility Agreement on 31 July 2015. The Company is currently in advanced negotiations regarding a new facility to provide greater financial flexibility to capitalise on future work opportunities.

CEO appointment

Mr S J van Dyk was appointed as Chief Executive Officer and Managing Director on 13 July 2015.

Other than the matters noted above, no matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

No other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

NOTE 43. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

		CONSOLIDATED
	15 $'000	14 $'000
(Loss) / Profit after income tax expense for the year	(217,920)	30,429
Adjustments for:		
Depreciation and amortisation	59,620	102,551
Impairment of property, plant and equipment	183,701	2,044
Cash flow hedges - reclassified from reserve	8,206	-
Net gain on sales	(7,308)	(1,334)
Share of profit - joint ventures	(146)	(4,121)
Share-based payments	(38)	1,302
Foreign exchange differences	(11,934)	2,079
Transaction costs written off	4,897	3,981
Allowances for inventory	6,373	-
Provision for onerous contract	3,926	-
Write-down of inventory	27,328	-
Goodwill impairment	18,297	-
Net cash received from jointly controlled entities	1,131	(28,273)
Income tax expense/(benefit)	1,598	18,028
Change in operating assets and liabilities:		
Decrease in trade and other receivables	67,280	43,821
Increase in inventories	(1,581)	(9,796)
Decrease in trade and other payables	(44,554)	(36,653)
Decrease in provision for income tax	(1,908)	(8,676)
Decrease in employee benefits and provisions	(43,948)	(37,476)
Net cash from operating activities	53,751	77,906

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 44. EARNINGS PER SHARE

	CONSOLIDATED 15 $'000	14 $'000
Earnings per share for (loss)/profit from continuing operations		
(Loss) / Profit after income tax attributable to the owners of Macmahon Holdings Limited	(220,567)	28,938

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	1,256,553,965	1,256,553,965
Adjustments for calculation of diluted earnings per share:		
Effect of performance rights on issue	-	34,013,380
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,256,553,965	1,290,567,345

	CENTS	CENTS
Basic earnings/(loss) per share	(17.55)	2.30
Diluted earnings/(loss) per share	(17.55)	2.24

	CONSOLIDATED 15 $'000	14 $'000
Earnings per share for profit from discontinued operations		
Profit after income tax attributable to the owners of Macmahon Holdings Limited	2,647	1,491

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	1,256,553,965	1,256,553,965
Adjustments for calculation of diluted earnings per share:		
Effect of performance rights on issue	23,996,621	34,013,380
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,280,550,586	1,290,567,345

	CENTS	CENTS
Basic earnings per share	0.21	0.12
Diluted earnings per share	0.21	0.12

	CONSOLIDATED 15 $'000	14 $'000
Earnings per share for (loss) / profit		
(Loss) / Profit after income tax attributable to the owners of Macmahon Holdings Limited	(217,920)	30,429

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	1,256,553,965	1,256,553,965
Adjustments for calculation of diluted earnings per share:		
Effect of performance rights on issue	-	34,013,380
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,256,553,965	1,290,567,345

NOTES TO THE FINANCIAL STATEMENTS

NOTE 44. EARNINGS PER SHARE CONTINUED

	CENTS	CENTS
Basic earnings/(loss) per share	(17.34)	2.42
Diluted earnings/(loss) per share	(17.34)	2.36

NOTE 45. SHARE-BASED PAYMENTS

During the period the consolidated entity used the following equity compensation plans to remunerate executives and employees of the Group:

- Macmahon Executive Equity Plan ("EEP" or "LTI Plan")
- Macmahon CEO LTI Plan

Macmahon EEP or LTI Plan

The LTI Plan provides Executives (including the CEO) and other senior personnel with the opportunity to receive fully paid shares in Macmahon for no consideration, subject to specified time restrictions, continuous employment and performance conditions being met. Each performance right will entitle participants to receive one fully paid ordinary share at the time of vesting. The LTI Plan is designed to assist with employee retention, and to incentivise employees to maximise returns and earnings for shareholders.

