

MACMAHON ANNUAL REPORT 2014



Macmahon.

A Pioneering Spirit.

Macmahon is a leading Australian company providing the complete package of mining services to clients throughout Australia, New Zealand, Central and South-East Asia, and Africa. In operation for more than 50 years, Macmahon has extensive experience in both surface and underground mining across a broad range of commodities.

Contents

Chairman's Report.....	2
Chief Executive Officer's Report	4
Financial and Operational Review.....	6
Strategy	8
Risk Management	10
Business Improvement	13
Operations.....	14
People	18
Safety.....	22
The Board	24
The Executive Team	26
Financial Report	29
Summary of Consolidated Results.....	139
ASX Additional Information.....	141
Glossary	144

Our people are among the best in the business

Our strong emphasis on training and development ensures we continue to attract and retain the very best. From our intensive Mac-Start induction program through to our award winning apprenticeship program, we make sure every employee gets the best possible start when they join us.

Our ongoing leadership and development programs ensure we continue to develop the skills and abilities of our best and brightest in order to provide a strong and vibrant leadership group capable of delivering on the expectations of our clients and shareholders.

Equipped to succeed

Our integrated approach to managing our plant and equipment provides us with a competitive advantage and sets us apart from our peers in the contracting industry. With an extensive array of haul trucks, excavators, drill rigs, jumbos, and ancillary equipment, we have what it takes to deliver any project, large or small.

Known for forging new frontiers in mining

Our track record clearly demonstrates that we have the ability to go anywhere and make a success of it – in essence we have a pioneering spirit. We are early adopters of new technologies and are often among the first to implement more efficient, sustainable and productive delivery methods.

This means our clients get the very best results, regardless of where they are in the world, every time.



Chairman's Report



*Jim Walker
Chairman of the Board*

Year in review

As Chairman of Macmahon Holdings Limited, and on behalf of my fellow directors, I am pleased to present the Macmahon Holdings Limited Annual Report for 2014.

This has been a defining year for Macmahon. Following our result in 2013 the Board and the Executive Management Team have worked hard to stabilise the business and return the Company to profitability. During the year, all remaining construction projects were either completed or sold, enabling the business to focus solely on its mining operations.

Importantly, despite changing conditions in the resources sector, the Company has continued to deliver on its existing contracts and it remains well positioned for future growth both domestically and overseas.

Returning to profitability

I am pleased to report that Macmahon achieved a profit after tax attributable to members of \$30.4 million for 2014. This is a positive turn-around from 2013 and a welcome shift towards more sustainable results.

Whilst the Board recognises this performance, it has determined that a dividend will not be declared for the year ending 30 June 2014. The Board remains committed to a 50 per cent dividend payout ratio, however its focus at this time, is on reducing debt and strengthening the Company's balance sheet.

Developing a strong leadership team

This year also saw further changes to the Executive Team, with the Company appointing Sybrandt van Dyk as its new Chief Financial Officer in March. Mr van Dyk joined Macmahon from the WesTrac Group, where he held a number of senior roles, including Chief Operating Officer and Chief Financial Officer. His strong commercial background, combined with his depth of experience in marketing, sales and product development, has brought additional flexibility and capability to our Executive Team. In addition, Roger Hughes and David Todd formally joined the Executive Team in their respective roles as Group General Manager - Human Resources and Group General Manager - Health, Safety, Environment and Quality. On behalf of the Board I am pleased to officially welcome Sybrandt, Roger and David to the Macmahon Executive Team.

Board and Governance

Macmahon is committed to upholding the highest standards of corporate governance and throughout the year we have continued to monitor and evaluate the composition of the Board to ensure an appropriate balance of experience and expertise.

As part of the Board's continual renewal process, a number of changes were made to the Board during the year. In November 2013, Mr Barry Ford and Dr David Smith retired from the Board. Both directors made tremendous contributions to the Company.

In March 2014, Mr Ken Scott-Mackenzie also retired from the Board. Ken was instrumental in leading the Company through its strategic transition to its new contract mining business model.

On behalf of the Board and management, I would like to thank David, Barry and Ken for their commitment and dedication.

“Despite challenging market conditions, the Company has maintained its momentum and reported a solid result in 2014.”



Our people

Macmahon is at its core, a people business, and our success relies heavily on the skill and dedication of our employees across the organisation.

The past 12 months have been challenging for our people as we have continued to transition away from construction to focus solely on our contract mining operations. I would like to take this opportunity to thank everyone for their ongoing hard work and commitment.

To those who joined Macmahon during the year, welcome to the team and thank you for your efforts during the first months of your career with Macmahon. You are part of a great business, and I am confident that together we will build on the strong foundation we have established and deliver exceptional results for our clients and shareholders.

Our shareholders, clients and suppliers

Finally I wish to acknowledge and thank our shareholders and our business partners for their ongoing support this year. Whilst the outlook remains challenging, we are committed to achieving sound results moving forward and on behalf of the Board, I thank you for the confidence you place in Macmahon.

Jim Walker
Chairman
Macmahon Holdings Limited

Chief Executive Officer's Report



Ross Carroll
Chief Executive Officer

The 2014 financial year has been challenging for the mining services sector. Pressure on commodity prices has resulted in a significant reduction in the number of new opportunities coming to market and in some cases seen existing projects scaled back. Accordingly, competition for work has increased dramatically and margins have come under pressure.

During the year we have continued to focus on our systems and processes to ensure that our business is operating as efficiently as possible. I am pleased to report that significant gains were made this year across a number of key operational areas.

In particular, our business improvement program, REACH, has seen close to 300 separate initiatives identified during the year, generating significant financial benefits for both Macmahon and its clients.

Our 'four pillars of success', being safety, business improvement, business development and people, have remained key drivers for management and we are continuing to invest significant time and resources in these areas to achieve greater performance.

Performing in a difficult market

Macmahon has delivered on its commitment to shareholders to return the business to profitability, recording a net profit after tax of \$30.4 million for the 2014 financial year.

Revenue from continuing operations totalled \$1.0 billion, with a profit before tax of \$48.5 million. The competitive operating environment saw margins come under pressure, however the impact was limited due to the range of business improvement initiatives underway along with improved plant utilisation and production performance.

At 30 June 2014, the Company's order book, which consists mainly of contracts with a range of blue-chip mining companies, remained solid at \$2.6 billion. Importantly, the majority of these operations are low-cost, long-life assets.

During the year the business continued to build on its existing relationships with key clients with a number of contract extensions being awarded, including a two year contract at Newmont Mining's Waihi mine in New Zealand where the Company has been operating since 1998, and a four year contract at BHP's Olympic Dam in South Australia where the Company has been operating since 2004.

These extensions demonstrate the strength and longevity of Macmahon's relationship with global mining companies and its ability to perform to client's expectations.

Building a high performing team

As one of Australia's leading providers of mining services, we are heavily reliant on our workforce of around 2500 employees. We recognise that our people are the foundation of our success, which is why over the past 12 months we have continued to expand our talent pool.

Our relentless focus on business improvement and operational efficiency has enabled us to achieve a strong result despite the ongoing head winds impacting the resources sector.



From our operators to front-line leaders through to middle and senior management, we are committed to the ongoing development of our leaders. It is this commitment that has helped us maintain our momentum over the past 12 months and puts us in good stead for the future.

Fostering a safety culture

Ensuring we provide a safe and healthy working environment for our people is our number one priority. Naturally, the safety of our people remains a critically important issue and is one that receives the full attention of both the Executive Team and the Board.

Over the past 12 months, a range of safety initiatives were developed and implemented across the business in order to improve our safety performance and reinforce our safety culture both on and off site. In particular, the Group Safety Improvement Plan has made it easier for our people to access our safety procedures and has provided a mechanism for leaders across all levels of the organisation to engage in meaningful conversations around safe work practises.

Over the past year we have seen a steady decline in the number of significant incidents across the business, and we are now looking for further ways to improve our performance in this regard.

Looking to the future

We believe the next 12 months will continue to present challenges for the resources sector. Falling commodity prices (iron ore and thermal coal down 24% and 33% respectively since 2011) will continue to exert pressure on existing mines and slow down the development of new mines.

Whilst investment by blue-chip mining companies is expected to decline over the next 12 months, we expect to see new opportunities for contractors to support and service junior and mid-tier mining companies.

In this environment, we believe the ongoing success of the Company will be largely reliant on the speed in which we can address cost related changes, market challenges and productivity improvements. Importantly, we have been a fast mover in this regard.

Looking over the near horizon, we expect opportunities for growth in Australia to remain subdued. As a result we are targeting a number of international opportunities where we believe we have a competitive advantage and an established presence. Our growth aspirations will hinge on our ability to leverage off our international operations to secure new work in these developing markets.

Ross Carroll
Chief Executive Officer and
Managing Director
Macmahon Holdings Limited

Financial and Operational Review

Profit and loss

Income

The Company reported total revenue (including joint venture revenue) of just over \$1 billion and a consolidated profit after tax of \$30.4 million for the 2014 financial year. Revenue was lower than the 2013 financial year, due in part to the demobilisation of Cameby Downs and Eaglefield, the termination of the CSA Engineering contract and a reduction in the scope of works performed at Argyle. The decrease was offset by additional revenue from Tropicana, Christmas Creek and the Tavan Tolgoi project in Mongolia as well as improved performance across a number of underground projects.

Expenditure

Recurring expenditure from continuing operations (consisting of materials, sub-contractors, operating leases and personnel costs) was \$805 million. This represents a decrease of 17 per cent compared to the 2013 financial year, broadly in line with lower revenues.

Depreciation of property, plant and equipment from continuing operations for the 2014 financial year was \$102 million. This represented an increase of 19 per cent from the 2013 financial year. The vast majority of the Company's plant and equipment is depreciated on cumulative hours worked.

Net finance costs of \$18.8 million remained largely in line with the prior year.

Tax Expense

The Group reported a tax expense of \$19.6 million for continuing operations, compared to \$22.7 million for the prior year. The effective tax rate for continuing operations for the year was 40.3 per cent, compared to the prior year's tax rate of 34.2 per cent. The effective tax rate for the current financial year was primarily impacted by non-deductible overseas expenditure for which no deferred tax assets have been recognised. If this adjustment of \$4.6 million was excluded, the effective tax rate would be 30.8 per cent.

Dividend

The Board has determined that a dividend will not be declared for the year ending 30 June 2014. The Board remains committed to a 50 per cent dividend payout ratio, however its focus at this time, is on reducing debt and strengthening the Company's balance sheet.

Balance sheet

Leverage

The Company's balance sheet is in a sound position, with a cash balance of \$109 million and gearing at 12.9 per cent net debt to equity. Gearing is projected to remain within the Company's targeted maximum level of 30 per cent over the outlook period.

In June 2014, the Company repaid \$50 million of outstanding debt reducing the total debt drawn under its syndicated funding facility at 30 June 2014 to \$159 million. The outstanding balance of operating leases at 30 June 2014 was \$52.6 million.

Debt

Part of the current syndicated term facility is due to expire in January 2015 and consequently is classified as a current liability. Subsequent to year end, the Company started the process of refinancing its debt. As at 18 August 2014, the Group had received significant commitments to lend from both existing and new lenders totalling \$317.5 million subject only to execution of documentation. Whilst the commitments are not binding on lenders until the execution of final documentation, the Company is confident that the refinance process will complete successfully before January 2015.

Working Capital

Current trade and other receivables were \$139 million at 30 June 2014 compared to \$169 million at 30 June 2013.

Current trade and other payables were \$120 million at 30 June 2014, a decrease of 23 per cent compared to 30 June 2013.

The reduction in receivables and payables was largely due to the completion of Cameby Downs and Orebody 18, and a ramping down at Eaglefield.

Non-current Assets

As at 30 June 2014, the value of the Company's property, plant and equipment totalled \$443 million, a decrease of 6 per cent compared to the prior year. The reduction in property plant and equipment was driven by lower capital expenditure during the year.

Property, plant and equipment purchases for the year, net of sales, totalled \$67 million; a decrease of 53 per cent compared to the prior year. Capital expenditure was much lower during the year as the Company embarked on an aggressive capital management program.

Despite the closure of several projects, the Company has redeployed a significant amount of 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, providing the long-term economic cost of mobilisation remains lower than other sourcing means.

Discontinued Operation

During the year the Company completed its exit from the Construction Business via the sale of the XRL-822 project in Hong Kong and the completion of the remaining Construction projects.

Cash Flow

Net operating cash during the year totalled \$77.9 million. Included in the net operating cash flows for the year were net cash outflows of \$47.3 million related to the discontinued construction business. Adjusting for these, continuing operations generated operating cash flows of \$125.2 million. This represents an increase of 6 per cent on the previous corresponding period (adjusted for discontinued operations).

Net capital expenditure totalled \$67 million; a significant reduction from the prior year. The majority of the 2014 capital expenditure related to:

- the purchase of equipment at Tavan Tolgoi in Mongolia;
- the purchase of an excavator float at Christmas Creek; and
- the replacement of four haul trucks at Olympic Dam.
- Other significant expenditure included components for existing equipment.

Net cash outflows from financing activities in the 2014 financial year totalled \$55 million and included a \$50 million debt repayment.



Strategy

Macmahon’s overarching objective is to achieve long term sustainable returns for shareholders through operational excellence and superior project delivery.

To achieve this objective, the Company has committed to developing a balanced portfolio of clients and projects that span a diverse range of commodities and geographies.

Taking into account the challenges facing the industry at present, management have developed a two-tiered strategy to meet its medium term growth aspirations.

Firstly, the Company is focused on strengthening its operations in Australia, where it holds a strong market share and has an established reputation for performance.

In particular, the business will work to:

- capitalise on its reputation as a highly experienced contractor with proven capabilities in difficult environments;
- place a greater emphasis on operational excellence, 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; and

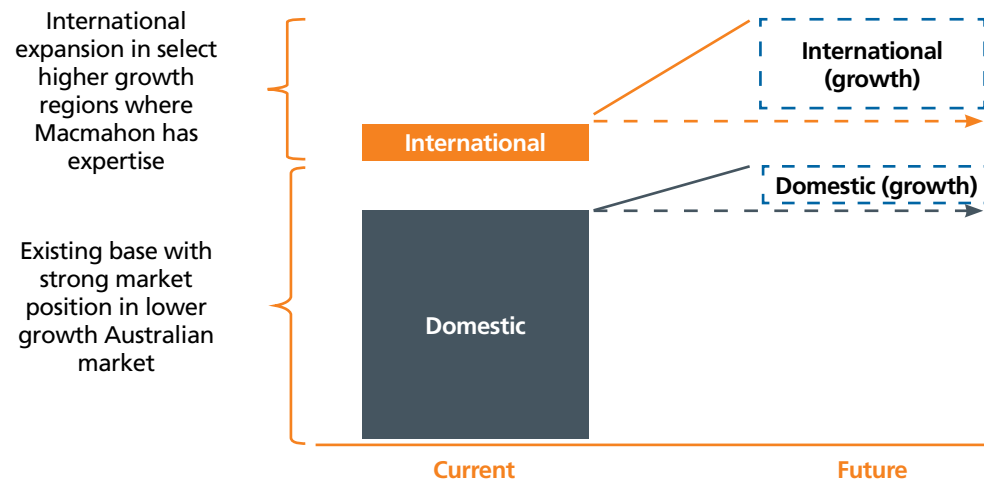
- improve its Company wide safety performance.

Secondly, the Company plans to leverage its existing operations, both in Australia and overseas, to expand its foothold in Africa, Central Asia and South-East Asia.

International growth will be achieved by:

- further developing existing in-country relationships with mine owners and decision makers;
- securing ancillary work near existing projects that open doors to future opportunities;
- pursuing ‘hot-spots’ where there are clusters of projects that provide the opportunity to develop scale; and
- following customers into international locations.

Macmahon’s two tier strategy





Risk Management

Macmahon recognises that risk is an inherent part of its business. Managing risk is critical to the ongoing success of the Company and particular attention is given to activities in key stages of the project life cycle including project selection, tendering, project start-up and project execution.

This report provides summaries of number of key risks which could materially impact the execution and achievement of the business strategy. These risks are not an exhaustive list. Many risks are outside the control of Macmahon and there can be no guarantee that Macmahon will achieve its stated objectives.

Safety

While Macmahon's objective is to achieve zero harm, there remains the risk of serious injuries or fatalities to our employees. 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 our business.

Lower economic growth profiles of key geographies

Macmahon's revenue is closely tied to the long-term decisions of its customers and the rate at which they choose to produce. A large proportion of Macmahon's contracts are linked to the volume of materials moved or drilled and not to the short-term price of the underlying commodity. However, the decision of customers to maintain production levels is strongly influenced by market conditions and the demand for their products.

While general economic conditions are outside Macmahon's control, the Company's diversified business model (commodity, geography and customer) mitigates the risk of a downturn in any one area.

Order Book - new contract awards and renewals

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 sites 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.

Macmahon is proactively engaged in maintaining strong customer relations and new business development opportunities to mitigate the risk of loss of one or more major contracts.

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. 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 a 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.

Funding risk

The Company maintains available borrowings which coupled with cash reserves support ongoing liquidity and growth opportunities. The Company's existing finance needs and growth potential are impacted by the possibility of future higher funding costs, or a lack of funds to finance such operations or growth.

The Company has recently commenced the process for new refinance terms that are designed to meet the anticipated funding needs of the Group for the next 3 years and are broadly consistent with those of the Group's existing secured facilities. Further information is contained in note 26 of the financial statements.



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 32 of the financial statements.

Currency fluctuations

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.

Credit risk

The ongoing financial performance of the Company is directly linked to the ability of Macmahon's customers to pay for work performed. Accordingly, there is risk of financial loss to the Company if a customer fails to meet its contractual obligations.

Macmahon maintains stringent tendering processes whereby all customers are analysed for creditworthiness. The exposure to credit risk is monitored on an ongoing basis. Macmahon mitigates credit risk in a variety of ways including; managing payment terms, receiving advance payments, receiving the benefit of a bank guarantee and obtaining credit insurance, where available, for customers considered to be at risk.

continued

Risk Management

Competition

Macmahon's business is susceptible to:

- increased competition from other providers of mining services;
- competitive pricing strategies; and
- demands from high value customers seeking preferred supplier agreements.

These factors have the ability to impact on Macmahon's profit margins and market share. This risk is mitigated through Macmahon's diversified customer base, reducing the impact of pricing strategies and demands from any one customer.

Country risk

As an international mining contractor, Macmahon is exposed to a range of factors that could negatively impact on its operations. Some of these factors include but are not limited to; economic conditions, changes in regulatory regimes, civil unrest, conflicts, bribery and corrupt practices.

Environment

The mining industry operates in a range of physical environments, some of which are extremely sensitive and involve a high degree of operational risk. Whilst the Company takes every precaution to mitigate this risk, the Company is not immune to the possibility of significant disruption, operational difficulties, increased costs, liabilities and penalties or criminal prosecution.

Contractual

As a provider of services the resources industry, there are a number of contractual risks that could impact on the Company including but not limited to:

- Contract delivery risk – where execution of the contract proves difficult. This risk is mitigated by professional judgment and expertise in managing complex operational conditions

- Contract pricing risk – where individual contracts may suffer material negative impact on financial performance. The Company relies on its estimating ability, systems, experience and good operational processes to mitigate this risk.

Workforce risks

Labour expenses represent a significant portion of operating expenses. In addition, in order to compete for work and to service customers, the Company needs to be able to continue to attract and retain skilled employees.