Participants are granted Performance Rights, which are contractual rights to receive fully paid shares in Macmahon, subject to the LTI Plan conditions being satisfied. The Board determines which Executives are eligible to participate and the number of rights granted. Each right will entitle the participant to receive one fully paid ordinary Macmahon share on vesting.

Relative TSR was chosen by the Board as a suitable performance measure as it provides alignment between shareholder returns and executive remuneration. The Performance Rights lapse if the employee ceases employment with Macmahon, or the TSR performance condition has not been achieved within a 5½ year period.

		PERFORMANCE PERIOD			
PERFORMANCE RIGHTS GRANTED ON 15 JANUARY 2010	**TIME-BASED CONDITION ONLY ENDING 15/01/2012**	**2 YEARS ENDING 15/01/2012**	**3 YEARS ENDING 15/01/2013**	**4 YEARS ENDING 15/01/2014**	**5 YEARS ENDING 15/01/2015**
		Tranche 1	Tranche 2	Tranche 3	Tranche 4
Tranche and number of Performance Rights	3,843,750	2,882,812	2,882,812	2,882,812	2,882,812
Vesting performance condition					
TSR Ranking 75% or higher of the TSR of two peer groups (50% weighting to each peer group)	-	2,882,812	2,882,812	2,882,812	2,882,812
TSR Ranking 50%-75% of the TSR of two peer groups (50% weighting to each peer group)	-	1,441,406 plus 2% for each percentile above 50%	1,441,406 plus 2% for each percentile above 50%	1,441,406 plus 2% for each percentile above 50%	1,441,406 plus 2% for each percentile above 50%
TSR Ranking below 50% of the TSR of two peer groups (50% weighting to each peer group)	-	Nil	Nil	Nil	Nil

		PERFORMANCE PERIOD			
PERFORMANCE RIGHTS GRANTED ON 17 JUNE 2011	**TIME-BASED CONDITION ONLY ENDING 17/06/2013**	**2 YEARS ENDING 17/06/2013**	**3 YEARS ENDING 17/06/2014**	**4 YEARS ENDING 17/06/2015**	**5 YEARS ENDING 17/06/2016**
		Tranche 1	Tranche 2	Tranche 3	Tranche 4
Tranche and number of Performance Rights	3,268,750	2,451,562	2,451,562	2,451,562	2,451,562
Vesting performance condition					
TSR Ranking 75% or higher of the TSR of two peer groups (50% weighting to each peer group)	-	2,451,562	2,451,562	2,451,562	2,451,562
TSR Ranking 50%-75% of the TSR of two peer groups (50% weighting to each peer group)	-	1,225,781 plus 2% for each percentile above 50%	1,225,781 plus 2% for each percentile above 50%	1,225,781 plus 2% for each percentile above 50%	1,225,781 plus 2% for each percentile above 50%
TSR Ranking below 50% of the TSR of two peer groups (50% weighting to each peer group)	-	Nil	Nil	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS

NOTE 45. SHARE-BASED PAYMENTS CONTINUED

PERFORMANCE RIGHTS GRANTED ON 1 JULY 2012	TIME-BASED CONDITION ONLY ENDING 01/07/2015	PERFORMANCE PERIOD 3 YEARS ENDING 1/07/2015	PERFORMANCE PERIOD 4 YEARS ENDING 1/07/2016
		Tranche 1	Tranche 2
Tranche and number of Performance Rights	1,597,000	1,597,000	4,791,000
Vesting performance condition			
TSR Ranking 75% or higher of the TSR of two peer groups (50% weighting to each peer group)	-	1,597,000	4,791,000
TSR Ranking 50%-75% of the TSR of two peer groups (50% weighting to each peer group)	-	798,500 plus 2% for each percentile above 50%	798,500 plus 2% for each percentile above 50%
TSR Ranking below 50% of the TSR of two peer groups (50% weighting to each peer group)	-	Nil	Nil

PERFORMANCE RIGHTS GRANTED ON 1 JULY 2013 (GRANTED 25 JULY 2013)	PERFORMANCE PERIOD 3 YEARS ENDING 1/07/2016	PERFORMANCE PERIOD 3 YEARS ENDING 1/07/2016
	Tranche 1	Tranche 2
Tranche and number of Performance Rights	8,000,000	8,000,000
Vesting performance condition		
At or above 27% EPS CAGR	8,000,000	
EPS Between 6% EPS CAGR and 27% EPS CAGR	4,000,000 plus 2.38% for each additional EPS CAGR % above 6% CAGR	
Less than 6% EPS CAGR	Nil	
TSR Ranking 75% or higher of the TSR of two peer groups		8,000,000
TSR Ranking 50%-75% of the TSR of two peer groups (50% weighting to each peer group)		4,000,000 plus 2% for each percentile above 50%
TSR Ranking below 50% of the TSR of two peer groups (50% weighting to each peer group)		Nil

PERFORMANCE RIGHTS GRANTED ON 1 JULY 2014 (GRANTED 7 AUGUST 2014)	PERFORMANCE PERIOD 3 YEARS ENDING 1/07/2017	PERFORMANCE PERIOD 3 YEARS ENDING 1/07/2017
	Tranche 1	Tranche 2
Tranche and number of Performance Rights	10,550,000	10,550,000
Vesting performance condition		
At or above 12% EPS CAGR	10,550,000	
EPS Between 5% EPS CAGR and 12% EPS CAGR	5,275,000 plus 7.14% for each additional EPS CAGR % above 5% CAGR	
Less than 5% EPS CAGR	Nil	
TSR Ranking 75% or higher of the TSR of two peer groups		10,550,000
TSR Ranking 50%-75% of the TSR of two peer groups (50% weighting to each peer group)		5,275,000 plus 2% for each percentile above 50%

NOTES TO THE FINANCIAL STATEMENTS

TSR Ranking below 50% of the TSR of two peer groups (50% weighting to each peer group)	Nil

NOTE 45. SHARE-BASED PAYMENTS CONTINUED

The two comparator groups for the TSR calculation for plans up until and including 2012 are:

- ASX 200: the constituents of the ASX 200 index; and
- Peer group: a group of seven companies consisting of Ausdrill Limited, Downer EDI Limited, Leighton Holdings Limited, Monadelphous Group Limited, NRW Holdings Limited, Transfield Services Limited and UGL Limited

The two comparator groups for the TSR calculation for the 2013 plan onwards are:

- All companies in the S&P ASX 200 that are ranked 101 to 200 and have Global Industry Classification Standard ("GICS") classification of Materials and Industries as at the commencement of the performance period; and
- Peer group: a group of seven companies consisting of Ausdrill Limited, Decmil Group Limited, Downer EDI Limited, Leighton Holdings Limited, MACA Limited, Monadelphous Group Limited and NRW Holdings Limited.

Macmahon CEO LTI Plan

Following Shareholders approval at the Annual General Meeting on 15 November 2013, Mr. Carroll was granted 5.0 million and 1.23 million performance rights in relation to the 2013 CEO LTI Plan and the 2012 CEO LTI Plan respectively.

The rights may be exercised only to the extent that vesting conditions are met. On exercise, the Company will issue one ordinary share per performance right to Mr. Carroll for nil cash consideration. Vesting of the rights is dependent on the conditions detailed in the tables below. Provided Mr. Carroll remains as CEO of the Company, each class of Performance Rights will vest immediately following the end of the relevant period, if the following criteria are met in respect of the period. Mr Carroll resigned from the Company 22 January 2015 and his performance rights were forfeited.