Other risks

Other areas of risk faced by Macmahon include:

- operational risk, which arises from inadequate or failed internal processes, people and systems, or from external events;
- risks associated with the industrial relations landscape in Australia; and
- financial risks arising from fraud, regulatory breaches and bad debts.

Appropriate policies and procedures are continually being developed and updated to help manage these risks.

Further detail regarding Macmahon's management of financial and operational risks can be found in the notes to the financial statements.

Business Improvement

Macmahon's Business Improvement (BI) program "REACH" has been progressing well since its introduction last year. During the year, the REACH framework was rolled out across the majority of the Company's domestic operations and is now being expanded to include the Company's international operations.

The REACH program is focused on the following key areas:

- Operations
- Plant and Equipment
- Procurement
- Systems
- People

The program encompasses both operational areas and corporate support services. As a result, corporate functions such as human resources, finance and information technology are as much involved in the BI process as Macmahon's site based operations.

As the program matures, short-term initiatives will be complemented with longer-term cultural and operational improvements forming the new Macmahon "business as usual" paradigm.

Key activities to date include:

- continuation of our key procurement initiative, the strategic sourcing project;
- an operational and maintenance improvement program at our projects;
- improvements to our internal financial reporting systems;
- upgrades to our procurement systems; and
- development of the BI governance and reporting framework.



Operations

Surface Mining

Macmahon's domestic surface mining operations have continued to underpin the business during the 2014 financial year.

The Company's performance at Fortescue Metals Group's Christmas Creek Mine Expansion improved steadily over the year. The installation of a new management team on site in early 2014 resulted in the project increasing its production rates and improving safety performance.

Assisting with project delivery was the addition of a new nine-bay workshop facility, which undertakes maintenance and service of some 354 pieces of plant. The Company is now focused on exceeding its contractual requirements in regard to both safety and productivity.

Material movement at the Tropicana Gold Project (jointly owned by AngloGold Ashanti and Independence Group) increased significantly compared to the prior period following the commencement of the second and third fleets.

During the year the Company installed the Caterpillar Minestar system on all fleet at the Tropicana Project. The new technology is expected to generate additional benefits over the remaining life of the project by maximising haulage and excavator fleet productivity through real-time monitoring and analysis. At the Christmas Creek Mine a similar application, Jigsaw, was also introduced. This has significantly improved dispatching and has resulted in a number of production efficiency gains.

Mining operations continued at Newmont Mining's Waihi gold mine where Macmahon has been operating since 1998. The Company was awarded a contract extension in June and is contracted to remain on site until March 2016, which is the end of the mine's life.

In April 2014, Macmahon reduced operations from three fleets to one fleet at Peabody Energy's Eaglefield/Lenton mine as it nears the end of its mine life. The project is expected to be completed in November 2014.

Works at BHP Billiton's Orebody 18 were completed in June 2014 and demobilisation completed in July 2014 following the decision to take operations in-house. Macmahon's strong working relationship with BHP Billiton continues and the Company remains in negotiations regarding a framework agreement for future works to support their growth plans in the Pilbara region.

Yancoal's decision to change its operating model at its Cameby Downs mine following the completion of Macmahon's contract, saw all staff and the majority of plant demobilised from site in December 2013. Some items of plant remained on hire through to the end of the 2014 financial year.

"The Company's domestic surface mining operations have continued to underpin the business during the 2014 financial year."





continued

Operations

Underground Mining

The Company's underground mining operations continued to deliver during the year despite increasingly difficult market conditions.

Operations at BHP Billiton's Olympic Dam Mine performed well with a further four-year extension granted during the period to provide raise drilling services. The Company also deployed the world's largest raise-drilling machine, the Herrenknecht RBR900VF, at Olympic Dam. The scale of this machine delivers significantly improved productivity, whilst the increased level of automation provides additional safety benefits.

Works at ERA's Ranger operation in the Northern Territory continued during the year and discussions are currently underway with the client regarding further work on this project.

The Company recently completed its contract for development works at Glencore Xstrata's George Fisher Mine in Queensland and continues to provide support services on site. The Company is currently tendering for additional work in the region.

Operations at Rio Tinto's Argyle Diamond Mine concluded in June as the project entered the next phase of its mine life. The Company retains a very strong relationship with Rio Tinto and is continuing to assist the project during the transition.

Macmahon's Mining Services also continued to deliver, with a number of extensions and small contract wins awarded during the period. There were a number of significant achievements during the year including the world record for metres drilled in a month at Carpentaria Gold's Ravenswood / Mt Wright underground mine in Queensland.

International Mining

Macmahon continued to cement its position in its chosen key markets during the year.

In Indonesia and Malaysia, operations continued to perform well and the Company is currently in negotiations with the client regarding contract renewals at its Kanthan and Rawang projects which are scheduled to expire during the 2015 financial year.

In Africa, operations in Nigeria improved steadily over the year. The Company is continuing to strengthen its footprint across the continent and has recently bolstered its business development capabilities to enhance the Company's work winning efforts.

In Mongolia, operations at the Tavan Tolgoi mine in the Gobi desert continued despite varied and challenging weather conditions. Disappointingly, whilst the project performed well operationally, payment delays for work completed remained an issue for the Company.

Subsequent to year end, operations at Tavan Tolgoi were suspended by the client following a disagreement between Macmahon and ETT over a range of matters. Discussions are currently being held between the two parties in an effort to resolve these matters by agreement.

Plant and Maintenance

Macmahon's plant and maintenance division continued to provide strong support to the Company's operations during the year. A strong focus on equipment availability and greater on-site support resulted in a lift in productivity across a number of projects.

Further to the Company's operational requirements, the maintenance business was also successful in securing additional work from external clients during the year. Feedback from external clients has been positive and the Company expects this revenue stream to increase moving forward.

People

At the end of the 2014 financial year, Macmahon had a total of 2467 direct employees across all operations. Employee numbers declined over the year following the completion of a number of projects.

Macmahon's employees are critical to its success and the Company has continued to develop its people through a range of leadership and development programs. These programs are focused on developing the capability and behaviours of its leaders and building a performance culture.

Sourcing talent for key roles and obtaining the right people to facilitate the Company's domestic and international growth has also been a key priority over the year. In recent months the Company has made several new appointments both in Australia and overseas, significantly bolstering the Company's business development and managerial capacity.

Apprenticeships

Macmahon's well-regarded apprenticeship program continued to attract a number of high calibre applicants and at year-end, 79 apprentices were employed by the Company across a range of trades including plant mechanics, boilermakers and electricians. Highlighting the quality of the program, the Company was awarded the Chamber of Commerce and Industry Award for Excellence for Employers of Australian Apprentices – Northern WA Region.

Graduates

During the year Macmahon continued its successful graduate program in association with Engineers Australia. The program provides an opportunity for qualified engineers to further develop both their technical and managerial skills. As part of the program young engineers are exposed to a number of roles across various projects within the Company. At the end of the program, a select number of graduates are able to qualify for a restricted quarry manager's certificate or an underground supervisor's certificate.

Australian Employment Covenant (AEC)

In August 2010, Macmahon joined the national Aboriginal Employment Covenant in an effort to address the social and economic disadvantages faced by Indigenous Australians. Since 2010, Macmahon has made great progress towards meeting its commitment to employ 500 Indigenous people by the end of 2015. As of June 2014, Macmahon had employed 420 Aboriginal and Torres Strait Islanders.

"Macmahon's employees are critical to its success and the Company has continued to develop its people through a range of leadership and development programs."





continued

People

Indigenous Joint Ventures

During the year, Macmahon continued to support a number of Indigenous employment initiatives through its wholly owned subsidiary, Doorn-Djil Yoordaning Pty Ltd (DDY).

In 2014, DDY established a new partnership with Muyah Contractors based in Barcaldine, Queensland. The joint venture is focused on employing and training local Indigenous employees to support major infrastructure projects underway in the region.

During the year Macmahon enabled and supported the East Wongatha people of Great Victorian Desert Region of Western Australia to establish the Triodia Light Vehicle Workshop at the Tropicana Gold Mine. The joint venture successfully operates a light vehicle workshop providing repair and maintenance services for the fleet of light vehicles and minor equipment. The operation is now in its second year of operation and is nearing 500 days Lost Time Injury (LTI) free.

In addition to these partnerships, DDY also continued its long running partnership with Dhurawine Contractors, an Aboriginal owned business based in Central Queensland. Since late 2013, Dhurawine has been operating a competitive and quality assured courier service based in Mackay, Queensland and with the support of dedicated DDY personnel, has been able to diversify its business to meet resource sector needs in Queensland.

One of the major success stories for Macmahon this year was the successful transfer of the long running Indigenous joint venture – Gooring Jimbila Contracting, back to its Indigenous partner – Gelganyem Enterprises, who represent the traditional owners of the land in and around the Argyle Diamond Mine in the Kimberley Region of Western Australia.

ROCKSTAR – Real Opportunities and Careers – Kick Starting Today's Aboriginal Role models

The Macmahon ROCKSTAR program, launched in 2010, is a national initiative providing Indigenous people with an opportunity to build an exciting career in the mining industry.

In 2014, the ROCKSTAR program ran three pre-employment programs for a total of 36 Indigenous people, eight of which were from New South Wales, Queensland and South Australia, reflecting the true national aspect of the program.

Following the completion of the program, 16 ROCKSTAR trainees were offered full-time employment on a number of projects, while an additional 10 are in the process of beginning employment with the Company.



Safety milestones achieved over the past 12 months

- Improved TRIFR and LTIFR ratios for our mining operations
- Kanthan, Malaysia operating 9 years LTI free
- Mongolia 12 months TRI and LTI free
- Shotcreting division operating 7 years LTI free
- Eaglefield operating over 7 years LTI free
- George Fisher operating over 3 years LTI free
- Doorn-Djil Yoordaning – No LTIs recorded
- WAC and Nebo workshops recording 6 years LTI free. During 2014 the Nebo workshop achieved a 1 year total recordable injury free safety record

Safety

Following the completion of the Company's remaining construction projects, during the year the Company amended its safety reporting to better reflect its mining operations.

The Company recorded a rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) of 8.5 at 30 June 2014, compared to 10.1 (for continuing operations) in 2013. The rolling Lost Time Injury Frequency Rate (LTIFR) at 30 June 2014 was 0.9, compared to 1.1 in 2013.

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, focusing on embedding a culture of outstanding safety practices.

The Company's renewed safety strategy is focused on two central pillars being:

- the promotion of a safe and healthy culture and behaviours; and
- the consolidation of internal Health Safety Environment and Quality (HSEQ) systems and processes and the establishment of a consistent safety framework throughout the business.

These two pillars are supported by a number of initiatives, including:

- role and responsibility clarification;
- CEO significant incident reviews to enforce accountability across all areas of the business;
- implementation of Safe Act Observation ('SAO') for Leaders;
- revision and implementation of new life saving rules;
- simplification and streamlining of safety policies and procedures;
- cultural improvement plan; and
- company-wide recognition of outstanding HSEQ performance.

Environment

Macmahon recognises the importance of environmental protection and strives to avoid and minimise harm to the environment. The Company is committed to environmentally responsible practices that deliver positive environmental outcomes for our clients and the communities in which we operate.

A key component of Macmahon's approach to environmental management is the implementation of our ISO AS/NZS 14001 certified environmental management system which includes a range of measures to plan, monitor and audit our operations.

During the year, the Company continued to implement environmental management strategies and plans to ensure the highest levels of compliance and the avoidance and minimisation of impacts to the environment. The Company continued to uphold its industry leading level of compliance across all jurisdictions in which it operates. No prosecutions, infringements or other penalties from its operations or activities were received across challenging and complex work environments.

Although Macmahon's environmental management standards are high, the Company believes it can always improve on its performance. In order to achieve continual improvement it aims to learn from any environmental incidents it is involved in and apply those lessons to its future performance. Macmahon also seeks to learn from positive impacts when projects make breakthroughs in environmental management practices, such as protecting ecological communities or successfully minimising waste.



The strength of the Board is underlined by its members' extensive business knowledge and experience in a range of leadership positions both in Australia and overseas with experience from operational and strategic perspectives.

The Board



Jim Walker

Independent Non-Executive Director, Chairman

Mr Walker joined the Board as a Non-executive Director in October 2013 and was appointed Chairman in March 2014.

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.



Barry Cusack

Independent Non-Executive Director, Deputy Chairman

Mr Cusack joined the Board as a Non-executive Director in June 2002 and was appointed Deputy Chairman in September 2009.

Mr Cusack is an honorary life member of the Chamber of Minerals and Energy of Western Australia Inc. He joined CRA Limited (now Rio Tinto Limited) in 1966 and retired from the position of Managing Director of Rio Tinto Australia in December 2001. Mr Cusack was President of the Minerals Council of Australia from 2001 to 2003 (member since 1996).



Ross Carroll

Chief Executive Officer and Managing Director

Mr Carroll was appointed as CEO and Managing Director in September 2012.

Having joined Macmahon as Chief Financial Officer, Mr Carroll was promoted to Chief Operating Officer – Mining in early 2011. When he joined Macmahon in 2006 as CFO, Mr Carroll brought with him more than 20 years' experience in oil and gas, mining and agribusiness sectors, including 18 years with BHP Billiton.



Giles Everist

Independent Non-Executive Director

Giles Everist joined the Board as a Non-executive Director in June 2013.

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.

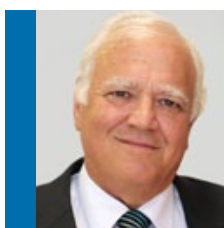


Eva Skira

Independent Non-Executive Director

Eva 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.



Vyril Vella

Non-Executive Director

Mr Vella joined the Board as a 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.

The Executive Team



Ross Carroll

Chief Executive Officer and Managing Director

Mr Carroll was appointed as CEO and Managing Director in September 2012. Having joined Macmahon as Chief Financial Officer, Mr Carroll was promoted to Chief Operating Officer – Mining in early 2011. When he joined Macmahon in 2006 as CFO, Mr Carroll brought with him more than 20 years' experience in oil and gas, mining and agribusiness sectors, including 18 years with BHP Billiton.

Prior to his appointment to Macmahon, Mr Carroll was CFO of Woodside. Mr Carroll's previous roles with BHP Billiton included Iron Ore (Vice President Commercial) and Petroleum (Vice President Finance and Planning Americas).



Sy Van Dyk

Chief Financial Officer

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.

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 most recently Chief Financial Officer. Prior to WesTrac, Mr van Dyk's career spanned a number of senior positions within Kimberly-Clark, South Africa.



Fraser Ramsay

Chief Operating Officer – Surface Mining

Mr Ramsay joined Macmahon in 2005 and has more than 20 years' experience in the construction industry, predominately working on major engineering projects.

Prior to joining Macmahon as Construction Manager, Mr Ramsay held positions with Leighton Contractors and Transfield Services. Mr Ramsay was previously Alliance Manager for the Coal Stream Alliance that delivered Queensland's largest ever coal rail infrastructure project.



Greg Miller

Executive General Manager – Underground

Mr Miller has more than 15 years' experience in underground mining in Australia, with more than nine of those years in management roles.

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



Rob Barker

Group General Manager – Market Development

Mr Barker joined Macmahon in 2012 as Manager – Strategy and Market Development for Surface Mining. Mr Barker was promoted to the position of Group General Manager – Market Development in May 2013, overseeing Macmahon's business development activities and business improvement program.

Mr Barker has a substantial track record delivering continuous improvement and strategic transformation programs across a range of sectors. He holds an MBA from the University of Western Australia.



Roger Hughes

Group General Manager – Human Resources

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

Prior to joining Macmahon, Mr Hughes worked for 20 years in senior human resources, industrial relations and strategy roles, including senior management positions with BHP Billiton and Fortescue Metals.



David Todd

Group General Manager – Health, Safety, Environment and Quality

Mr Todd joined Macmahon in January 2013 and was appointed to the Executive Team in August 2013. Mr Todd has extensive experience in all facets of health, safety and environment and risk management within the resources sector, both in Australia and overseas.

After holding a range of health and safety roles for BHP Billiton over more than 25 years, he was most recently the Manager Workplace Health and Safety for the Chamber of Minerals and Energy Western Australia.



Contents

Directors' Report	30
Remuneration.....	38
Remuneration Report - Audited.....	39
Corporate Governance Statement.....	54
Lead Auditor's Independence Declaration.....	67
Statement of Profit or Loss and Other Comprehensive Income	68
Statement of Financial Position.....	69
Statement of Changes in Equity.....	70
Statement of Cash Flows.....	71
Notes to the Financial Statements	72
1. General information	72
2. Significant accounting policies	72
3. Critical accounting judgements, estimates and assumptions.....	84
4. Operating segments.....	86
5. Revenue.....	89
6. Other income.....	89
7. Expenses	90
8. Income tax expense/(benefit).....	91
9. Discontinued operations	92
10. Current assets - cash and cash equivalents.....	93
11. Current assets - trade and other receivables.....	94
12. Current assets - inventories	95
13. Current assets - derivative financial instruments.....	95
14. Current assets - income tax	96
15. Current assets - assets of disposal groups classified as held for sale.....	96
16. Non-current assets - receivables.....	96
17. Non-current assets - property, plant and equipment.....	97
18. Non-current assets - intangibles	98
19. Non-current assets - deferred tax.....	99
20. Current liabilities - trade and other payables	100
21. Current liabilities - borrowings	100
22. Derivative financial instruments.....	101
23. Current liabilities - employee benefits.....	101
24. Current liabilities - provisions.....	102
25. Current liabilities - liabilities directly associated with assets classified as held for sale	102
26. Non-current liabilities - borrowings	103
27. Non-current liabilities - employee benefits	104
28. Non-current liabilities - retirement benefit obligations.....	105
29. Equity - issued capital.....	106
30. Equity - reserves.....	107
31. Equity - dividends.....	108
32. Financial instruments.....	109
33. Fair value measurement	116
34. Key management personnel disclosures.....	118
35. Remuneration of auditors.....	118
36. Contingent liabilities.....	119
37. Commitments	120
38. Related party transactions.....	121
39. Parent entity information	122
40. Interests in subsidiaries.....	123
41. Interests in joint ventures	124
42. Deed of cross guarantee.....	125
43. Events after the reporting period	128
44. Reconciliation of profit/(loss) after income tax to net cash from operating activities	128
45. Earnings per share.....	129
46. Share-based payments.....	131
Directors' Declaration	136
Independent Audit Report.....	137
Summary of Consolidated Results.....	139
ASX Additional Information	141
Glossary	144

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'consolidated entity') consisting of Macmahon Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

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) (appointed 11 October 2013, appointed Chairman 21 March 2014)

K B Scott-Mackenzie (Chairman, Non-executive) (resigned 21 March 2014)

B L Cusack (Deputy Chairman, Non-executive)

R A Carroll (Chief Executive Officer and Managing Director)

C R G Everist (Non-executive)

B R Ford (Non-executive) (resigned on 14 November 2013)

E Skira (Non-executive)

D M Smith (Non-executive) (resigned on 14 November 2013)

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

Dividends paid during the financial year were as follows:

	Consolidated	
	2014	2013
	\$'000	\$'000
Final dividend declared and paid for 2013 of nil (2012: 2.5 cents) per ordinary share	-	18,286

continued

Directors' Report

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$30.4 million (2013: loss of \$29.5 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 28, which forms part of this Directors' report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Debt refinance

The first tranche of the Group's syndicated term facility of \$137.5 million is due to expire in January 2015 and consequently is classified as a current liability. During July 2014 the Company jointly mandated The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch and Commonwealth Bank of Australia as lead arrangers and bookrunners for a new syndicated facility to refinance the existing syndicated debt facilities under a new term sheet. The proposed new terms are designed to meet the anticipated funding needs of the Group for the next 3 years and are broadly consistent with those of the Group's existing secured facilities, seeking a reduced, secured facility of \$280 million with the ability to upscale. In addition, the proposed terms include the right for the lenders to review the Facility in the event that there is a significant decline or termination of business from existing material contracts.

Whilst the process for refinance is not completed, to 18 August 2014 the Group had received significant commitments to lend from eight lenders totalling \$302.5 million subject to execution of documentation and satisfaction of other customary conditions precedent.

Whilst the commitments are not binding on lenders until the execution of final documentation and the satisfaction of customary conditions precedent, the Directors are confident that the refinance process will complete successfully before January 2015.

Tavan Tolgoi (Mongolia) project

A subsidiary in the Group provides mining services at the Tavan Tolgoi mine in Mongolia pursuant to a contract with Erdenes Tavan Tolgoi (ETT). Subsequent to year-end, work under this contract was suspended by ETT as a result of disagreements between the parties over a range of matters. Discussions are currently being held in an effort to resolve the various matters of potential claim and counterclaim between the parties. The Board believes currently notified matters from ETT would be successfully defended. The Board also believes that impairment has been appropriately considered in accordance with the accounting policies of the Group.

No other matter or circumstance has arisen since 30 June 2014 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 28.

Environmental regulation

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

continued

Directors' Report

Information on Directors

Name:	Mr Jim Walker
Title:	Independent Non-executive Chairman
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. 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 member 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 Remuneration & Nomination Committee.
Interests in shares:	None

Name:	Mr Barry Cusack
Title:	Independent Non-executive Deputy Chairman
Qualifications:	BE (Hons), M.Eng.Sc, FTSE, FAusIMM, FAICD, FAIM
Experience and expertise:	Mr Cusack joined the Board as a Non-executive Director in June 2002 and was appointed Deputy Chairman in September 2009. Mr Cusack is an honorary life member of the Chamber of Minerals and Energy of Western Australia Inc. He joined CRA Limited (now Rio Tinto Limited) in 1966 and retired from the position of Managing Director of Rio Tinto Australia in December 2001. Mr Cusack was President of the Minerals Council of Australia from 2001 to 2003 (member since 1996).
Other current directorships:	Mr Cusack is currently a Non-executive Director of Toll Holdings Limited (appointed October 2007).
Former directorships (last 3 years):	Mr Cusack was the Chairman of Brockman Resources Limited from June 2010 to September 2011.
Special responsibilities:	Mr Cusack is currently a member of the Board's Audit Committee and a member of the Board's Remuneration & Nomination Committee.
Interests in shares:	1,500,000

continued

Directors' Report

Name:	Mr Ross Carroll
Title:	Chief Executive Officer and Managing Director
Qualifications:	B.Com
Experience and expertise:	Mr Carroll was appointed as Chief Executive Officer and Managing Director in September 2012. Having joined Macmahon as Chief Financial Officer (CFO) in 2006, Mr Carroll was promoted to Chief Operating Officer – Mining in early 2011. Mr Carroll has more than 20 years' experience in oil and gas, mining and agribusiness sectors, including 18 years with BHP Billiton (BHPB). Prior to his appointment to Macmahon, Mr Carroll was CFO of Woodside. Mr Carroll's previous roles with BHPB included Iron Ore (Vice President Commercial) and Petroleum (Vice President Finance and Planning Americas).
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	2,699,006

Name:	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 (Honours) 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, Austal, and not-for-profit organisation Perth Home Care Services.
Former directorships (last 3 years):	None
Special responsibilities:	Mr Everist is currently a member of the Board's Audit Committee.
Interests in shares:	None

continued

Directors' Report

Name:	Ms Eva Skira
Title:	Independent Non-executive Director
Qualifications:	BA (Hons), MBA, SF Fin, Life Member Fin, FAICD, FAIM
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 Honours, Economic History) at the University of New South Wales, and obtained her Masters of Business Administration (Dux and Distinction) at the IMD Switzerland.
Other current directorships:	Ms Skira is currently the Chairman of both the Water Corporation WA, Trustee of St John of God Health Care Inc., and a director of RCR Tomlinson Ltd.
Former directorships (last 3 years):	None
Special responsibilities:	Ms Skira is currently the Chairman of the Board's Audit Committee.
Interests in shares:	None

Name:	Mr Vyril Vella
Title:	Non-executive Director
Qualifications:	BSc, BE (Hons), M.Eng.Sc, FIEAust, FAICD
Experience and expertise:	Mr Vella joined the Board as a nominee of Leighton Holdings Limited 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.
Interests in shares:	357,842

'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.

continued

Directors' Report

Company secretaries

Mr Gettingby joined the Group 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 Group. Prior to joining the Group he worked as a lawyer in private legal practice.

Mr Brown joined the Group in April 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.

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 2014, and the number of meetings attended by each Director were:

	Full Board		Special Board Meetings ¹		Audit and Risk Committee		Remuneration & Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
J A Walker ²	6	6	1	1	-	-	2	2
K B Scott-Mackenzie ²	6	7	3	3	-	-	1	1
B L Cusack	9	9	4	4	5	5	3	3
R A Carroll	9	9	4	4	-	-	-	-
C R G Everist	9	9	2	4	3	3	-	-
B R Ford ²	3	3	3	3	2	2	-	-
E Skira	9	9	4	4	5	5	-	-
D M Smith ²	3	3	2	3	2	2	1	1
V A Vella	8	9	4	4	-	-	3	3

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

¹ Special Board meetings were held on short notice during the financial year due to corporate activities.

² Messrs Scott-Mackenzie, Ford and Smith resigned on 21 March 2014, 14 November 2013 and 14 November 2013 respectively. Mr Walker was appointed on 11 October 2013.

Remuneration report (audited)

The audited remuneration report is set out on pages 39 to 53 and forms part of this Directors' report.

continued

Directors' 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. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

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 Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company 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 35 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.

The Directors are of the opinion that the services as disclosed in note 35 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 Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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.

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 67.

Auditor

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

continued

Directors' Report

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

A handwritten signature in black ink, appearing to read 'Ross Carroll', is positioned above a horizontal line.

Ross Carroll
Director

19 August 2014
Perth

Remuneration

Message from the Board

Dear Shareholder,

We are pleased to present the Remuneration Report for the financial year ended 30 June 2014 (2014) where we seek to explain how performance relates to reward outcomes at Macmahon.

Following positive feedback in response to the new remuneration framework that was successfully implemented during 2013, we continued to embed and refine the remuneration structure throughout the 2014 financial year. We believe the current remuneration framework continues to:

- Enhance the alignment between shareholder and executive interests; and
- Reflect our business strategy of becoming a dedicated full service mining contractor.

We are confident that we continue to have the right remuneration structure to attract and retain the calibre of Executives needed to execute the Group's strategy and deliver sustainable performance.

Outcomes for 2014

The key remuneration outcomes in 2014 are outlined below:

- During the year, a pay review was conducted for the Key Management Personnel (KMP). The pay review indicated that Mr Miller and Mr Todd were paid below market remuneration levels. As a result, their Total Fixed Remuneration (TFR) will be increased from 1 September 2014. Mr Barker was provided with an increase to his TFR from 1 March 2014 in recognition of his expanded responsibilities for business strategy.
- In 2014, the Group did not meet the short-term incentive (STI) payment gateway. As a result, no STI payment is proposed to Executives or other eligible participants. In addition, the group did not meet its long-term incentive (LTI) hurdles and as a result, no performance rights vested in 2014.
- Total compensation paid to Key Management Personnel for 2014 is 38% lower than 2013 (based on numbers reported in the 2013 Annual Report), and 23% lower when termination payments are excluded.

Improvements for 2015

Throughout 2014, we continued to review and refine the Group's remuneration framework which was implemented on 1 July 2013. The only change to the framework for the upcoming financial year is to the adjustment of the Earnings Per Share (EPS) hurdle in the Long-Term Incentive (LTI) Plan. This change is reflective of market practice and will ensure the performance hurdle continues to challenge senior management to achieve growth in shareholder value over the long term.

Key Management Personnel

In 2014, there were changes in several senior executive roles. Mr Sybrandt van Dyk was appointed as the Chief Financial Officer, Mr Roger Hughes was appointed as the Group General Manager – Human Resources and Mr David Todd was appointed as the Group General Manager – Health, Safety, Environment and Quality.

We were also pleased to welcome our new Non-executive Chairman in 2014. Mr Jim Walker brings a fresh perspective to the Board with over 40 years of experience in the resources sector.

We believe the Group'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 2014.

Vyril Vella

Chairman of the Remuneration & Nomination Committee

Note: References to years relate to financial years (eg. '2014' means the year ended 30 June 2014).

Remuneration Report - Audited

Remuneration report contents

Section	Title	Description
Section 1	Introduction	Outlines the scope of the Remuneration Report and the individuals disclosed.
Section 2	Remuneration governance	Describes the role of the Board, the Remuneration & Nomination Committee and matters considered (including external advice) when making remuneration decisions.
Section 3	2014 Executive remuneration framework and improvements	Outlines the 2014 remuneration framework and changes to the LTI Plan.
Section 4	Group performance and the link to remuneration	The outcomes of key business metrics and hurdles that are used for measuring variable pay outcomes.
Section 5	Executive remuneration outcomes	Provides Chief Executive Officer remuneration, STI and LTI Plan details and Executive remuneration outcomes for the year.
Section 6	Executive contracts	Appointments and notice periods for current Executives and termination arrangements of departing Executives.
Section 7	Non-executive Directors' fees	Provides detail regarding the fees paid to Non-executive Directors.
Section 8	KMP Remuneration	Table for KMP Remuneration for 2014 with prior year comparisons.

continued

Remuneration Report - Audited

1. Introduction

This Remuneration Report forms part of the Directors' Report for 2014 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 Group's external auditor.

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. These individuals are outlined in the table below.

Person	Position	Period in position during the year
Directors – Non-executive		
J A Walker	Non-executive Chairman Non-executive Director	Since 21 March 2014 11 October 2013 to 20 March 2014
B L Cusack	Non-executive Deputy Chairman	Full year
C R G Everist	Non-executive Director	Full year
E Skira	Non-executive Director	Full year
V A Vella	Non-executive Director	Full year
Director – Executive		
R A Carroll	Chief Executive Officer and Managing Director	Full year
Executives		
R Barker	Group General Manager - Market Development	Full year
R M Hughes	Group General Manager - Human Resources	Since 1 September 2013
G J Miller	Executive General Manager - Underground	Full year
F E Ramsay	Chief Operating Officer - Surface and Infrastructure	Full year
D A Todd	Group General Manager - Health, Safety, Environment and Quality	Since 1 September 2013
S J van Dyk	Chief Financial Officer	Since 14 April 2014
Former Key Management Personnel		
N Cernotta	Chief Operating Officer - Underground, International and Engineering	Until 14 March 2014
B R Ford	Non-executive Director	Until 14 November 2013
T Mlikota	Chief Financial Officer	Until 14 February 2014
K B Scott-Mackenzie	Non-executive Chairman	Until 21 March 2014
D M Smith	Non-executive Director	Until 14 November 2013
A C Young	Executive General Manager - Human Resources and Safety	Until 15 August 2013

continued

Remuneration Report - Audited

2. Remuneration governance

The Board oversees the remuneration arrangements of the Company. In performing this function the Board is assisted by recommendations from the Remuneration & Nomination Committee ("Committee"), external consultants and internal advice. The Committee is responsible for the detailed review, 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. In 2014, the Committee sought market data in relation to CEO and Executive remuneration and independent advice with respect to other Executive remuneration related matters from Egan Associates. Appropriate certification was provided to the Committee confirming that the advice provided was free from undue influence from any member of the Company's KMP to whom the advice related. The Board is satisfied that the advice was so provided.

2.1 Remuneration advisors

A summary of the remuneration advice obtained in 2014 is shown below.

Remuneration advisor	Nature of service	Fee
Egan Associates	Advice and provision of market data	\$9,009
Egan Associates	Review of proposed remuneration changes for 2014	\$6,353

3. 2014 Executive remuneration framework and improvements

Remuneration practices are continuously reviewed to ensure they align with the Company's business demands, industry conditions and overall market trends. For 2014, Macmahon has continued to use the remuneration structure which was outlined to Shareholders in the 2013 Annual Report. In keeping with continuous review of the Company's remuneration practices, throughout the year Macmahon benchmarked fixed and variable pay for employees and undertook analysis of incentive plan practices in the market. Small changes have been made to the 2015 LTI Plan performance hurdles as detailed in section 5.5.

3.1 Remuneration Strategy

The remuneration strategy and framework at Macmahon are linked to Macmahon's business strategy which allows for continued attraction and retention of key talent and provides for the right level of motivation that will drive the performance of the business, and deliver consistent returns to Shareholders well into the future.

Business Strategy

Our strategy is to sustain our core business in Australia through the deployment of a 'back to basics' approach delivering operational excellence. This capability will be leveraged to extend our operations internationally.

Remuneration Strategy

The primary goal is to encourage stronger than market growth in Shareholder value over the short and longer term. The intended outcome is the alignment of Executive remuneration with investor returns. Total remuneration is offered at above industry median to continue to attract and retain talent.

continued

Remuneration Report - Audited

Remuneration Framework

The 2014 remuneration framework balances fixed pay and variable 'at risk' pay to attract the requisite calibre of talent and incentivise key employees to drive business performance. The components of the remuneration framework are outlined below.

Total fixed remuneration (TFR)	Short-term incentive (STI)	Long-term incentive (LTI)
<ul style="list-style-type: none"> TFR is targeted at the 62.5th percentile compared to peers Peer companies are those with broadly similar revenue, market capitalisation and in related industries TFR is reviewed annually 	<ul style="list-style-type: none"> 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 deferral and clawback for the CEO 	<ul style="list-style-type: none"> 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 Grant of equity awards are based on the participants' ability to influence returns to Shareholders
Outcomes		
<ul style="list-style-type: none"> Continue to maintain an industry competitive fixed pay component Fixed remuneration benchmarked at the 62.5th percentile to reflect the size and complexity of the business and market conditions 	<ul style="list-style-type: none"> Continued focus on long term decision making through partial deferral of STI Link between short-term wealth creation for Shareholders and participants 	<ul style="list-style-type: none"> Clear link between the wealth creation for Shareholders and participants Alignment to the business plan and the Company's peer group

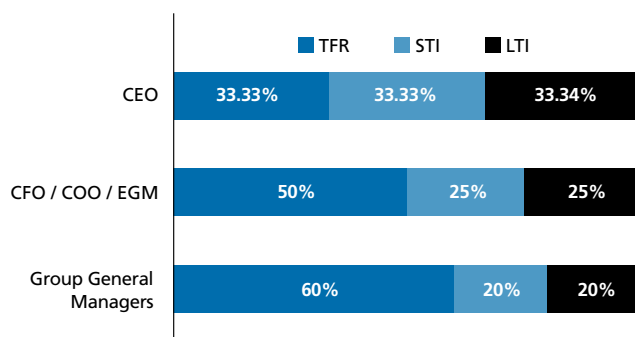
3.2 Target remuneration mix against actual

In the last financial year, Macmahon introduced a new remuneration mix that it planned to transition in over a two to three year period. In 2014 the Company continued with that transition.

The coming financial year will see a continued move away from increases in fixed pay to total packages balanced more in favour of variable pay.

The table below shows the target remuneration mix, which the Company expects to achieve over the above mentioned transition period. The target remuneration mix assumes achievement of STI 'Stretch' hurdles.

Remuneration mix



continued

Remuneration Report - Audited

3.3 Remuneration payment cycle

The table below outlines the timing and components of our Executive remuneration packages over the last two years and 2015 that demonstrates the move to purely performance based outcomes.

	Year 1 ➤	Year 2 ➤	Year 3 ➤	Year 4 ➤	Year 5 ➤	Year 6 ➤
FY2013		TFR STI opportunity Gateway not met		LTI opportunity 20% performance based 20% time based	LTI opportunity 60% performance based	
FY2014		TFR STI opportunity Gateway not met	25% deferred STI		LTI opportunity 100% performance based	
FY2015			TFR STI opportunity	25% deferred STI		LTI opportunity 100% performance based

continued

Remuneration Report - Audited

4. Group performance and the link to remuneration

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 Group performance against these objectives.

The following Group performance measures are among those that may be included in incentive plans for relevant Executives. KPIs may be adjusted for individually large or unusual items to derive an underlying performance measure outcome. The Committee believes these KPIs are aligned to Shareholder wealth and returns to investors.

	2014	2013	2012	2011	2010
Reported net profit/(loss) attributable to equity holders of the parent (\$m)	30.4	(29.5)	56.1	1.0	37.9
Reported return on equity (%)	7.3	(7.8)	16.5	0.3	11.3
Reported basic earnings per share (cents)	2.4	(3.0)	7.7	0.1	5.2
Order book (\$m)	2,573	3,230	3,139	2,013	2,215
New contracts and extensions (\$m)	387	1,846 ¹	2,997	1,052	2,057
Total recordable injury frequency rate	8.5 ²	7.7	7.7	3.5	4.6
Shareholders' wealth					
Dividends declared (cents)	-	-	4.0	-	3.0
Share price at 30 June (cents)	10.0	13.0	57.5	56.0	54.5
Total Shareholder Return (TSR) (%)	(20.6)	(70.0)	3.8	7.0	66.5

¹ Net of Construction contracts sold

² The 2014 TRIFR figure is net of Construction data and reflects a marked improvement on the mining only business from 30 June 2013. The corresponding Mining only TRIFR for 2013 was 9.9.

5. Executive remuneration outcomes

5.1 Managing Director and CEO arrangements

In 2014, Mr Ross Carroll's remuneration package was reviewed by benchmarking it against that paid to CEOs in similar organisations. The remuneration package comprises the following components:

1. Total Fixed Remuneration (TFR) of \$1,100,000 per annum, inclusive of superannuation. This was reviewed in 2014 but was not increased due to the challenging market conditions experienced by the Company. Mr Carroll has not received a remuneration increase since being appointed in September 2012.
2. A STI which includes the opportunity to earn an annual cash bonus of up to 125% of fixed remuneration, subject to achieving performance hurdles. Mr Carroll's STI Plan is aligned with other senior Executives under the same Plan rules with KPIs that align to winning work, profitable performance and safety. The CEO's STI Plan comprises 80% for key Group financial and safety KPIs and 20% for personal KPIs. The financial KPIs include Profit after Tax, Return on Equity ("ROE") and order book growth. The safety KPI is based on the Total Recordable Injury Frequency Rate ("TRIFR").

Importantly, Mr Carroll's package continues to include a clawback provision whereby up to 30% of any STI awarded can be reclaimed by the Company at any time for up to two years under certain circumstances.

There was no STI payable to Mr Carroll for 2014 as the 90% budgeted profit gateway STI hurdle was not met.

3. A LTI under which he may receive share performance rights convertible into fully paid shares, subject to performance criteria being met. At the 2014 Annual General Meeting, the Board intends to seek approval for the grant of 9,500,000 performance rights, which will be eligible to vest on 30 June 2017. This grant of performance rights aligns with the transition towards the targeted remuneration mix introduced in 2013. The performance period for these performance rights will commence on 1 July 2014. The 2014 LTI Plan performance conditions will apply to these rights.

continued

Remuneration Report - Audited

5.2 Total Fixed Remuneration (TFR)

All Executives received TFR as outlined in the remuneration table on page 53 of this report. TFR comprises base salary, any applicable role specific allowances, and superannuation.