		PERFORMANCE PERIOD	
	TIME-BASED 19/9/2012 - 1/7/2015	19/9/2012 - 1/7/2015	19/9/2012- 1/7/2016
		Tranche 1	Tranche 2
Tranche and number of Performance Rights	245,062	245,062	735,186
Vesting performance condition			
TSR Ranking 75% or higher of the TSR of two peer groups (50% weighting to each peer group)	-	245,062	735,186
TSR Ranking 50%-75% of the TSR of two peer groups (50% weighting to each peer group)	-	122,531 plus 2% for each percentile above 50%	367,593 plus 2% for each percentile above 50%
TSR Ranking below 50% of the TSR of two peer groups (50% weighting to each peer group)	-	Nil	Nil

The two comparator groups for the TSR calculation for plans up until and including 2012 are:

- ASX 200: the constituents of the ASX 200 index; and
- Peer group: a group of seven companies consisting of Ausdrill Limited, Downer EDI Limited, Leighton Holdings Limited, Monadelphous Group Limited, NRW Holdings Limited, Transfield Services Limited and UGL Limited.

NOTES TO THE
FINANCIAL STATEMENTS

NOTE 45. SHARE-BASED PAYMENTS CONTINUED

2013 CEO PLAN GRANTED 13 DECEMBER 2013	PERFORMANCE PERIOD 3 YEARS ENDING 1/07/2016	3 YEARS ENDING 1/07/2016
	Tranche 1	Tranche 2
Tranche and number of Performance Rights	2,500,000	2,500,000
Vesting performance condition		
At or above 27% EPS CAGR	2,500,000	
EPS Between 6% EPS CAGR and 27% EPS CAGR	1,250,000 plus 2.38% for each additional EPS CAGR % above 6% CAGR	
Less than 6% EPS CAGR	Nil	
TSR Ranking 75% or higher of the TSR of two peer groups		2,500,000
TSR Ranking 50%-75% of the TSR of two peer groups (50% weighting to each peer group)		1,250,000 plus 2% for each percentile above 50%
TSR Ranking below 50% of the TSR of two peer groups (50% weighting to each peer group)		Nil

2014 CEO PLAN GRANTED 13 NOVEMBER 2014	PERFORMANCE PERIOD 3 YEARS ENDING 1/07/2017	3 YEARS ENDING 1/07/2017
	Tranche 1	Tranche 2
Tranche and number of Performance Rights	4,750,000	4,750,000
Vesting performance condition		
At or above 12% EPS CAGR	4,750,000	
EPS Between 5% EPS CAGR and 12% EPS CAGR	2,375,000 plus 7.14% for each additional EPS CAGR % above 5% CAGR	
Less than 5% EPS CAGR	Nil	
TSR Ranking 75% or higher of the TSR of two peer groups		4,750,000
TSR Ranking 50%-75% of the TSR of two peer groups (50% weighting to each peer group)		2,375,000 plus 2% for each percentile above 50%
TSR Ranking below 50% of the TSR of two peer groups (50% weighting to each peer group)		Nil

The two comparator groups for the TSR calculation for the 2013 plan onwards are:

- All companies in the S&P ASX 200 that are ranked 101 to 200 and have Global Industry Classification Standard ("GICS") classification of Materials and Industries as at the commencement of the performance period; and
- Peer group: a group of seven companies consisting of Ausdrill Limited, Decmil Group Limited, Downer EDI Limited, Leighton Holdings Limited, MACA Limited, Monadelphous Group Limited and NRW Holdings Limited.

NOTE 45. SHARE-BASED PAYMENTS CONTINUED

Information about performance rights and share options outstanding at year end

The following unvested unlisted CEO performance rights and Executive performance rights were outstanding at year end under the Macmahon CEO LTI Plan and Macmahon EEP LTI Plan respectively:

	CEO PERFORMANCE RIGHTS		EXECUTIVE PERFORMANCE RIGHTS	
	2015*	2014*	2015**	2014**
Balance at start of the year	6,225,310	-	27,788,071	18,900,808
Granted during the year	9,500,000	6,225,310	21,100,000	16,000,000
Vested during the year	-	-	-	-
Expired during the year	-	-	(3,185,473)	-
Forfeited during the year	(15,725,310)	-	(21,705,973)	(7,112,737)
Balance at the end of year	-	6,225,310	23,996,625	27,788,071

*The 2015 CEO Performance Rights were approved by Shareholders at the 2014 Annual General Meeting and accepted by Mr. Carroll on 13 November 2014
**Included in the Executive performance rights were performance rights issued to Mr. Carroll in his capacity as an Executive prior to being made CEO of the company.

Share-based payments recognised in employee benefits expense

The following amounts were recognised as employee benefits expense in profit or loss, in connection with the Company's equity compensation plans:

	CONSOLIDATED	
	15 $'000	14 $'000
Performance rights	(38)	1,302
Total expense recognised in employee benefits expense	(38)	1,302

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company entity will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 41 to the financial statements.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

J A Walker
Director

27 August 2015
Perth

INDEPENDENT AUDIT REPORT

Independent auditor's report to the members of Macmahon Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Macmahon Holdings Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 45 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

INDEPENDENT
AUDIT REPORT

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 27 to 38 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Macmahon Holdings Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth

27 August 2015

SUMMARY OF CONSOLIDATED RESULTS

	15	14	13	12	11
Profit and Loss ($m)					
Operating revenue - incl. construction	665.5	1,021.9	1,606.1	1,661.5	1,089.4
Joint venture revenue	-	25.9	209.5	246.3	221.4
Joint venture recoveries	-	(3.5)	(60.5)	(37.0)	(56.4)
Total revenue	665.5	1,044.3	1,755.1	1,870.8	1,254.4
Underlying EBITDA	100.8	172.9	172.0	167.8	123.2
Depreciation, amortisation and impairment	(261.6)	(104.6)	(87.4)	(78.2)	(57.1)
Underlying EBIT	(160.8)	68.3	84.6	89.6	66.1
Significant and non-recurring items	(31.8)	-	(123.2)	-	(57.9)
Reported EBIT	(192.6)	68.3	(38.6)	89.6	8.2
Net interest	(23.7)	(19.8)	(21.0)	(14.4)	(12.0)
Reported operating profit / (loss)	(216.3)	48.5	(59.6)	75.2	(3.8)
Tax (expense) / benefit	(1.6)	(18.0)	30.2	(19.2)	1.1
Reported NPAT	(217.9)	30.5	(29.4)	56.0	(2.7)
Minority interest ("MI")	-	-	-	-	3.8
Reported NPAT attibutable to Macmahon	(217.9)	30.5	(29.4)	56.0	1.1
Add: significant and non-recurring items (net of tax and MI)[1]	227.9	-	73.1	-	37.8
Underlying NPAT attributable to Macmahon	10.0	30.5	43.7	56.0	38.9
Balance Sheet ($m)					
Plant and equipment	141.5	442.9	471.1	417.8	311.2
Total assets	524.3	823.7	944.5	989.0	685.7
Net assets	221.8	432.2	401.2	356.8	323.1
Equity attributable to Macmahon	221.8	432.2	401.2	356.8	323.2
Net debt / (net cash)	(74.2)	55.9	61.7	82.6	(39.5)
Cash Flow ($m)					
Reported EBITDA	100.8	172.9	67.5	167.8	65.3
Net interest paid	(10.8)	(15.9)	(18.8)	(9.2)	(12.0)
Income tax (paid) / refund	(1.9)	(8.7)	(9.6)	(4.8)	(0.9)
Working capital and provisions decrease/(increase)	(34.3)	(70.4)	69.5	(67.0)	40.0
Operating cash flow including JV	53.8	77.9	108.6	86.8	92.4
Investing and financing cash flows (net)	70.6	(122.3)	(91.6)	(65.4)	(76.2)
Effect of exchange rates on cash	3.1	0.3	1.5	(2.1)	(2.8)
Cash at beginning of financial year	109.4	153.5	134.9	115.6	102.2
Closing cash balance	236.90	109.4	153.4	134.9	115.6

1 Significant and non-recurring items in 2013 includes the Construction Business represented as a discontinued operation (2011: Write-down of equity accounted profit in RGP5 project and wet weather impacts).