Fixed pay has been reviewed and benchmarked against peer companies against whom we compete for talent. Benchmarking was completed using industry surveys and reports.

With the change in the Executive Team and continued rationalisation of Executive roles, there was only one Executive who received a pay adjustment throughout the year. Mr Robert Barker received a pay increase with the expansion of his role to include business strategy in addition to market development.

There was an annual pay review for all Executives in June 2014 resulting in a 3% increase to TFR for two executives, Mr Greg Miller and Mr David Todd from 1 September 2014. The decision to increase TFR followed market remuneration benchmarking which showed that Mr Miller and Mr Todd were paid below market remuneration levels. The remuneration adjustment is the first increase for Mr Todd since joining Macmahon in January 2013 and the first increase for Mr Miller since December 2011.

5.3 Short-Term Incentive (STI) Plan

Key features of the STI Plan for 2014 are outlined in the table below.

STI Plan			
Objective	KPIs are set to foster a profit and safety driven culture with the aim of delivering returns to Shareholders. STI payments are awarded to recognise and motivate employees to align their performance with the Company's goals.		
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.		
At risk payments	In line with the strategy to place more emphasis on variable pay and motivate Executives to pursue consistent profits, the payment for STI is set at 37.5% of TFR for Executives such as COO and CFO, who meet the target STI performance hurdle, and 75% for the CEO. A deferral of 25% continues to apply to any STI payment awarded to Executives.		
		% of TFR earned on Target Achievement	% of TFR earned on Stretch Achievement
			% of TFR earned on Maximum Achievement
	CEO	75%	100%
	CFO, COO and EGM	37.5%	50%
	Group General Managers	30%	40%
	All Executives	Deferral of 25% of earned value for a period of 24 months	
Deferral of STI	The STI Plan provides for deferral of up to 25% of Executives' STI pay for a period of two years. If an Executive leaves during this two year period, payment will be at the Board's discretion.		
Performance conditions	KPIs are set for Group, Business Unit and Division (where relevant). Each KPI is weighted according to its importance in driving profitable performance and returns to Shareholders. KPIs include the following key measures: Net Profit After Tax (NPAT), Profit Before Tax (PBT), Return on Equity (ROE), Return on Average Capital Employed (ROACE), Total Recordable Injury Frequency Rate (TRIFR) and order book. The Board considers these measures key to driving shareholder and investor returns.		
Safety condition	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.		
Setting of KPIs	Group and Business Unit level financial and safety targets are all agreed with the Board and personal KPIs are set in consultation with the relevant Executive.		
Assessment of KPIs	Performance is measured quantitatively and progress against key targets reported monthly. Personal KPIs are measured and tracked via individual performance reviews.		
Gateway for payment	There is a requirement that 90% of the Company's budgeted profit 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.		
Cessation of employment	STI is forfeited if an Executive resigns or is terminated before the payment date. In exceptional circumstances this may be reviewed by the Board.		

The STI framework for 2015 will remain unchanged from the 2014 STI Plan.

continued

Remuneration Report - Audited

5.4 STI outcomes for 2014

The Company did not meet the 90% budgeted profit gateway hurdle and therefore no STI payment was made to Executives.

STI Payments 2014	Awarded %	Forfeited %	Amount
R A Carroll Managing Director and Chief Executive Officer	-	100%	-
R Barker Group General Manager – Market Development	-	100%	-
R M Hughes Group General Manager – Human Resources	-	100%	-
G J Miller Executive General Manager – Underground	-	100%	-
F E Ramsay Chief Operating Officer – Surface & Infrastructure	-	100%	-
D A Todd Group General Manager – Health, Safety, Environment and Quality	-	100%	-
S van Dyk Chief Financial Officer ¹	-	-	-

¹ S J van Dyk was ineligible to participate in the 2014 STI plan as he commenced employment on 14 April 2014.

Our departing Executives from 2014, N Cernotta, T Mlikota, and A C Young were not employed for the full year and forfeited any right to a STI payment.

continued

Remuneration Report - Audited

5.5 Summary of the LTI Plan for Executives

The key features of the LTI Plan for 2014 were outlined in the 2013 Annual Report. These, and the changes for the 2015 LTI Plan, are set out in the table below.

LTI Plan	
Overview of the LTI Plan	<p>The Plan offers Executives and other senior personnel performance rights with the opportunity to receive fully paid ordinary shares in the Company for no consideration. The number of performance rights granted is determined using the transitional executive remuneration mix as outlined in page 42 and is at the discretion of the Board.</p> <p>The performance rights may vest subject to continued employment and the specified performance conditions being met. Each performance right will entitle participants to receive one fully paid ordinary share in Macmahon at the time of vesting.</p>
Objective	The Plan is designed to assist with Executive retention and to incentivise employees to maximise returns and earnings for Shareholders.
Eligibility	The Plan is open to Executives and key talent of Macmahon as determined by the Board, including the CEO. Each grant to the CEO is subject to Shareholder approval.
Performance condition	<p>Half of the performance rights (50%) are tested against a relative Total Shareholder Return (TSR) performance hurdle.</p> <p>The remaining half of the performance rights (50%) are tested against an absolute Earnings Per Share (EPS) performance hurdle.</p> <p>Both performance conditions are measured over a three year period. There is no time-based component of the Plan.</p>
TSR comparator group	<p>2014:</p> <p>The Company's TSR will be measured against the TSR performance of two comparator groups of listed entities over the performance period, weighted at 50% each:</p> <ul style="list-style-type: none"> • Eight companies with similar businesses to Macmahon, being Ausdrill Limited, Downer EDI Limited, Forge Limited ¹, Leighton Holdings Limited, Monadelphous Group Limited, NRW Holdings Limited, Decmil Limited and MACA Limited ("Peer Group"); and • Companies ranked between 101-200 in the ASX 200 classified as materials or industrials ("Adjusted ASX 200"). <p>2015 Change:</p> <p>Exactly the same TSR Comparator Group is proposed for 2015, except for the removal of Forge Ltd from the Peer Group due to Forge Ltd being placed under administration.</p>
Vesting schedule	The Plan provides for 100% of performance rights to vest after three years if performance hurdles are met and employment is continued.

¹ Forge Limited was placed into administration during 2014 and will not be included in the peer group for the purposes of the 2014 LTI Plan.

continued

Remuneration Report - Audited

Performance 2014: hurdles

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. The Company's TSR is measured as a percentile ranking compared to the TSR of the two comparator groups outlined above 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 EPS performance hurdle 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 2016. As outlined in the Company's previous Annual Report, the starting point for the EPS performance hurdle was set against the budgeted EPS at 30 June 2014 rather than the reported 30 June 2013 loss.

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 6% EPS CAGR	0%
6% EPS CAGR	50%
Between 6% EPS CAGR and 27% EPS CAGR	50% plus an additional 2.4% of this award for each additional EPS CAGR % above 6% EPS CAGR.
At or above 27% EPS CAGR	100%

2015 Change:

The EPS performance hurdles were reviewed against market practice by the Board during the year. As a result of the review, the proportion of EPS performance rights eligible to vest at the end of the performance period, being 30 June 2017 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%

Re-testing	There is no re-testing for LTI grants except for the 15 January 2010 and 17 June 2011 grants.
Restrictions on disposals	Vested plan shares held in trust are subject to disposal restrictions, in line with the Company's Trading in Shares Policy.
Dilution limits	Macmahon currently has fewer than 2.5% of total capital in performance rights outstanding and seeks to limit dilution of existing Shareholders. Macmahon currently purchases shares for all Executive performance rights on market and holds them in trust, and in these circumstances dilution is not applicable.
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.
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.
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.

continued

Remuneration Report - Audited

5.6 Macmahon Executive Option Scheme (2005) – legacy plan

No grants were made under this scheme in the year ended 30 June 2014. This scheme provided Executives with options over ordinary shares of the Company under the Executive Option Scheme approved by Shareholders at the 2005 Annual General Meeting.

No options under this scheme vested during the year and all outstanding options have now lapsed. The Company has not issued new options under this scheme since 2009 when the scheme was replaced by the LTI Plan.

5.7 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.

5.8 LTI performance rights

On 25 July 2013 a grant of 16,000,000 performance rights was issued under the 2014 LTI Plan to Executives and key talent.

Following Shareholder approval at the 2013 Annual General Meeting, 490,124 Class A CEO Performance Rights, 735,186 Class B CEO Performance Rights and 5,000,000 Class C CEO Performance Rights were issued to Mr Carroll.

5.9 LTI outcomes for 2014

During the period relevant performance hurdles were tested and as no hurdles were met, no performance rights vested. As at 30 June 2014, Macmahon had 34,013,381 performance rights outstanding from all grants under past LTI plans. During 2014, 7,112,737 performance rights lapsed from the scheme.

5.10 Options and rights

All outstanding options under the Executive Option Scheme (2005) lapsed during the period. No other option plans exist.

Rights over equity instruments granted as compensation

Details on 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 2014	Vesting condition	Grant date	Fair value at grant date (cents per share)	Vesting/Expiry date
R A Carroll	245,062	Service Condition	13 December 2013	10.8	1 July 2015
	122,531	Relative TSR - ASX 200	13 December 2013	1.0	1 July 2015
	122,531	Relative TSR - Peer Group	13 December 2013	3.0	1 July 2015
	367,593	Relative TSR - ASX 200	13 December 2013	2.1	1 July 2016
	367,593	Relative TSR - Peer Group	13 December 2013	4.1	1 July 2016
	2,500,000	EPS	13 December 2013	10.4	1 July 2016
	1,250,000	Relative TSR - Adjusted ASX 200	13 December 2013	5.8	1 July 2016
	1,250,000	Relative TSR - Peer Group	13 December 2013	5.8	1 July 2016
R Barker	300,000	EPS	25 July 2013	13.0	1 July 2016
	150,000	Relative TSR - Adjusted ASX 200	25 July 2013	9.0	1 July 2016
	150,000	Relative TSR - Peer Group	25 July 2013	9.0	1 July 2016
R M Hughes	250,000	EPS	25 July 2013	13.0	1 July 2016
	125,000	Relative TSR - Adjusted ASX 200	25 July 2013	9.0	1 July 2016
	125,000	Relative TSR - Peer Group	25 July 2013	9.0	1 July 2016
G J Miller	500,000	EPS	25 July 2013	13.0	1 July 2016
	250,000	Relative TSR - Adjusted ASX 200	25 July 2013	9.0	1 July 2016
	250,000	Relative TSR - Peer Group	25 July 2013	9.0	1 July 2016
F E Ramsay	750,000	EPS	25 July 2013	13.0	1 July 2016
	375,000	Relative TSR - Adjusted ASX 200	25 July 2013	9.0	1 July 2016
	375,000	Relative TSR - Peer Group	25 July 2013	9.0	1 July 2016
T Mlikota	750,000	EPS	25 July 2013	13.0	1 July 2016
	375,000	Relative TSR - Adjusted ASX 200	25 July 2013	9.0	1 July 2016
	375,000	Relative TSR - Peer Group	25 July 2013	9.0	1 July 2016
N Cernotta	750,000	EPS	25 July 2013	13.0	1 July 2016
	375,000	Relative TSR - Adjusted ASX 200	25 July 2013	9.0	1 July 2016
	375,000	Relative TSR - Peer Group	25 July 2013	9.0	1 July 2016

continued

Remuneration Report - Audited

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:

Performance Rights	Grant date	Number Granted	Number vested in 2014	Number forfeited in 2014	Financial year in which grant vests		
					2015	2016	2017
R A Carroll	15 January 2010	1,588,437	-	-	1,588,437	-	-
	17 June 2011	1,934,700	-	-	1,451,025	483,675	-
	1 July 2012	709,390	-	-	-	283,756	425,634
	13 December 2013	6,225,310	-	-	-	490,124	5,735,186
R Barker	25 July 2013	600,000	-	-	-	-	600,000
R M Hughes	25 July 2013	500,000	-	-	-	-	500,000
G J Miller	15 January 2010	317,687	-	-	317,687	-	-
	17 June 2011	483,675	-	-	362,756	120,919	-
	1 July 2012	515,920	-	-	-	206,368	309,552
	25 July 2013	1,000,000	-	-	-	-	1,000,000
F E Ramsay	15 January 2010	397,109	-	-	397,109	-	-
	17 June 2011	483,675	-	-	362,756	120,919	-
	1 July 2012	515,920	-	-	-	206,368	309,552
	25 July 2013	1,500,000	-	-	-	-	1,500,000
D A Todd	-	-	-	-	-	-	-
S J van Dyk	-	-	-	-	-	-	-
Former Executives							
N Cernotta	25 July 2013	1,500,000	-	1,500,000	-	-	-
T Mlikota	17 June 2011	967,350	-	967,350	-	-	-
	1 July 2012	515,920	-	515,920	-	-	-
	25 July 2013	1,500,000	-	1,500,000	-	-	-
A C Young	15 January 2010	119,133	-	119,133	-	-	-
	17 June 2011	290,205	-	290,205	-	-	-
	1 July 2012	386,940	-	386,940	-	-	-

5.11 Shareholdings

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

2014	Balance at the start of the year	Purchases	Received on exercise of options/granted	Net other changes ¹	Balance at the end of the year
<i>Ordinary shares</i>					
Directors					
J A Walker	-	-	-	-	-
R A Carroll	2,059,006	640,000	-	-	2,699,006
B L Cusack	1,500,000	-	-	-	1,500,000
C R G Everist	-	-	-	-	-
E Skira	-	-	-	-	-
V A Vella	357,842	-	-	-	357,842
Executives					
R Barker	124,000	-	-	-	124,000
R M Hughes	-	-	-	21,739	21,739
G J Miller	314,918	-	-	-	314,918
F E Ramsay	353,341	-	-	-	353,341
D A Todd	-	-	-	-	-
S J van Dyk	-	-	-	-	-
Former Directors and Executives					
K B Scott-Mackenzie	83,334	-	-	(83,334)	-
B R Ford	219,684	-	-	(219,684)	-
D M Smith	50,000	-	-	(50,000)	-
N Cernotta	-	-	-	-	-
T Mlikota	1,413,329	-	-	(1,413,329)	-
A C Young	154,370	-	-	(154,370)	-

¹ Net other changes includes acquisition of shares in prior years by newly appointed Executives and adjustments for departing Directors and Executives.

continued

Remuneration Report - Audited

6. Executive contracts

6.1 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.

6.2 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.

6.3 Executive service contracts

Remuneration and other terms of employment for the CEO and other Executives are formalised in service agreements. Major provisions of the agreements relating to remuneration are set out below.

Executive	Appointment to KMP	Notice period for contract cessation
R A Carroll Managing Director and Chief Executive Officer	6 November 2006 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 6 months' notice or payment in lieu.
R Barker General Manager - Market Development	16 May 2013 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 3 months' notice or payment in lieu.
R M Hughes Group General Manager - Human Resources	1 September 2013 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 3 months' notice or payment in lieu.
G J Miller Executive General Manager - Underground	18 February 2009 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 3 months' notice or payment in lieu.
F E Ramsay Chief Operating Officer - Surface and Infrastructure	4 November 2009 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 6 months' notice or payment in lieu.
D A Todd Group General Manager - HSEQ	1 September 2013 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 3 months' notice or payment in lieu.
S J van Dyk Chief Financial Officer	14 April 2014 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 6 months' notice or payment in lieu.

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

continued

Remuneration Report - Audited

6.4 Termination arrangements for departing Executives

6.4.1 Executives who left in 2014

Angie Young, Executive General Manager – Human Resources & Safety ceased employment with Macmahon following a management restructure, effective 15 August 2013 and was paid all her leave and notice / severance requirements in accordance with her contract. Her final payment included three months' payment in lieu of notice.

Theresa Mlikota, CFO ceased employment with Macmahon effective 14 February 2014 and was paid her leave entitlements in accordance with her contract of employment.

Nick Cernotta, COO – Underground, International and Engineering ceased employment with Macmahon effective 14 March 2014 and was paid his leave entitlements in accordance with his contract of employment.

7. 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.

Following the 10% reduction in Board fees, effective from 1 November 2012, there has been no increase to Board fees since that time. The Board will not seek any increase to the relevant fee pool at the 2014 Annual General Meeting.

Fee applicable from 1 July 2015	Chairman ¹ \$	Deputy Chairman ¹ \$	Member \$
Board ¹	198,000	143,100	99,000
Audit Committee	18,900	-	9,450
Remuneration & Nomination Committee	15,120	-	7,560

¹ The Chairman and Deputy Chairman are not paid fees for their membership of Board committees.

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 \$826,600. 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.

continued

Remuneration Report - Audited

8. KMP remuneration

	Year	Short-term				Total short-term \$	Post employment		Share-based payment	Performance related %	Non-performance related %	Compensation consisting of options and rights %	Total compensation \$
		Salary \$	Committee fees \$	Cash bonus/STI \$	Non-monetary benefits \$		Superannuation \$	Termination payments \$	Options and rights \$				
Directors - Non-executive													
J A Walker ¹ (Chairman)	2014	90,509	-	-	-	90,509	8,372	-	-	-	100	-	98,881
	2013	-	-	-	-	-	-	-	-	-	-	-	-
B L Cusack (Deputy Chairman)	2014	143,100	-	-	-	143,100	-	-	-	-	100	-	143,100
	2013	149,494	-	-	-	149,494	-	-	-	-	100	-	149,494
C R G Everist	2014	99,000	7,327	-	-	106,327	-	-	-	-	100	-	106,327
	2013	3,798	-	-	-	3,798	-	-	-	-	100	-	3,798
B R Ford ²	2014	37,750	9,379	-	-	47,129	4,359	-	-	-	100	-	51,488
	2013	103,474	23,985	-	-	127,459	10,607	-	-	-	100	-	138,066
E Skira	2014	90,618	15,469	-	-	106,087	9,813	-	-	-	100	-	115,900
	2013	94,213	9,423	-	-	103,636	9,327	-	-	-	100	-	112,963
K B Scott-Mackenzie ³	2014	131,612	-	-	-	131,612	12,174	-	-	-	100	-	143,786
	2013	227,429	-	-	-	227,429	16,290	-	-	-	100	-	243,719
D M Smith ⁴	2014	37,750	6,493	-	-	44,243	4,093	-	-	-	100	-	48,336
	2013	94,184	16,275	-	-	110,459	9,941	-	-	-	100	-	120,400
VA Vella	2014	90,618	18,107	-	-	108,725	10,057	-	-	-	100	-	118,782
	2013	93,875	22,272	-	-	116,147	10,453	-	-	-	100	-	126,600
Total compensation for Non-executive directors	2014	720,957	56,775	-	-	777,732	48,868	-	-	-	100	-	826,600
	2013	766,467	71,955	-	-	838,422	56,618	-	-	-	100	-	895,040
Directors - Executive													
RA Carroll ⁵	2014	1,075,070	-	-	13,211	1,088,281	24,930	-	613,565	36	64	36	1,726,776
Chief Executive Officer	2013	993,283	-	-	12,801	1,006,084	25,839	-	474,026	34	66	31	1,505,949
	Year	Salary \$	Committee fees \$	Cash bonus/STI \$	Non-monetary benefits \$	Total short-term \$	Superannuation \$	Termination payments \$	Share-based payment Options and rights \$	Performance related %	Non-performance related %	Compensation consisting of options and rights %	Total compensation \$
Executives													
R Barker ⁶	2014	355,979	-	-	10,314	366,293	32,928	-	22,000	5	95	5	421,221
Group General Manager - Market Development	2013	57,340	-	-	1,650	58,990	5,162	-	-	-	100	-	64,152
N Cernotta ⁷	2014	438,786	-	-	3,983	442,769	16,633	20,111	(41,250)	-	100	-	438,263
Chief Operating Officer - Underground, International & Engineering	2013	212,634	-	-	3,951	216,585	19,137	-	-	-	100	-	235,722
R M Hughes ⁸	2014	316,832	-	-	8,600	325,432	24,907	-	18,333	5	95	5	368,672
Group General Manager - Human Resources	2013	-	-	-	-	-	-	-	-	-	-	-	-
G J Miller ⁹	2014	395,036	-	-	10,716	405,752	35,950	-	175,108	28	72	28	616,810
EGM - Underground	2013	382,466	-	-	7,159	389,625	33,262	-	138,441	27	73	25	561,328
T Mlikota ¹⁰	2014	348,685	-	-	10,054	358,739	32,253	69,957	(356,879)	-	100	-	104,070
Chief Financial Officer	2013	555,304	-	-	11,824	567,128	13,392	-	193,024	25	75	25	773,544
F E Ramsay ¹¹	2014	549,199	-	-	11,243	560,442	50,801	-	199,057	25	75	25	810,300
Chief Operating Officer - Surface Mining & Infrastructure	2013	450,289	-	144,533	10,925	605,747	26,388	-	144,057	38	62	19	776,192
D A Todd ¹²	2014	233,132	-	-	4,699	237,831	19,208	-	-	-	100	-	257,039
Group General Manager - HSEQ	2013	-	-	-	-	-	-	-	-	-	-	-	-
S J van Dyk ¹³	2014	112,936	-	50,000 ¹⁴	1,198	164,134	5,814	-	-	29	71	-	169,948
Chief Financial Officer	2013	-	-	-	-	-	-	-	-	-	-	-	-
A C Young ¹⁵	2014	45,872	-	-	5,381	51,253	12,729	215,929	93,413	25	75	25	373,324
EGM - Human Resources	2013	339,862	-	-	10,082	349,944	24,646	-	83,851	18	82	18	458,441
Total compensation for executive personnel	2014	2,796,457	-	50,000	66,188	2,912,645	231,223	305,997	109,782	4	96	3	3,559,647
	2013	1,997,895	-	144,533	45,591	2,188,019	121,987	-	559,373	25	75	19	2,869,379
Total compensation: Directors and Executives	2014	4,592,484	56,775	50,000	79,399	4,778,658	305,021	305,997	723,347	13	78	12	6,113,023
	2013	3,757,645	71,955	144,533	58,392	3,987,258	204,444	-	1,033,399	23	77	20	5,270,368

1 J A Walker was appointed to the Board on 11 October 2013.

2 B R Ford stepped down as Non-executive Director on 14 November 2013.

3 K B Scott-Mackenzie stepped down as Board Chairman on 21 March 2014.

4 D M Smith stepped down as Non-executive Director on 14 November 2013.

5 The fixed remuneration of R A Carroll in 2013 incorporates a 10% reduction during the period 1 November 2012 to 30 June 2013 as outlined in the 2013 Annual Report.

6 R Barker was appointed to the role on 1 May 2013.

7 N Cernotta ceased employment on 14 March 2014.

8 R M Hughes was appointed to the role on 1 September 2013.

9 The fixed remuneration of G J Miller in 2013 incorporates a 10% reduction during the period 1 November 2012 to 30 June 2013 as outlined in the 2013 Annual Report.

10 T Mlikota ceased employment on 14 February 2014.

11 The fixed remuneration of F E Ramsay in 2013 incorporates a 10% reduction during the period 1 November 2012 to 30 June 2013 as outlined in the 2013 Annual Report.

12 D A Todd was appointed to the role on 1 September 2013.

13 S J van Dyk commenced employment on 14 April 2014.

14 Relates to a \$50,000 sign on bonus received on commencing employment with the Company.

15 A C Young ceased employment on 15 August 2013.

Corporate Governance Statement

The Board of Macmahon ("Board") is committed to the development of a culture that values ethical behaviour, integrity and respect. We believe that adopting and operating in accordance with high standards of corporate governance 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 with 2010 Amendments (2nd edition) ("ASXCGC Recommendations"); and
- the reasons for any departures from the ASXCGC Recommendations, in compliance with the "if not, why not" regime.

The Board is satisfied that the Company meets the ASXCGC Recommendations. A checklist cross-referencing the ASXCGC Recommendations to the relevant sections of this Statement and the Remuneration Report is provided later in the Statement.

1. The Board of Directors

1.1 Board role and responsibilities

ASXCGC Recommendations 1.1, 1.3

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.

1.2 Board composition and expertise

ASXCGC Recommendations 2.1, 2.2, 2.3, 2.6

The Board has a wide range of relevant experience, financial skills and other expertise to meet its objectives. The current Board composition includes four independent Non-executive Directors, one Non-independent Non-executive Director, 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.

The Board considers that the Non-executive Directors collectively bring the range of skills, knowledge and experience necessary to direct the Company. 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.

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.

continued

Corporate Governance Statement

1.3 Chairman of the Board

ASXCGC Recommendations 2.2, 2.3

Mr Jim Walker, who joined the Board in October 2013, assumed the Chairmanship when Mr Scott-Mackenzie retired in March 2014. His appointment to the Board, as an independent, Non-executive Director, followed a distinguished career most recently as Managing Director and Chief Executive Officer at WesTrac where he led the company's rapid development in industrial services in Australia and China.

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.

1.4 Director independence

ASXCGC Recommendations 2.1, 2.6

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 best 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 Jim Walker, Mr Barry Cusack, Mr Giles Everist and Ms Eva Skira are independent Directors.

The Board has determined that Mr Vyril Vella is not an independent Director. Mr Vella was appointed as a nominee of Leighton Holdings Limited.

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.

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

continued

Corporate Governance Statement

1.6 Board succession planning and performance evaluation

ASXCGC Recommendations 2.5, 2.6

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.

The Board recognises the importance of rejuvenation via changes in Board membership. During the year, the Board embarked on a search to identify suitably experienced and qualified Directors to add to the Board's composition and proficiency, and align with the Board's strategy of renewal. Candidates were then interviewed by all Directors and Mr Jim Walker was appointed to the Board on 11 October 2013.

The Board undertakes an annual evaluation of its size, composition, diversity and effectiveness against a broad range of good practice criteria and from time to time 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.

During the reporting period an evaluation of the performance of the Board and its Committees was carried out 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

ASXCGC Recommendation 2.6

Non-executive Directors must retire and stand for re-election at the third annual general meeting ("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).

1.8 Directors' appointment, induction training and continuing education

ASXCGC Recommendation 2.6

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

ASXCGC Recommendation 2.6

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 Deputy Chairman.

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.

continued

Corporate Governance Statement

1.11 Board meetings

During the year ended 30 June 2014, the Board held nine scheduled Board meetings. In addition, site visits and a focussed strategic planning session were held. 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 in either electronic or hard copy form. Directors are entitled to request additional information where they consider the 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 Company Secretaries are responsible for providing advice to Directors and Executives on corporate governance and regulatory matters, 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 Secretaries.

2. Board committees

2.1 Board committees, membership and charters

ASXCGC Recommendations 2.4, 2.6, 4.1, 4.2, 4.3, 4.4, 8.1, 8.2, 8.4

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.

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

Board of Directors	Committee	Description	Members
	Audit Committee	Monitors the financial reporting process, and external and internal audit functions.	Ms Eva Skira (Chairman) Mr Barry Cusack Mr Giles Everist
	Remuneration & Nomination Committee	Assists the Board 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 Vyiril Vella (Chairman) Mr Barry Cusack Mr Jim Walker

Committee members are chosen for the skills, experience and other qualities they bring to the relevant committee. Executive management attends certain committee meetings by invitation only.

All papers considered by the standing committees are available on request to Directors who are not on that committee. Following each committee meeting, generally at the next Board meeting, the Board is given a verbal update by the Chair of the respective committee. In addition, minutes of all committee meetings are available to all Directors.

A company secretary provides secretariat services for each committee.

continued

Corporate Governance Statement

2.2 Audit Committee

ASXCGC Recommendations 4.1, 4.2, 4.3, 4.4

The role of the Audit Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, 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 Committee is required to have a minimum of three members and be composed of all Non-executive Directors, a majority of whom must be independent. The Chair of the Audit Committee must not be the Chair of the Board and must be an independent Director.

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

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

- approval of the scope, plan and fees for the 2014 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 2014 Internal Audit program;
- review and recommendation to the Board for the adoption of the Group's half-year and annual financial statements; and
- assessment of the impact of material commercial disputes on the Company's financial performance.

The number of Audit 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

ASXCGC Recommendations 2.4, 2.6, 8.1, 8.2, 8.3, 8.4

The role of the Remuneration & Nomination Committee is to assist the Board by reviewing and approving the Company's remuneration policies and practices for Directors and Executives and the appointment of Directors to the Board. The Committee's responsibilities include:

- assessing the necessary and desirable competencies of Board members;
- reviewing Board succession plans;
- 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 be composed of a majority of independent Non-executive Directors. Mr Vella is the Non-independent Chair of this Committee. Despite the ASX Principles, the Board has determined that given Mr Vella's industry participation and experience, and based on a strong working understanding of relevant employment terms and conditions, Mr Vella is best placed to discharge this function in accordance with the Committee Charter.

continued

Corporate Governance Statement

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, if applicable, acting as a member of a standing Committee 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.

The Directors who are not members of the Remuneration & Nomination Committee, the CEO and the Group 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 of his 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

ASXCGC Recommendations 6.1, 6.2

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.

continued

Corporate Governance Statement

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.

3.2 Continuous disclosure

ASXCGC Recommendations 5.1, 5.2

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.

4. Promoting ethical and responsible behaviour

4.1 Code of conduct and whistleblower policy

ASXCGC Recommendation 3.1, 3.5

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 starter 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 Provisions 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 Provisions Policy is available on the Company's website.

continued

Corporate Governance Statement

4.2 Trading in shares policy

ASXCGC Recommendation 8.4

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 Deputy Chairman (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

ASXCGC Recommendations 7.1, 7.2, 7.4

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

ASXCGC Recommendations 7.1, 7.2, 7.4

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.

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.

continued

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 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.

5.3 CEO and CFO assurance on corporate reporting

ASXCGC Recommendations 7.3, 7.4

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

ASXCGC Recommendation 4.4

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 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.

continued

Corporate Governance Statement

7. Diversity

ASXCGC Recommendations 3.2, 3.3, 3.4, 3.5

Macmahon recognises and appreciates the value inherent in a diverse workforce. Diversity management seeks to proactively support and manage the similarities among and differences between employees in the belief that it will assist the Company to achieve its goals and objectives and offer a sustainable competitive advantage having regard to the industry and locations in which it operates.

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.

7.1 Targets

The following table outlines the Company's measurable objectives in relation to diversity, as disclosed in the 2013 Annual Report, and the progress made towards achieving those objectives:

Group	Target	Actual 2014	Actual 2013
Indigenous Australians	7.5%	6.0%	5.1%
Female Directors	1	1	1
Senior female leadership	20.0%	2.5%	16.0%
All female employees	14.0%	12.9%	11.7%

The above shows that despite difficult economic circumstances there has been some progress on improving the overall diversity of the Company. The one area that has declined is the senior female leadership, which was significantly impacted by the departure of two female Executives. Further, the Company lost senior managers within the business as operations wound up and overheads reduced. This is now a key focus for the coming year.

Indigenous employees

As part of the Company's ongoing commitment to diversity, Macmahon became a signatory to the Australian Employment Covenant in August 2010, pledging to create 500 new jobs for Indigenous people over five years. The overall number of indigenous people who have found new jobs through this program currently stands at 420. This is a significant achievement and the Company is continuing a number of initiatives to increase this number, including continuing the ROCKSTAR pre-employment program. Three ROCKSTAR pre-employment programs were completed this year, assisting with recruitment and training of new Indigenous employees. Of the 36 ROCKSTARS that have completed the program, 16 have been employed and 10 are in the process of being employed.

Overall the Company's Indigenous employment now stands at 6% of the domestic workforce. This predominantly comes from the very focused effort to recruit Indigenous employees at our Christmas Creek project, where we have increased the Indigenous employment population to 74 employees as part of our commitment to achieve 23% Indigenous employment at Christmas Creek. A targeted effort has also been made to increase the Indigenous employment population at our Tropicana project and we currently have 8 Indigenous employees there.

The Company's target for Indigenous representation remains at 7.5% within its total Australian workforce.

continued

Corporate Governance Statement

Female employees

Female Board membership remains consistent with the previous year and while senior female leadership participation has declined, there has been an increase in the overall percentage of female employees from 11.7% to 12.9% due to the active recruitment of females into vacant roles.

The target of 14% female employment will remain in place for 2015 as specific diversity strategies are put in place to address the current shortfalls.

7.2 Diversity strategies

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

Initiative	Description
Broaden the employee talent pool	<p>The ROCKSTAR program provides Indigenous employees for placement into the Company's business.</p> <p>Targeted strategies to attract and retain Indigenous and female employees continue as objectives for current and ongoing operations.</p> <p>As part of the Macmahon leadership development program, 2 females have participated in the Leadership Foundations program.</p> <p>In addition to this, 20 females and 29 Indigenous employees have been signed up for traineeships outside of the ROCKSTAR program. Of our current graduate employees 24% are female with further strategies to increase this percentage in the 2015 intake.</p>
Create a supportive work environment	<p>An Indigenous Engagement Superintendent and an Indigenous Engagement Advisor are employed at Christmas Creek to support and assist Indigenous employees.</p>
Facilitate work / life balance	<p>Macmahon continues to provide flexible working arrangements to enable employees to achieve work/ life balance, particularly where they have family support requirements.</p>
Pursue social responsibility	<p>The Company offers traineeships for long-term unemployed Indigenous youth.</p> <p>The Company has continued to participate in events for women such as CME Women in Leadership Awards.</p>

continued

Corporate Governance Statement

8. Checklist against ASXCGC recommendations

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations		CG statement reference	Compliance
Principle 1 – Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to executives and disclose those functions.	1.1	✓
1.2	Companies should disclose the process for evaluating the performance of executives.	Remuneration Report	✓
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	1.1, Remuneration Report	✓
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	1.2, 1.4	✓
2.2	The chair should be an independent director.	1.2, 1.3	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1.2, 1.3	✓
2.4	The Board should establish a nomination committee.	2.1, 2.3	✓
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	1.6	✓
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	1.2, 1.4, 1.6, 1.7, 1.8, 1.9, 2.1, 2.3	✓
Principle 3 – Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	4.1	✓
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	7	✓
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	7	✓
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in executive positions and women on the board.	7	✓
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	4.1, 7	✓
Principle 4 – Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	2.1, 2.2	✓

continued

Corporate Governance Statement

4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists of only non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members. 	2.1, 2.2	✓
4.3	The audit committee should have a formal charter.	2.1, 2.2	✓
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	2.1, 2.2, 6	✓
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at executive level for that compliance and disclose those policies or a summary of those policies.	3.2	✓
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	3.2	✓
Principle 6 – Respect the rights of Shareholders			
6.1	Companies should design a communications policy for promoting effective communication with Shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	3.1	✓
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	3.1	✓
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	5.1, 5.2	✓
7.2	The board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	5.1, 5.2	✓
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	5.3	✓
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	5.1, 5.2, 5.3	✓
Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	2.1, 2.3	✓
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members. 	2.1, 2.3	<div>✓</div> <div>✗</div> <div>✓</div>
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and executives.	2.3, Remuneration Report	✓
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	2.1, 2.3, 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 2014 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

Trevor Hart
Partner

Perth

19 August 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June

		Consolidated	
	Note	2014 \$'000	2013 \$'000
Revenue from continuing operations	5	1,015,917	1,165,505
Share of profits of joint ventures accounted for using the equity method		146	979
Other income	6	1,858	1,332
Expenses	7		
Materials and consumables used		(282,842)	(366,708)
Employee benefits expense		(444,414)	(523,896)
Subcontractor costs		(51,342)	(65,609)
Depreciation and amortisation expense		(101,663)	(85,639)
Impairment of assets		(2,044)	(1,796)
Equipment and office expenses under operating leases		(26,353)	(19,106)
Other expenses		(41,989)	(20,530)
Finance costs		(18,773)	(18,253)
Profit before income tax expense from continuing operations		48,501	66,279
Income tax expense	8	(19,563)	(22,696)
Profit after income tax expense from continuing operations		28,938	43,583
Profit/(loss) after income tax (expense)/benefit from discontinued operations	9	1,491	(73,067)
Profit/(loss) after income tax expense for the year attributable to the owners of Macmahon Holdings Limited		30,429	(29,484)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax		(667)	2,294
Foreign currency translation		604	4,087
Other comprehensive (loss)/income for the year, net of tax		(63)	6,381
Total comprehensive income/(loss) for the year attributable to the owners of Macmahon Holdings Limited		30,366	(23,103)
<i>Total comprehensive income/(loss) for the year is attributable to:</i>			
Continuing operations		28,875	49,964
Discontinued operations		1,491	(73,067)
		30,366	(23,103)
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of Macmahon Holdings Limited	45		
Basic earnings per share		2.30	4.37
Diluted earnings per share		2.24	4.33
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Macmahon Holdings Limited	45		
Basic earnings/(loss) per share		0.12	(7.33)
Diluted earnings/(loss) per share		0.12	(7.33)
Earnings per share for profit/(loss) attributable to the owners of Macmahon Holdings Limited	45		
Basic earnings/(loss) per share		2.42	(2.96)
Diluted earnings/(loss) per share		2.36	(2.96)

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

		Consolidated	
	Note	2014 \$'000	2013 \$'000
Assets			
Current assets			
Cash and cash equivalents	10	109,424	153,450
Trade and other receivables	11	138,980	169,398
Inventories	12	87,485	77,689
Derivative financial instruments	13	-	1,497
Income tax	14	14,801	14,826
		350,690	416,860
Assets of disposal groups classified as held for sale	15	3,895	18,450
Total current assets		354,585	435,310
Non-current assets			
Receivables	16	6,056	8,360
Investments accounted for using the equity method		220	960
Property, plant and equipment	17	442,875	471,083
Intangibles	18	18,368	22,562
Deferred tax	19	1,644	6,243
Total non-current assets		469,163	509,208
Total assets		823,748	944,518
Liabilities			
Current liabilities			
Trade and other payables	20	120,473	156,348
Borrowings	21	141,344	3,658
Derivative financial instruments	22	1,053	6,354
Income tax		1,651	2,474
Employee benefits	23	34,313	41,281
Provisions	24	43,176	44,038
		342,010	254,153
Liabilities directly associated with assets classified as held for sale	25	15,190	73,435
Total current liabilities		357,200	327,588
Non-current liabilities			
Borrowings	26	23,959	211,523
Derivative financial instruments	22	4,757	-
Employee benefits	27	1,619	4,206
Deferred tax	19	4,046	-
Total non-current liabilities		34,381	215,729
Total liabilities		391,581	543,317
Net assets		432,167	401,201
Equity			
Issued capital	29	391,390	391,390
Reserves	30	(9,069)	(8,304)
Retained profits		49,846	18,115
Total equity		432,167	401,201

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

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 income for the year	-	(63)	30,429	30,366
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 46)	-	-	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
Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2012	307,963	(15,574)	64,422	356,811
Loss after income tax expense for the year	-	-	(29,484)	(29,484)
Other comprehensive income for the year, net of tax	-	6,381	-	6,381
Total comprehensive loss for the year	-	6,381	(29,484)	(23,103)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 29)	83,427	-	-	83,427
Share-based payments (note 46)	-	-	2,459	2,459
Treasury shares purchased, net of tax	-	(173)	-	(173)
Treasury shares allocated on vesting of performance rights	-	1,062	(996)	66
Dividends paid (note 31)	-	-	(18,286)	(18,286)
Balance at 30 June 2013	391,390	(8,304)	18,115	401,201

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June

		Consolidated	
	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers		1,173,963	1,943,896
Payments to suppliers		(1,043,186)	(1,793,815)
Net payments to joint venture entities		(28,273)	(13,104)
Interest received		2,681	2,804
Interest and other finance costs paid		(18,603)	(21,561)
Income taxes paid		(8,676)	(9,588)
Net cash from operating activities	44	77,906	108,632
Cash flows from investing activities			
Payments for property, plant and equipment ¹	17	(99,018)	(201,719)
Proceeds from sale of property, plant and equipment		31,616	59,083
Net cash used in investing activities		(67,402)	(142,636)
Cash flows from financing activities			
Proceeds from issue of shares	29	-	83,427
Purchase of own shares		(1,003)	(247)
Proceeds from borrowings		-	97,043
Dividends paid	31	-	(18,286)
Repayment of borrowings		(50,000)	(103,410)
Repayment of hire purchase and finance lease liabilities		(3,859)	(5,955)
Payment of transaction costs related to loans and borrowings		-	(1,498)
Net cash from/(used in) financing activities		(54,862)	51,074
Net increase/(decrease) in cash and cash equivalents		(44,358)	17,070
Cash and cash equivalents at the beginning of the financial year		153,450	134,894
Effects of exchange rate changes on cash and cash equivalents		332	1,486
Cash and cash equivalents at the end of the financial year	10	109,424	153,450

¹ The consolidated entity acquired plant and equipment under finance leases or hire purchase agreements amounting to nil (2013: \$9,273,000) during the year which have been excluded from the statement of cash flows.