SUMMARY OF CONSOLIDATED RESULTS

	15	14	13	12	11
People and Safety					
Number of employees	1,295	2,467	3,495	4,791	3,536
LTIFR	0.9	0.9	0.9	1.4	0.2
TRIFR	5.4	8.5	7.7	7.7	3.5
Order Book					
Work in hand ($m) - incl. construction	1,150	2,573	3,230	3,139	2,013
New contracts and extension ($m)	68	387	1,846	2,997	1,052
Revenue growth (%)	(35.0)	(40.5)	(6.2)	49.1	-
Reported NPAT/Total revenue (%)	(0.3)	2.9	(1.7)	3.0	0.1
Underlying NPAT/Total revenue (%)2	-	2.9	2.5	3.0	3.1
EBIT interest cover (x)	(8.1)	3.4	(1.8)	6.2	0.7
Reported basic EPS (cents)	(17.3)	2.4	(3.0)	7.7	0.1
Underlying basic EPS (cents)2	0.8	2.3	4.4	7.7	5.3
Diluted EPS (cents)	(17.3)	2.4	3.0	7.5	0.1
Balance Sheet Ratios					
Gearing (Net debt/Equity) (%)	(33.5)	12.9	15.4	23.1	(12.2)
Reported ROC (%)	(0.5)	10.0	(5.1)	13.8	1.9
Underlying ROC (%)2	(37.8)	10.0	11.0	13.8	11.8
Reported ROE (%)	(67.5)	7.3	(7.8)	16.5	0.3
Underlying ROE (%)2	4.1	7.3	11.5	16.5	10.7
Reported ROA (%)	(42.1)	3.7	(3.1)	5.7	0.2
Underlying ROA (%)2	2.5	3.7	4.6	5.7	5.2
NTA per share ($)	0.2	0.3	0.3	0.4	0.4
Cash Flow Ratios					
Operating cash flow per share (cents)	4.3	6.2	8.6	11.7	12.6
Shareholders					
Shares on issue (m) @ 30 June	1,261.7	1,261.7	1,261.7	738.6	733.7
Share price @ 30 June (cents)	6.6	10.0	13.0	57.5	56.0
Dividend declared (cents)	-	-	-	4.0	-
Percentage franked (%)	n/a	n/a	n/a	100.0	n/a
Market capitalisation ($m)	83.3	126.2	164.0	424.7	410.9
Enterprise value (EV)	9.1	182.0	225.7	507.3	371.4
Price/NTA (x)	0.4	0.3	0.4	1.3	1.4

1 Net of Construction contracts sold.
2 Adjusted for significant and non-recurring items. 2013: Construction Business represented as a discontinued operation (2011: Write-down of equity accounted profit in RGP5 project and wet weather impacts).

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDING SUMMARY

The following details of Shareholders of Macmahon Holdings Limited have been taken from the share register on 25 August 2015.

a) The twenty largest Shareholders held 58.18% of the ordinary shares.
b) There were 9,117 ordinary Shareholders as follows:

SIZE OF HOLDINGS	TOTAL HOLDERS
1 - 1,000	739
1,000 - 5,000	2,380
5,001 - 10,000	1,405
10,001 - 100,000	3,707
100,000 and over	886
	9,117

The number of Shareholders holding less than a marketable parcel of ordinary shares is 3,712.