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

Notes to the Financial Statements

1. General information

The financial statements cover Macmahon Holdings Limited as a consolidated entity consisting of Macmahon Holdings Limited and its subsidiaries. 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. Its registered office and principal place of business are:

Level 3
27-31 Troode Street
West Perth
Western Australia, 6005

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 19 August 2014.

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.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The consolidated entity has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 Consolidated Financial Statements
AASB 11 Joint Arrangements
AASB 13 Fair Value Measurement
AASB 119 Employee Benefits

The adoption of AASB 10 and AASB 119 had no significant impact to the financial statements. The nature and the effect of other changes are further explained below.

AASB 11 Joint arrangements

The consolidated entity classifies its interests in joint arrangements as either joint operations or joint ventures depending on the consolidated entity's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the consolidated entity considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the criteria for classification. The adoption of AASB 11 has not had a significant impact to the recognised assets, liabilities and comprehensive income of the consolidated entity.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

continued

Notes to the Financial Statements

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.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement 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 39.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Macmahon Holdings Limited as at 30 June 2014 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.

Associate's 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.

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.

Special purpose entities

The consolidated entity has established a special purpose entity (SPE) for investment purposes. The consolidated entity does not have any direct or indirect shareholdings in this entity. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the consolidated entity and the SPE's risks and rewards, the consolidated entity concludes that it controls the SPE. A SPE controlled by the consolidated entity was established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the consolidated entity receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks related to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

continued

Notes to the Financial Statements

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

Mining revenue (including maintenance services) is recognised when the services are provided.

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.

Construction revenue includes the initial amount agreed in the contract plus any variation in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

Revenue is recognised in profit or loss in proportion to the work performed or stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. In addition, for construction contracts, the following specific recognition criteria are applied:

- For cost reimbursable, alliance and joint venture contracts, where profit is reliably measurable from the outset, contract revenue and expenses are recognised in profit or loss in proportion to the costs incurred.
- For all other construction contracts, contract revenue and expenses are progressively recognised based on the percentage cost of completion. Profit earned is only recognised after reaching a minimum of 15% completion. Percentage of completion is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract. Cost includes all costs directly related to specific contracts. On an individual contract where a loss is deemed to be unavoidable on completion, the projected loss is recognised immediately.

Other revenue

Other revenue 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.

continued

Notes to the Financial Statements

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 apply 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.

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

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.

continued

Notes to the Financial Statements

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 co-ordinated 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 current when: it is 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 current when: it is 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.

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.

continued

Notes to the Financial Statements

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

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, 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, 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 continuing 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.

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.

continued

Notes to the Financial Statements

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. Income earned from joint venture entities is recognised as revenue in the Company's profit or loss, whilst in the consolidated financial statements they reduce the carrying amount of the investment.

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.

continued

Notes to the Financial Statements

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.

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
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 below).

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 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.

continued

Notes to the Financial Statements

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

Software development activities include the design of the Global Information System. 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.

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
- interest on finance leases

continued

Notes to the Financial Statements

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 plans

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.

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.

continued

Notes to the Financial Statements

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.
- 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.

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 principle 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 interest. 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 each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

continued

Notes to the Financial Statements

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 2014. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

continued

Notes to the Financial Statements

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, 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 judgements and estimates will seldom equal the related actual results. The judgements, 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 judgement. 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.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision 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 judgement 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 the continued performance of contracted work, estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

continued

Notes to the Financial Statements

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 judgement 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.

Client maintenance provision

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

continued

Notes to the Financial Statements

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 summary 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, maintenance, and on site services to deliver on client needs from the design phase right through to completion.

Construction (discontinued operation)

Provided government and resource sector clients a diverse and comprehensive range of construction capabilities that incorporate roads and bridges, rail, water and environment, marine and resource infrastructure. The Construction Business was discontinued during 2013 following the sale of the majority of the construction projects. Details of the discontinued operation are disclosed in note 9.

Intersegment transactions

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing borrowings and expenses, and corporate assets and expenses.

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. The delivery of a number of projects by the consolidated entity is in the form of joint ventures. 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.

continued

Notes to the Financial Statements

Operating segment information

	Mining \$'000	Discontinued operation Construction \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Consolidated - 2014				
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	1,874	(12,016)	172,855
Depreciation and amortisation	(94,313)	(888)	(7,350)	(102,551)
Impairment of assets	(2,044)	-	-	(2,044)
Interest revenue	414	-	2,267	2,681
Finance costs	(19,545)	(1,030)	(1,909)	(22,484)
Profit/(loss) before income tax expense	67,509	(44)	(19,008)	48,457
Income tax expense				(18,028)
Profit after income tax expense				30,429
Assets				
Segment assets	686,152	3,895	133,701	823,748
Total assets				823,748
Liabilities				
Segment liabilities	180,780	15,190	195,611	391,581
Total liabilities				391,581
Capital expenditure	97,866	-	1,152	99,018

continued

Notes to the Financial Statements

	Mining \$'000	Discontinued operation Construction \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Consolidated - 2013				
Revenue				
Total reportable segment revenue	1,173,397	581,704	-	1,755,101
Other revenue	(7,892)	(201,570)	-	(209,462)
Elimination of joint venture revenue	-	60,460	-	60,460
Total revenue	1,165,505	440,594	-	1,606,099
Earnings before interest, tax, depreciation and amortisation				
Depreciation and amortisation	165,327	(104,479)	6,640	67,488
Impairment of assets	(81,017)	(7,609)	(4,622)	(93,248)
Interest revenue	(1,796)	(11,085)	-	(12,881)
Finance costs	198	51	2,555	2,804
Profit/(loss) before income tax benefit	(13,229)	(2,833)	(7,777)	(23,839)
Income tax benefit	69,483	(125,955)	(3,204)	(59,676)
Loss after income tax benefit				(29,484)
Assets				
Segment assets	740,551	18,450	185,517	944,518
Total assets				944,518
Liabilities				
Segment liabilities	213,549	73,435	256,333	543,317
Total liabilities				543,317
Capital expenditure	196,883	12,249	1,860	210,992

Geographical information

	2014 \$'000	Revenue 2013 \$'000	Geographical non-current assets 2014 \$'000	2013 \$'000
Australia	893,938	1,497,237	384,417	417,383
Mongolia	47,925	40,053	46,884	36,824
Other	80,011	68,809	36,218	48,755
	1,021,874	1,606,099	467,519	502,965

The Mining and Construction segments operate in three principal geographical areas - Australia, Mongolia and other countries. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets (excluding deferred tax assets) are based on the geographical location of the assets.

Major customer

Approximately 26% (2013: 27%) of the consolidated entity's revenue is attributable to sale transactions with one customer.

continued

Notes to the Financial Statements

5. Revenue

	Consolidated	
	2014	2013
	\$'000	\$'000
From continuing operations		
Revenue from mining services	1,015,917	1,165,505

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.

6. Other income

	Consolidated	
	2014	2013
	\$'000	\$'000
Net gain on disposal of property, plant and equipment	1,334	250
Other	524	1,082
Other income	1,858	1,332

continued

Notes to the Financial Statements

7. Expenses

	Consolidated	
	2014	2013
	\$'000	\$'000
Profit before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	203	699
Plant and equipment	96,168	77,691
Plant and equipment under lease	419	3,197
Buildings	679	856
Total depreciation	97,469	82,443
<i>Amortisation</i>		
Software	4,194	3,196
Total depreciation and amortisation	101,663	85,639
<i>Impairment</i>		
Plant and equipment	2,044	1,796
<i>Cost of Sales</i>		
Materials and consumables used	282,842	366,708
Employee benefits expense	444,414	523,896
Subcontractor costs	51,342	65,609
Total cost of sales	778,598	956,213
<i>Finance costs</i>		
Interest income on financial assets (bank deposits)	(2,681)	(2,753)
Transaction costs written off	3,881	2,278
Interest expense on financial liabilities carried at amortised cost	17,573	18,728
Finance costs expensed	18,773	18,253
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	26,353	19,106
<i>Superannuation expense</i>		
Defined contribution superannuation expense	26,842	40,934
Defined benefit superannuation expense	39	114
Total superannuation expense	26,881	41,048
<i>Share-based payments expense</i>		
Share-based payments expense	1,302	1,600

continued

Notes to the Financial Statements

8. Income tax expense/(benefit)

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Income tax expense/(benefit)</i>		
Current tax	8,637	13,345
Adjustment recognised for prior periods	159	(15,829)
Deferred tax - origination and reversal of temporary differences	9,232	(26,966)
Share of income tax of equity-accounted investees	-	(742)
Aggregate income tax expense/(benefit)	18,028	(30,192)
<i>Income tax expense/(benefit) is attributable to:</i>		
Profit from continuing operations	19,563	22,696
Loss from discontinued operations	(1,535)	(52,888)
Aggregate income tax expense/(benefit)	18,028	(30,192)
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit before income tax expense from continuing operations	48,501	66,279
Loss before income tax (expense)/benefit from discontinued operations	(44)	(125,955)
	48,457	(59,676)
Tax at the statutory tax rate of 30%	14,537	(17,903)
<i>Tax effect amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Share-based payments	391	480
Non-deductible expenses	3,769	1,247
Distribution of partnership losses/(non assessable income)	(1,522)	-
Foreign tax rate differential	(465)	747
Utilisation of foreign and domestic income tax losses not previously recognised	(351)	(169)
Other	668	512
Current year losses for which no deferred tax asset was recognised	842	723
	17,869	(14,363)
Adjustment recognised for prior periods	159	(15,829)
Income tax expense/(benefit)	18,028	(30,192)

Reconciliation of amounts recognised directly in equity and other comprehensive income

	2014			2013		
	Before tax	Tax benefit/ (expense)	Net of tax	Before tax	Tax benefit/ (expense)	Net of tax
Share-based payment transactions	(1,003)	301	(702)	(246)	73	(173)
Derivatives	(953)	286	(667)	3,277	(983)	2,294
Capital raising costs	-	-	-	(3,799)	1,140	(2,659)
	(1,956)	587	(1,369)	(768)	230	(538)

continued

Notes to the Financial Statements

9. Discontinued operations

Description

On 12 December 2012, the Group announced its intention to exit the construction business. During the financial year ended 30 June 2013, the majority of the construction and rail projects (including the transfer of equipment and people) were sold to Leighton Holdings and McConnell Dowell respectively. During the financial year ended 2014, the Group completed its exit with the sale of its 25% share in the XRL-822 project in Hong Kong to Leighton Holdings. The residual assets within the business are classified as held for sale.

Financial performance information

	Consolidated	
	2014	2013
	\$'000	\$'000
Revenue	5,957	440,594
Total revenue	5,957	440,594
Share of profits/(losses) of joint ventures accounted for using the equity method	3,975	(37,006)
Total other income	3,975	(37,006)
Expenses	(14,976)	(551,695)
Total expenses	(14,976)	(551,695)
Loss before income tax benefit	(5,044)	(148,107)
Income tax benefit	1,535	59,534
Loss after income tax benefit	(3,509)	(88,573)
Gain on disposal before income tax	5,000	22,152
Income tax expense	-	(6,646)
Gain on disposal after income tax expense	5,000	15,506
Profit/(loss) after income tax (expense)/benefit from discontinued operations	1,491	(73,067)

Cash flow information

	Consolidated	
	2014	2013
	\$'000	\$'000
Net cash used in operating activities	(47,255)	(9,321)
Net cash from investing activities	3,528	10,016
Net increase/(decrease) in cash and cash equivalents from discontinued operations	(43,727)	695

continued

Notes to the Financial Statements

The Group sold its 25% share of the XRL-822 project in Hong Kong to Leighton Holdings on 25 October 2013. The project was sold for a purchase consideration of \$5 million. No other assets or liabilities were transferred as part of the sale.

Carrying amounts of assets and liabilities disposed

	Consolidated	
	2014	2013
	\$'000	\$'000
Property, plant and equipment	-	20,085
Equity accounted investments	-	11,091
Total assets	-	31,176
Provision for employee benefits	-	4,923
Other liabilities	-	14,828
Total liabilities	-	19,751
Net assets	-	11,425

Details of the disposal

	Consolidated	
	2014	2013
	\$'000	\$'000
Total sale consideration	5,000	33,577
Carrying amount of net liabilities disposed	-	(11,425)
Gain on disposal before income tax	5,000	22,152
Income tax (expense)/benefit	-	(6,646)
Gain on disposal after income tax	5,000	15,506

Undisposed assets and liabilities of discontinued operations, are disclosed in notes 15 and 25.

10. Current assets - cash and cash equivalents

	Consolidated	
	2014	2013
	\$'000	\$'000
Cash on hand	22	27
Cash at bank	109,402	153,423
	109,424	153,450

continued

Notes to the Financial Statements

11. Current assets - trade and other receivables

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade receivables	67,621	87,012
Less: provision doubtful debts	(25,557)	(17,998)
	42,064	69,014
Work in progress	1,038	2,927
Other receivables and prepayments	18,593	10,272
Accrued revenue	77,285	87,185
	138,980	169,398

Impairment of receivables

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

	Consolidated	
	2014	2013
	\$'000	\$'000
Past due 31+ days	25,296	95
Past due 0 to 30 days	-	5,908
Current	261	11,995
	25,557	17,998

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2014	2013
	\$'000	\$'000
Opening balance	17,998	775
Additional provisions recognised	7,654	17,913
Unused amounts reversed	(95)	(690)
Closing balance	25,557	17,998

continued

Notes to the Financial Statements

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$12.3 million as at 30 June 2014 (\$34.7 million as at 30 June 2013).

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:

	Consolidated	
	2014	2013
	\$'000	\$'000
Past due 0-30 days	7,240	15,520
Past due 31+ days	5,078	19,170
	12,318	34,690

12. Current assets - inventories

	Consolidated	
	2014	2013
	\$'000	\$'000
Raw materials - at cost	90,877	81,229
Less: Provision for obsolescence	(3,392)	(3,540)
	87,485	77,689

13. Current assets - derivative financial instruments

	Consolidated	
	2014	2013
	\$'000	\$'000
Forward foreign exchange contracts - cash flow hedges	-	1,497

Refer to note 22 for further information on current liabilities – derivative financial instruments.

Refer to note 32 for further information on financial instruments.

Refer to note 33 for further information on fair value measurement.

continued

Notes to the Financial Statements

14. Current assets - income tax

	Consolidated	
	2014	2013
	\$'000	\$'000
Income tax	14,801	14,826

The current tax receivable for the consolidated entity of \$14.8 million (2013: \$14.8 million) and current tax liability of \$1.7 million (2013: \$2.5 million) represent the amounts of income tax receivable and payable in respect of current and prior periods.

15. Current assets - assets of disposal groups classified as held for sale

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade and other receivables	962	12,061
Investments accounted for using the equity method	1,032	96
Property, plant and equipment	1,901	6,293
	3,895	18,450

16. Non-current assets - receivables

	Consolidated	
	2014	2013
	\$'000	\$'000
Prepayments	6,056	8,360

continued

Notes to the Financial Statements

17. Non-current assets - property, plant and equipment

	Consolidated	
	2014	2013
	\$'000	\$'000
Buildings and freehold land - at cost	3,821	3,099
Less: Accumulated depreciation	(2,529)	(1,850)
	1,292	1,249
Leasehold improvements - at cost	7,449	7,581
Less: Accumulated depreciation	(4,775)	(4,572)
	2,674	3,009
Plant and equipment - at cost	909,815	839,848
Less: Accumulated depreciation	(479,882)	(382,666)
Less: Impairment	(2,044)	(1,796)
	427,889	455,386
Equipment under finance lease	30,060	30,060
Less: Accumulated depreciation	(19,040)	(18,621)
	11,020	11,439
	442,875	471,083

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 2012	1,905	3,709	401,322	10,818	417,754
Additions	182	-	201,537	9,273	210,992
Classified as held for sale	-	-	(6,293)	-	(6,293)
Disposals	-	-	(59,923)	-	(59,923)
Exchange differences	18	-	6,046	114	6,178
Impairment of assets	-	-	(8,628)	-	(8,628)
Transfers in/(out)	-	-	5,570	(5,570)	-
Depreciation expense	(856)	(700)	(84,245)	(3,196)	(88,997)
Balance at 30 June 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)	-	(907)	-	(935)
Impairment of assets	-	-	(2,044)	-	(2,044)
Depreciation expense	(679)	(203)	(97,056)	(419)	(98,357)
Balance at 30 June 2014	1,292	2,674	427,889	11,020	442,875

continued

Notes to the Financial Statements

Gain on disposal of property, plant and equipment from continuing operations was \$1,334,000 (2013: \$250,000). Gain on disposal of property, plant and equipment from discontinued operations was nil (2013: loss of \$1,090,000).

The impairment of assets of \$2,044,000 (2013: \$8,628,000) represents a reduction in the carrying amount of assets to reflect the estimated fair value less costs to sell. This includes a reduction in carrying amounts of assets held for sale of \$2,044,000 (2013: \$6,832,000).

Property, plant and equipment secured under finance leases

Refer to note 37 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 26).

18. Non-current assets - intangibles

	Consolidated	
	2014	2013
	\$'000	\$'000
Goodwill - at cost	18,297	22,550
Less: Accumulated amortisation	-	(4,253)
	18,297	18,297
Software - at cost	19,905	19,905
Less: Accumulated amortisation	(19,896)	(15,894)
	9	4,011
Intangibles - at cost	3,203	3,203
Less: Accumulated amortisation	(3,141)	(2,949)
	62	254
	18,368	22,562

Reconciliations

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

	Goodwill	Software development costs	Other intangible assets	Total
Consolidated	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	22,550	7,927	589	31,066
Impairment of assets	(4,253)	-	-	(4,253)
Amortisation expense	-	(3,916)	(335)	(4,251)
Balance at 30 June 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

continued

Notes to the Financial Statements

Following the restructure of the mining business in July 2013, Underground Mining and Maintenance Services and Australian Raised Drilling (ARD)/Combined Resource Engineering (CRE) were aggregated as one cash generating unit (CGU) as their cash flows are now integrated. Accordingly, goodwill of \$18.3 million has now been allocated to Underground Mining and Maintenance Services. In the previous year, \$11.5 million of goodwill was allocated to ARD/CRE and \$6.8 million to Underground Mining and Maintenance Services.

The recoverable amounts of CGU's are based on value-in-use calculations. These calculations use cash flow projections based on actual operating results and a 3 year forecast (2013: 3 years), incorporating various annual revenue growth rates, ranging from -2% to 14% (2013: -5% to 23%), estimated for each CGU. Additionally, for each CGU, perpetual growth rates between 0% and 2% (2013: 0% and 2%) were incorporated after three years and a terminal value was calculated after 5 years. Pre-tax discount rates ranging from 11.2% - 13.1% (2013: 10.2% - 10.9%) were used in discounting the sensitised projected cash flows. These discount rates were based on industry weighted average cost of capital and a gearing ratio of 23% (2013: 25%).

19. Non-current assets - deferred tax

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Inventories	(24,824)	(22,360)
Trade and other receivables	(76)	(225)
Property, plant and equipment	(11,558)	(9,614)
Unbilled work	(21,731)	(25,473)
Income in advance	185	-
Employee benefits	30,532	35,839
Other creditors and accruals	1,654	1,529
Tax loss carry forward	13,388	20,099
Other items	9,441	6,218
	(2,989)	6,013
Amounts recognised in equity:		
Other items	587	230
Deferred tax asset/(liability)	(2,402)	6,243
Comprising of:		
Deferred tax asset	1,644	6,243
Deferred tax liability	(4,046)	-
Deferred tax asset/(liability)	(2,402)	6,243

continued

Notes to the Financial Statements

20. Current liabilities - trade and other payables

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade payables	54,653	54,462
Accrued expenses	58,478	80,325
Other payables	7,342	21,561
	120,473	156,348

Refer to note 32 for further information on financial instruments.

21. Current liabilities - borrowings

	Consolidated	
	2014	2013
	\$'000	\$'000
Term facility, net of borrowing costs	137,500	-
Lease liability	3,844	3,658
	141,344	3,658

Refer to note 26 for further information on borrowings.

Refer to note 32 for further information on financial instruments.

continued

Notes to the Financial Statements

22. Derivative financial instruments

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Current derivative financial instruments</i>		
Interest rate swap contracts - cash flow hedges	354	6,354
Forward foreign exchange contracts - cash flow hedges	699	-
	1,053	6,354
<i>Non current derivative instruments</i>		
Interest rate swap contracts - cash flow hedges	4,757	-
	4,757	-
	5,810	6,354

Refer to note 32 for further information on financial instruments.

Refer to note 33 for further information on fair value measurement.

Foreign exchange forward contracts with a notional value of \$28.6 million (2013: \$57.9 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 and Japanese Yen. 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 2014 a net unrealised loss of \$0.7 million (2013: unrealised gain of \$1.5 million) with related deferred tax asset \$0.2 million (2013: deferred tax liability \$0.4 million) related to foreign exchange forward contracts is included in other comprehensive income.

At 30 June 2014, the consolidated entity had interest rate swap agreements in place with a total notional amount of \$159 million (2013: \$209.3 million), whereby the consolidated entity pays a weighted average fixed rate of interest of 4.38% (2013: 4.16%) before margin and receives a variable rate of interest of the notional amount. The swaps are being used to hedge the consolidated entity's exposure to changes in the fair value of its term facility (see note 33).

The cash flow hedges of interest rate exposures on the term facility were assessed to be highly effective, and as at 30 June 2014 a net unrealised loss of \$5.1 million (2013: \$6.4 million) with a related deferred tax asset of \$1.5 million (2013: \$1.9 million) with respect to the interest rate swaps is included in other comprehensive income.

23. Current liabilities - employee benefits

	Consolidated	
	2014	2013
	\$'000	\$'000
Annual leave	24,973	32,266
Long service leave	8,291	7,481
Sick leave	893	557
Other employee benefits	156	977
	34,313	41,281

Accrued wages and salaries between the last pay date and 30 June 2014 of \$5.0 million (2013: \$6.1 million) are included within the trade payables and accrued operating expenses balance as disclosed in note 20.

continued

Notes to the Financial Statements

24. Current liabilities - provisions

	Consolidated	
	2014	2013
	\$'000	\$'000
Project closure	14,841	8,490
Warranties	97	89
Project bonus	243	382
Client plant maintenance	26,112	25,663
Other	1,883	9,414
	43,176	44,038

Movements in provisions

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

	Project Closure	Warranties	Project Bonus	Client Plant Maintenance	Other	Total
Consolidated - 2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of the year	8,490	89	382	25,663	9,414	44,038
Additional provisions recognised	17,281	159	583	64,817	-	82,840
Payments	(10,930)	(151)	(722)	(64,368)	(7,531)	(83,702)
Carrying amount at the end of the year	14,841	97	243	26,112	1,883	43,176

25. Current liabilities - liabilities directly associated with assets classified as held for sale

	Consolidated	
	2014	2013
	\$'000	\$'000
Trade payables	6,185	6,963
Employee benefits	-	66
Other payables	-	27,684
Provisions - project closure	7,474	36,757
Provisions - onerous lease	1,531	1,965
	15,190	73,435

continued

Notes to the Financial Statements

26. Non-current liabilities - borrowings

	2014	Consolidated
	\$'000	2013
		\$'000
Term facility, net of borrowing costs	20,157	203,676
Lease liability	3,802	7,847
	23,959	211,523

Refer to note 32 for further information on financial instruments.

Total secured liabilities

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

	2014	Consolidated
	\$'000	2013
		\$'000
Term facility, net of borrowing costs	157,657	203,676
Lease liability	7,646	11,505
	165,303	215,181

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

	Currency	Interest rate range	Calendar year of maturity	2014	2013
				\$'000	\$'000
Term facility	AUD	5.5% - 6.5%	2015 & 2016	159,000	209,000
Finance lease liabilities	NGN	16.0%	2016	7,646	11,505
				166,646	220,505

Term facilities

On 5th September 2013, the consolidated entity cancelled \$36.5 million of the bank guarantee facility which formed part of the consolidated entity's \$434.5 million Syndicated Facility Agreement (SFA). At 30 June 2014, \$398 million remain in the SFA. The SFA is led by Commonwealth Bank of Australia Limited, HSBC Bank Australia Limited and a few other banks, and is secured by fixed and floating charges over the consolidated entity's assets. The facility is used for general corporate requirements and equipment financing and attracts a variable rate of interest, which is typically hedged through Interest Rate Swaps.

The first tranche of the Group's syndicated term facility of \$137.5 million is due to expire in January 2015 and consequently is classified as a current liability. During July 2014 the Company jointly mandated The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch and Commonwealth Bank of Australia as lead arrangers and bookrunners for a new syndicated facility to refinance the existing syndicated debt facilities under a new term sheet. The proposed new terms are designed to meet the anticipated funding needs of the Group for the next 3 years and are broadly consistent with those of the Group's existing secured facilities, seeking a reduced, secured facility of \$280 million with the ability to upscale. In addition, the proposed terms include the right for the lenders to review the Facility in the event that there is a significant decline or termination of business from existing material contracts.

Whilst the process for refinance is not completed, to 18 August 2014 the Group had received significant commitments to lend from eight lenders totalling \$302.5 million subject to execution of documentation and satisfaction of other customary conditions precedent.

Whilst the commitments are not binding on lenders until the execution of final documentation and the satisfaction of customary conditions precedent, the Directors are confident that the refinance process will complete successfully before January 2015.

As at 30 June 2014, the domestic operating lease facility was drawn by \$52.6 million (2013: \$51.5 million).

continued

Notes to the Financial Statements

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.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Minimum Lease Payments			Interest		Principal
	2014	2013	2014	2013	2014	2013
Finance lease liabilities						
Less than one year	4,882	5,371	1,038	1,713	3,844	3,658
Between one and five years	4,143	9,165	341	1,318	3,802	7,847
	9,025	14,536	1,379	3,031	7,646	11,505

27. Non-current liabilities - employee benefits

	Consolidated	
	2014 \$'000	2013 \$'000
Long service leave	1,619	3,884
Other employee benefits	-	322
	1,619	4,206

continued

Notes to the Financial Statements

28. 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 2014, 4 members (2013: 6 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 (carried out every three years) of the defined benefit section as at 30 June 2012 was undertaken by Dennis E. Barton F.I.A.A. of Barton Consultancy. The accumulation section of the Fund has 3,804 members at 30 June 2014. 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 adequate net assets to meet vested benefits as at 30 June 2014. The differences between the accrued benefits and the net market value of plan assets are recognised in the financial statements in accordance with the 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	
	2014	2013
	\$'000	\$'000
Fair value of defined benefit plan assets	1,202	2,004
Present value of the defined benefit obligation	(1,131)	(1,822)
	71	182

The amount recognised as current service expense in respect of the defined benefit section of the Fund during the year was \$38,875 (2013: \$114,000).

continued

Notes to the Financial Statements

29. Equity - issued capital

	2014 Shares	2013 Shares	Consolidated 2014 \$'000	Consolidated 2013 \$'000
Ordinary shares - fully paid	1,261,699,966	1,261,699,966	391,390	391,390

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 2012	738,631,705	307,963
Issued during the year		523,068,261	83,427
Balance	30 June 2013	1,261,699,966	391,390
Balance	30 June 2014	1,261,699,966	391,390

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised 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 Company'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.

continued

Notes to the Financial Statements

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.

The gearing ratio at the reported date was as follows:

	2014 \$'000	2013 \$'000
Current liabilities - borrowings (note 21)	141,344	3,658
Non-current liabilities - borrowings (note 26)	23,959	211,523
Total borrowings	165,303	215,181
Current assets - cash and cash equivalents (note 10)	(109,424)	(153,450)
Net debt	55,879	61,731
Total equity	432,167	401,201
Gearing ratio (net debt/equity)	12.9%	15.4%

30. Equity - reserves

	2014 \$'000	Consolidated 2013 \$'000
Foreign currency reserve	(421)	(1,025)
Hedging reserve - cash flow hedges	(4,067)	(3,400)
Reserve for own shares	(4,581)	(3,879)
	(9,069)	(8,304)

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, 7,222,018 shares (2013: 725,809 shares) were purchased for a total cost of \$1.0 million (2013: \$0.2 million). As at 30 June 2014, there are 15,102,177 (2013: 7,880,159) unallocated Macmahon shares held in trust.

Foreign currency reserve

The reserve is used to recognise exchange differences arising from 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 are determined to be effective hedges.

continued

Notes to the Financial Statements

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 2012	(4,768)	(5,112)	(5,694)	(15,574)
Foreign currency translation	-	4,087	-	4,087
Cash flow hedge	-	-	2,294	2,294
Treasury shares purchased for compensation plans	(173)	-	-	(173)
Treasury shares allocated on vesting of performance rights	1,062	-	-	1,062
Balance at 30 June 2013	(3,879)	(1,025)	(3,400)	(8,304)
Foreign currency translation	-	604	-	604
Cash flow hedge	-	-	(667)	(667)
Treasury shares purchased for compensation plans	(702)	-	-	(702)
Balance at 30 June 2014	(4,581)	(421)	(4,067)	(9,069)

31. Equity - dividends

Dividends paid during the financial year were as follows:

	2014 \$'000	Consolidated 2013 \$'000
Final dividend declared and paid for 2013 of nil (2012: 2.5 cents) per ordinary share	-	18,286

continued

Notes to the Financial Statements

32. 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 Committee, to which internal audit reports. Internal audit undertakes reviews of controls and procedures, the results of which are reported to the Audit Committee.

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

- Market risk
- Credit risk
- Liquidity risk
- 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 Group, which are primarily the Australian Dollar (AUD), but also the US Dollar (USD), New Zealand Dollar (NZD), Malaysian Ringgit (MYR), Hong Kong Dollar (HKD), 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 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 2014, 26% of the notional value of the foreign exchange forward contracts have maturities of less than one year after the balance sheet date, and 74% of the notional value have maturities between 1 year and 5 years 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.

continued

Notes to the Financial Statements

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

	Average exchange rates		Reporting date exchange rates	
	2014	2013	2014	2013
Australian dollars				
EUR	0.6737	0.7946	0.6906	0.7095
USD	0.9142	1.0277	0.9420	0.9275
NZD	1.1071	1.2496	1.0761	1.1871
MYR	2.9729	3.1714	3.0235	2.9383
HKD	7.0903	7.9713	7.3013	7.1946
JPY	92.2088	89.5504	95.4300	91.6400
NGN	141.9224	159.5786	146.2267	143.9944
MNT	1,554.4816	1,433.8384	1,719.8471	1,341.3227
IDR	10,479.4583	9,927.2917	11,177.0000	9,208.0000

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

	Assets		Liabilities	
	2014	2013	2014	2013
Consolidated	\$'000	\$'000	\$'000	\$'000
USD	260	2,622	-	-
JPY	-	-	(959)	(1,136)
MNT	1,229	22	(559)	(248)
HKD	-	10	-	(27,684)
NGN	-	-	-	-
MYR	-	-	-	-
IDR	366	510	(519)	(698)
	1,855	3,164	(2,037)	(29,766)

continued

Notes to the Financial Statements

The following analysis demonstrates the increase / (decrease) to profit or loss and equity at the reporting date, assuming a 10 per cent strengthening and a 10 per cent 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 2013.

Consolidated - 2014	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
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

Consolidated - 2013	AUD strengthened			AUD weakened		
	% change	Effect on profit before tax	Effect on equity	% change	Effect on profit before tax	Effect on equity
USD	10%	-	(5,581)	10%	-	6,821
JPY	10%	-	(839)	10%	-	1,025
MNT	10%	23	-	10%	(23)	-
IDR	10%	19	-	10%	(19)	-
HKD	10%	2,768	(160)	10%	(2,768)	196
		2,810	(6,580)		(2,810)	8,042

Price risk

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

Interest rate risk

Interest rate risk on variable rate borrowings is managed under the consolidated entity's approved Treasury 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	2014	2013
	\$'000	\$'000
Variable financial assets	109,424	153,450
Variable financial liabilities	(159,000)	(209,000)
Net exposure to cash flow interest rate risk (before hedging)	(49,576)	(55,550)

continued

Notes to the Financial Statements

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

Fair value sensitivity analysis for fixed rate instruments

The consolidated entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

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 2013.

Consolidated - 2014	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Variable rate instruments	100	(496)	-	100	496	-
Interest rate swap	100	-	1,105	100	-	(1,139)
		(496)	1,105		496	(1,139)

Consolidated - 2013	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Variable rate instruments	100	(556)	-	100	556	-
Interest rate swap	100	-	1,852	100	-	(1,917)
		(556)	1,852		556	(1,917)

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 26% (2013: 12%) 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.

continued

Notes to the Financial Statements

More than 19% (2013: 36%) 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 2014 the consolidated entities collective impairment on its trade receivables was \$25.6 million (2013: \$18.0 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 36.

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	
	2014	2013
	\$'000	\$'000
Cash and cash equivalents	109,424	153,450
Receivables ¹	125,920	172,053
Total credit risk exposure	235,344	325,503

¹ 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	
	2014	2013
	\$'000	\$'000
Mining customers	122,583	158,970
Construction customers	786	11,830
Other	2,551	1,253
Total credit risk exposure by customer	125,920	172,053

The consolidated entity's most significant trade receivable, a mining customer, accounts for \$38.8 million of the trade receivables carrying amount at 30 June 2014 (2013: \$18.4 million).

continued

Notes to the Financial Statements

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, under both normal and stressed conditions, 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 26. As at 30 June 2014, the undrawn amount on the existing term facility was \$225.1 million (2013: \$186.9 million) of which \$34.1 million is represented by Bank Guarantees (2013: \$45.9 million). Outstanding individual lease agreements drawn under past facilities remain in place until their expiry date. In addition, the consolidated entity has a \$130 million (2013: \$240 million) performance bond facility with \$73.5 million (2013: \$140.4 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.

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2014	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables and accrued expenses	(119,316)	-	-	-	(119,316)
Other payables	(7,342)	-	-	-	(7,342)
<i>Interest-bearing - variable</i>					
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)

continued

Notes to the Financial Statements

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2013	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables and accrued expenses	(141,750)	-	-	-	(141,750)
Other payables	(49,245)	-	-	-	(49,245)
<i>Interest-bearing - variable</i>					
Lease liability	(5,371)	(9,165)	-	-	(14,536)
Term facility	(18,669)	(234,013)	-	-	(252,682)
Total non-derivatives	(215,035)	(243,178)	-	-	(458,213)
Derivatives					
Interest rate swaps net settled	(6,354)	-	-	-	(6,354)
Forward foreign exchange contracts net settled	1,497	-	-	-	1,497
Total derivatives	(4,857)	-	-	-	(4,857)

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

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. 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.

Compliance with Group standards is supported by a programme 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 Committee and senior management of the consolidated entity.

continued

Notes to the Financial Statements

33. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's 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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated - 2014				
<i>Liabilities</i>				
Interest rate swaps	-	(5,111)	-	(5,111)
Foreign exchange forward contracts	-	(699)	-	(699)
Total liabilities	-	(5,810)	-	(5,810)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated - 2013				
<i>Assets</i>				
Foreign exchange forward contracts	-	1,497	-	1,497
Total assets	-	1,497	-	1,497
<i>Liabilities</i>				
Interest rate swaps	-	(6,354)	-	(6,354)
Total liabilities	-	(6,354)	-	(6,354)

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.

continued

Notes to the Financial Statements

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	2014		2013	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<i>Assets</i>				
Cash at bank	109,424	109,424	153,450	153,450
Trade receivables	145,998	145,998	181,459	181,459
Derivative financial instruments	-	-	1,497	1,497
	255,422	255,422	336,406	336,406
<i>Liabilities</i>				
Trade payables	(119,316)	(119,316)	(141,750)	(141,750)
Other payables	(7,342)	(7,342)	(49,245)	(49,245)
Derivative financial instruments	(5,810)	(5,810)	(6,354)	(6,354)
Lease liability	(7,646)	(7,168)	(11,505)	(10,138)
Term facility	(159,000)	(152,809)	(209,000)	(193,887)
	(299,114)	(292,445)	(417,854)	(401,374)

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.

continued

Notes to the Financial Statements

34. 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:

	2014	Consolidated 2013
	\$	\$
Short-term employee benefits	4,778,658	6,428,437
Post-employment benefits	305,021	350,943
Termination benefits	305,997	2,247,185
Share-based payments	723,347	763,798
	6,113,023	9,790,363

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.