Twenty largest Shareholders as at 25 August 2015

NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD
Leighton Holdings Investments Pty Limited	246,631,927	19.55
Citicorp Nominees Pty Limited	118,844,094	9.42
National Nominees Limited	76,117,308	6.03
3rd Wave Investors Ltd	57,200,000	4.53
J P Morgan Nominees Australia Limited	51,903,468	4.11
HSBC Custody Nominees <Australia>	35,039,841	2.78
Mr Manishkumar Rasiklal Patel	19,560,949	1.55
Bond Street Custodians Limited <Forager Wholesale Value Fd>	17,254,733	1.37
Mr Allan Douglas Christie + Mrs Patricia Marjorie Christie <Christie Family A/C>	16,128,690	1.28
CPU Share Plans Pty Limited <Mah Eep Unallocated A/C>	14,697,183	1.16
Alkat Pty Ltd <Bowen Welsh A/C>	13,000,000	1.03
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	10,701,965	0.85
Ms Malaky Kazem	9,697,253	0.77
Mr Robert Lee Petersen	8,007,089	0.63
Mr Mario Montanaro + Mrs Augusta Montanaro	7,107,520	0.56
Cannon Partners Fund	7,000,000	0.55
UBS Wealth Management Australia Nominees Pty Ltd	6,976,844	0.55
Chemco Superannuation Fund Pty Ltd <Chemco Super Fund No 2 A/C>	6,666,667	0.53
Choice Investments Dubbo Pty Ltd	5,819,200	0.46
Mr Paulus Gerardus Brouwer + Mr Remy Paulus Brouwer <Windy Spur S/F Account>	5,600,000	0.44
	733954731	58.17

ASX ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 18 August 2014, the register of substantial Shareholders disclosed the following information:

HOLDERS GIVING NOTICE	NUMBER OF ORDINARY SHARES IN WHICH INTEREST IS HELD
CIMIC Limited	246,631,927
Forager Funds Management Pty Ltd	78,903,599
Commonwealth Bank of Australia	66,338,957

VOTING RIGHTS

The voting rights attaching to ordinary shares are set out below:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

OFFICERS

Company secretaries

G P Gettingby

PRINCIPAL REGISTERED OFFICE

15 Hudswell Road
Perth Airport
Western Australia, 6105

Telephone: +61 (08) 9232 1000
Facsimile: +61 (08) 9232 1001

LOCATION OF SHARE REGISTRIES

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

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange.
The Company is listed as "Macmahon" with an ASX code of "MAH"

AUDITOR

KPMG
235 St. Georges Terrace Perth
Western Australia, 6000

OTHER INFORMATION

Macmahon Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.
ACN 007 634 406

FEEDBACK

Macmahon would appreciate your feedback on this report. Your input will assist us to improve as a business and develop our report to further suit your needs. To respond, please either email (investors@macmahon.com.au) or mail to:

Investor Relations
PO Box 198
Cannington WA 6987
www.macmahon.com.au

CALENDAR OF EVENTS

Annual General Meeting

4 November 2015

Release of half year results

February 2016

Release of full year results

August 2016

GLOSSARY

EB IT	Earnings before net interest expense and tax expense/benefit
EBITDA	Earnings before net interest expense, tax expense/benefit, depreciation and amortisation
EV	Enterprise value, being market capitalisation plus net debt
LTIFR	Lost time injury frequency rate
TRIFR	Total recordable injury frequency rate
NPAT	Net profit after tax
NTA	Net tangible assets
ROC	Return on capital – EBIT / Capital employed, where capital employed is total tangible assets less payables less bank overdraft.
ROE	Return on equity – NPAT / Average net assets
ROA	Return on assets – NPAT / Total assets at year end


MACMAHON
TD6304
TD6304
MACMAHON
TD6304
TD6304
TD6304
CAT

MACMAHON

macmahon.com.au

Designed by mindfield MACM_16906