35. Remuneration of auditors

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

	2014	Consolidated 2013
	\$	\$
<i>Audit services - KPMG</i>		
Audit or review of the financial statements	310,000	491,281
<i>Other services - KPMG</i>		
Tax services	131,420	74,550
Additional audit costs in respect of prior years	-	50,000
Other regulatory audit services	13,000	-
Other	23,315	74,227
	167,735	198,777
	477,735	690,058
<i>Audit services - network firms</i>		
Audit or review of the financial statements	8,493	170,109
<i>Other services - network firms</i>		
Tax services	127,258	161,066
	135,751	331,175

continued

Notes to the Financial Statements

36. Contingent liabilities

The following identifiable contingencies exist at 30 June 2014:

	Consolidated	
	2014	2013
	\$'000	\$'000
Bank guarantees	13,773	38,546
Insurance performance bonds	56,520	99,636
	70,293	138,182

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Bank guarantees and insurance bonds are issued in the normal course of business to clients to guarantee the performance of Macmahon under contracts and the period of each guarantee varies by contract agreement.

Claims against the consolidated entity

Certain members of the consolidated entity have the normal contractor's liability in relation to contracts. This liability may include claims by or against the consolidated entity and / or joint venture arrangements in which the consolidated entity has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The Board of Directors is of the opinion that adequate allowance has been made and that disclosure of any further information about the claims would be prejudicial to the interests of the consolidated entity.

Tavan Tolgoi (Mongolia) project

A subsidiary in the Group provides mining services at the Tavan Tolgoi mine in Mongolia pursuant to a contract with Erdenes Tavan Tolgoi (ETT). Subsequent to year-end, work under this contract was suspended by ETT as a result of disagreements between the parties over a range of matters. Discussions are currently being held in an effort to resolve the various matters of potential claim and counterclaim between the parties. The Board believes currently notified matters from ETT would be successfully defended. The Board also believes that impairment has been appropriately considered in accordance with the accounting policies of the Group.

continued

Notes to the Financial Statements

37. Commitments

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	40,430	85,569
One to five years	-	23,130
	40,430	108,699
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	22,236	18,202
One to five years	41,212	43,671
More than five years	-	6,182
	63,448	68,055
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	4,882	5,371
One to five years	4,143	9,165
Total commitment	9,025	14,536
Less: Future finance charges	(1,379)	(3,031)
Net commitment recognised as liabilities	7,646	11,505
Representing:		
Lease liability - current (note 21)	3,844	3,658
Lease liability - non-current (note 26)	3,802	7,847
	7,646	11,505

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 2014, the total value of outstanding operating leases under both agreements was \$52.6 million (2013: \$51.5 million).

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of \$11.0 million (2013: \$11.4 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.

continued

Notes to the Financial Statements

38. Related party transactions

Parent entity

Macmahon Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 40.

Joint ventures

Interests in joint ventures are set out in note 41.

Key management personnel

Disclosures relating to key management personnel are set out in note 34 and the remuneration report in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	2014	Consolidated 2013
	\$	\$
Other transactions:		
Jointly controlled ventures - provision for contract services	3,467	60,460

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.

continued

Notes to the Financial Statements

39. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	2014	Parent
	\$'000	2013
		\$'000
Profit/(loss) after income tax	(24,637)	29,184
Total comprehensive income/(loss)	(24,637)	31,478

Statement of financial position

	2014	Parent
	\$'000	2013
		\$'000
Total current assets	50,346	24,234
Total assets	368,763	357,916
Total current liabilities ¹	144,053	6,425
Total liabilities	165,575	174,658
Equity		
Issued capital	391,390	391,390
Hedging reserve - cash flow hedges	(4,067)	(3,400)
Share-based payments reserve	18,814	17,510
Reserve for own shares	(4,581)	(3,879)
Accumulated losses	(198,368)	(218,390)
Total equity	203,188	183,231

¹ Incorporates borrowings under the syndicated term facility

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 42.

Contingent liabilities

The parent entity does not have any contingent liabilities (2013: nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2.

continued

Notes to the Financial Statements

40. 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:

	Principal place of business / Country of incorporation	Ownership interest 2014 %	2013 %
Name			
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%	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%	100.00%
Macmahon Civil Construction Pty Ltd	Australia	100.00%	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%	100.00%
Macmahon Malaysia Pty Ltd	Australia	100.00%	100.00%
Macmahon Rail Pty Ltd (formerly MVM 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%
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%	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%	100.00%
Five Hills Leasing Pte Ltd	Singapore	100.00%	100.00%
Macmahon Mongolia LLC	Mongolia	100.00%	100.00%
TT JV CO LLC	Mongolia	100.00%	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%
Interest in trusts:			
Macmahon Holdings Executive Equity Plan Trust A/c	Australia	100.00%	100.00%
Macmahon Underground Unit Trust	Australia	100.00%	100.00%

continued

Notes to the Financial Statements

41. 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	
		2014 %	2013 %
XRL 822 Hong Kong Tunnel JV ¹	Tunnel Construction	25.00%	25.00%
Macmahon / John Holland JV ¹	Onshore site development civil works	-	50.00%
Roy Hill Rail JV ¹	Early contractor involvement	-	30.00%
Macmahon / Adasa JV	Irrigation scheme design and construction	50.00%	50.00%
Urban Superway JV ¹	Highway construction	-	40.00%
Glenfield Rail Alliance ¹	Railway construction	-	60.00%
Gooring Jimbila Contracting JV	Mine site general maintenance	50.00%	50.00%
Dhurawine JV	Labour hire	50.00%	50.00%
Triodia JV	Labour hire and workshop maintenance	50.00%	50.00%
Malana JV	Labour and plant hire	50.00%	50.00%
Marapikurrinya JV	Labour and plant hire	45.00%	45.00%
Pilbara Logistics Macmahon JV ²	Infrastructure construction	-	20.00%
Alkimos Joint Venture ²	Water waste treatment plant construction	-	22.70%
Macmahon / Leighton Joint Venture ²	Railway construction	-	50.00%
Wyaralong Joint Venture	Dam construction	-	60.00%
Southern Improvement Alliance JV ²	Railway construction	-	20.00%
K2RQ Project Alliance	Railway construction	-	9.00%
Richmond Line Alliance	Railway construction	-	18.00%
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%

¹ Joint Ventures transferring to Leighton Group companies or terminated as part of the construction sale.

² Joint Ventures that were terminated during the year.

continued

Notes to the Financial Statements

Summary financial information for equity accounted investees, unadjusted for percentage ownership held by the consolidated entity:

	2014 \$'000	2013 \$'000
<i>Summarised statement of financial position</i>		
Current assets	10,713	273,960
Total assets	10,713	273,960
Current liabilities	(9,221)	(285,021)
Total liabilities	(9,221)	(285,021)
Net assets/(liabilities)	1,492	(11,061)
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	8,944	563,092
Expenses	(6,931)	(618,373)
Profit/(loss) before income tax	2,012	(55,281)

Revenue and recoveries from the joint ventures 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 interests 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 36.

42. 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 lodgement 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

continued

Notes to the Financial Statements

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.

	2014	2013
	\$'000	\$'000
Statement of profit or loss and other comprehensive income		
Revenue	664,121	1,246,144
Share of profits of joint ventures accounted for using the equity method	3,975	(37,006)
Materials and consumables used	(161,779)	(384,977)
Employee benefits expense	(322,869)	(560,668)
Subcontractor costs	(71,934)	(206,678)
Depreciation and amortisation expense	(64,364)	(80,882)
Equipment and office expenses under operating leases	(24,117)	(23,344)
Finance costs	(8,753)	(13,076)
Other expenses	(27,436)	(30,098)
Loss before income tax	(13,156)	(90,585)
Income tax benefit/(expense)	(11,477)	17,375
Loss after income tax	(24,633)	(73,210)
Other comprehensive income		
Cash flow hedges transferred to profit or loss, net of tax	(667)	2,294
Foreign currency translation	783	363
Other comprehensive income for the year, net of tax	116	2,657
Total comprehensive loss for the year	(24,517)	(70,553)

	2014	2013
	\$'000	\$'000
Equity - retained profits		
Retained profits/(accumulated losses) at the beginning of the financial year	(79,940)	27,885
Loss after income tax	(24,517)	(73,210)
Dividends paid	-	(18,286)
Transfer from capital profits reserve	-	(17,727)
Transfer from share premium reserve	1,302	2,459
Transfer from other reserves	708	(1,424)
Transfer to options reserve	783	363
Accumulated losses at the end of the financial year	(101,664)	(79,940)

continued

Notes to the Financial Statements

	2014 \$'000	2013 \$'000
Statement of financial position		
Current assets		
Cash and cash equivalents	91,089	132,132
Trade and other receivables	89,028	112,466
Inventories	68,497	59,684
Income tax	14,801	15,856
Assets of disposal groups classified as held for sale	3,895	18,450
	267,310	338,588
Non-current assets		
Receivables	251,580	299,375
Other financial assets	38,736	38,797
Property, plant and equipment	302,570	336,605
Intangibles	11,925	16,119
Deferred tax	-	4,978
	604,811	695,874
Total assets	872,121	1,034,462
Current liabilities		
Trade and other payables	112,335	143,738
Borrowings	137,500	-
Derivative financial instruments	1,053	4,857
Employee benefits	24,079	29,305
Deferred tax liabilities	557	-
Provisions	8,279	15,754
Liabilities directly associated with assets classified as held for sale	15,190	73,435
	298,993	267,089
Non-current liabilities		
Payables	263,926	252,179
Borrowings	21,500	207,353
Derivative financial instruments	4,757	-
Employee benefits	812	3,398
	290,995	462,930
Total liabilities	589,988	730,019
Net assets	282,133	304,443
Equity		
Issued capital	391,390	391,390
Reserves	(7,593)	(7,007)
Retained profits	(101,664)	(79,940)
Total equity	282,133	304,443

continued

Notes to the Financial Statements

43. Events after the reporting period

Debt refinancing

The first tranche of the Group's syndicated term facility of \$137.5 million is due to expire in January 2015 and consequently is classified as a current liability. During July 2014 the Company jointly mandated The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch and Commonwealth Bank of Australia as lead arrangers and bookrunners for a new syndicated facility to refinance the existing syndicated debt facilities under a new term sheet. The proposed new terms are designed to meet the anticipated funding needs of the Group for the next 3 years and are broadly consistent with those of the Group's existing secured facilities, seeking a reduced, secured facility of \$280 million with the ability to upscale. In addition, the proposed terms include the right for the lenders to review the Facility in the event that there is a significant decline or termination of business from existing material contracts.

Whilst the process for refinancing is not completed, to 18 August 2014 the Group had received significant commitments to lend from eight lenders totalling \$302.5 million subject to execution of documentation and satisfaction of other customary conditions precedent.

Whilst the commitments are not binding on lenders until the execution of final documentation and the satisfaction of customary conditions precedent, the Directors are confident that the refinancing process will complete successfully before January 2015.

Tavan Tolgoi (Mongolia) project

A subsidiary in the Group provides mining services at the Tavan Tolgoi mine in Mongolia pursuant to a contract with Erdenes Tavan Tolgoi (ETT). Subsequent to year-end, work under this contract was suspended by ETT as a result of disagreements between the parties over a range of matters. Discussions are currently being held in an effort to resolve the various matters of potential claim and counterclaim between the parties. The Board believes currently notified matters from ETT would be successfully defended. The Board also believes that impairment has been appropriately considered in accordance with the accounting policies of the Group.

No other matter or circumstance has arisen since 30 June 2014 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.

44. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	2014 \$'000	Consolidated 2013 \$'000
Profit/(loss) after income tax expense for the year	30,429	(29,484)
Adjustments for:		
Depreciation and amortisation	102,551	93,248
Impairment of property, plant and equipment	2,044	8,628
Impairment of goodwill	-	4,253
Net loss/(gain) on disposal of property, plant and equipment	(1,334)	840
Share of loss/(profit) - joint ventures	(4,121)	36,027
Share-based payments	1,302	2,459
Foreign exchange differences	2,079	(5,771)
Borrowing costs written off	3,981	2,278
Interest expense	18,603	21,561
Net cash received from jointly controlled entities	(28,273)	(13,104)
Income tax expense/(benefit)	18,028	(30,192)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	43,821	158,852
Increase in inventories	(9,796)	(32,378)
Interest paid	(18,603)	(21,561)
Decrease in trade and other payables	(36,653)	(128,667)
Income taxes paid	(8,676)	(9,588)
Increase/(decrease) in employee benefits and provisions	(37,476)	51,231
Net cash from operating activities	77,906	108,632

continued

Notes to the Financial Statements

45. Earnings per share

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax attributable to the owners of Macmahon Holdings Limited	28,938	43,583

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,256,553,965	996,864,802
Adjustments for calculation of diluted earnings per share:		
Effect of performance rights on issue	34,013,380	9,541,661
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,290,567,345	1,006,406,463

	Cents	Cents
Basic earnings per share	2.30	4.37
Diluted earnings per share	2.24	4.33

	Consolidated	
	2014	2013
	\$'000	\$'000
<i>Earnings per share for profit/(loss) from discontinued operations</i>		
Profit/(loss) after income tax attributable to the owners of Macmahon Holdings Limited	1,491	(73,067)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,256,553,965	996,864,802
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	1,290,567,345	996,864,802

continued

Notes to the Financial Statements

	Cents	Cents
Basic earnings per share	0.12	(7.33)
Diluted earnings per share	0.12	(7.33)

	2014 \$'000	Consolidated 2013 \$'000
<i>Earnings per share for profit/(loss)</i>		
Profit/(loss) after income tax attributable to the owners of Macmahon Holdings Limited	30,429	(29,484)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,256,553,965	996,864,802
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	1,290,567,345	996,864,802

	Cents	Cents
Basic earnings per share	2.42	(2.96)
Diluted earnings per share	2.36	(2.96)

continued

Notes to the Financial Statements

46. Share-based payments

The consolidated entity has three equity compensation plans in place to remunerate Executives and employees of the consolidated entity:

- Macmahon Executive Equity Plan (“EEP” or “LTI Plan”)
- Macmahon CEO LTI Plan
- Macmahon Executive Option Scheme

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.

	Time-based condition	Performance period			
Performance rights granted 15 January 2010	only ending 15/1/2012	2 years ending 15/1/2012	3 years ending 15/1/2013	4 years ending 15/1/2014	5 years ending 15/1/2015
Tranche and number of Performance Rights	3,843,750	Tranche 1 2,882,812	Tranche 2 2,882,812	Tranche 3 2,882,812	Tranche 4 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

	Time-based condition only ending 17/6/2013	Performance period			
Performance rights granted 17 June 2011	2 years ending 17/6/2013	3 years ending 17/6/2014	4 years ending 17/6/2015	5 years ending 17/6/2016	
Tranche and number of Performance Rights	Tranche 1	Tranche 2	Tranche 3	Tranche 4	
	3,268,750	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	
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%	
TSR Ranking below 50% of the TSR of two peer groups (50% weighting to each peer group)	-	Nil	Nil	Nil	

continued

Notes to the Financial Statements

	Time-based condition only ending 1/7/2015	Performance period 3 years ending 1/7/2015	4 years ending 1/7/2016
Performance rights granted 1 July 2012			
Tranche and number of Performance Rights	1,597,000	Tranche 1 1,597,000	Tranche 2 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%	2,395,500 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 period 3 years ending 1/7/2016	3 years ending 1/7/2016
Performance rights 1 July 2013 (granted 25 July 2013)		
Tranche and number of Performance Rights	Tranche 1 8,000,000	Tranche 2 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% EPS 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

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 are:

- All companies in the S&P ASX 200 that are ranked 101 to 200 and have a Global Industry Classification Standard ("GICS") classification of Materials and Industrials 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.

continued

Notes to the Financial Statements

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 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 that period:

2012 CEO Plan granted 13 December 2013	Time Based	Performance period	
Performance period	19/9/2012 – 1/7/2015	19/9/2012 – 1/7/2015	19/9/2012 – 1/7/2016
Tranche and Number of performance rights granted	Tranche 1 245,062	Tranche 1 245,062	Tranche 2 735,186
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 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.

2013 CEO Plan granted 13 December 2013	Performance period	
	3 years ending 1/7/2016	3 years ending 1/7/2016
Tranche and number of Performance Rights	Tranche 1 2,500,000	Tranche 2 2,500,000
Vesting performance condition:		
At or above 27% Earnings per share (EPS) compounded annual growth rate (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% EPS CAGR	
Less than 6% EPS CAGR	Nil	
TSR Ranking 75% or higher of the TSR two peer groups (50% weighting to each peer group)		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

continued

Notes to the Financial Statements

The two comparator groups for the TSR calculation for the 2013 plan are:

- All companies in the S&P ASX 200 that are ranked 101 to 200 and have a GICS classification of Materials and Industrials 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 Executive Option Scheme

The Macmahon Executive Option Scheme provided Executives with options over ordinary shares of the Company under the approval by shareholders at the 2005 Annual General Meeting.

Each option entitles the holder, upon exercise, to be allotted one fully paid ordinary share in the Company upon satisfaction of the exercise conditions and payment of the exercise price. If not exercised, options expire no later than six years from their grant date. Options also expire if the holder ceases to be employed with Macmahon.

Each grant of options is divided into four equal tranches, which only become eligible for exercise on the 2nd, 3rd, 4th and 5th anniversary respectively of the grant date. Whether or not options comprised in a tranche may be exercised depends on whether the performance hurdles for exercise have been met; briefly these are that the TSR has been at least 15% per annum compound for all of the measurement periods preceding the date the options became eligible for exercise.

The performance hurdles are cumulative. This means, for example, that if the performance hurdle for the first two measurement periods is not met, the first tranche cannot be exercised. However, if the TSR in the next measurement period is such that the cumulative TSR over all three measurement periods is more than a 15% annual compounded return, then all unexercised tranches which subsequently meet the performance hurdle can be exercised.

Unexercised options do not entitle their holder to dividends, and options are not quoted on the ASX. Shares issued upon exercise of options will rank equally in all respects with existing shares.

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	
	2014¹	2013¹	2014²	2013²
Balance at start of the year	-	-	18,900,808	18,186,480
Granted during the year	6,225,310	-	16,000,000	13,995,267
Vested during the year	-	-	-	(2,716,655)
Expired during the year	-	-	-	(7,270,458)
Forfeited during the year	-	-	(7,112,737)	(3,293,826)
Balance at the end of year	6,225,310	-	27,788,071	18,900,808

¹ The 2014 CEO Performance Rights were approved by Shareholders at the 2013 Annual General Meeting and accepted by Mr Carroll on 13 December 2013.

² Included in the Executive performance rights for total for 2014 and 2013, were performance rights issued to Ross Carroll in his capacity as an Executive prior to being made CEO of the company.

continued

Notes to the Financial Statements

The following unlisted share options were outstanding at year end:

	Grant date	Expiry date	Exercise price	Number of Options	
				2014	2013
14/07/08		14/07/14	\$1.62	-	50,000
					50,000

The number and weighted average exercise price of share options are as follows:

	Grant date	Number of options	2014	Number of options	2013
			Weighted average exercise price		Weighted average exercise price
Balance at the start of the year		50,000	\$1.62	950,000	\$0.93
Expired during the year		(50,000)	\$1.62	(443,000)	\$0.82
Forfeited during the year		-	-	(457,000)	\$0.95
Balance at the end of the year		-	-	50,000	\$1.62
Exercisable at the end of the year		-	-	37,500	\$1.62

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	
	2014	2013
	\$'000	\$'000
Share options	-	(15)
Performance rights	1,302	2,469
2012 Employee share plan	-	5
Total expense recognised in employee benefits expense	1,302	2,459

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes thereto 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 thereto 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 thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company 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 42 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



Ross Carroll
Director

19 August 2014
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 2014, 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 46 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.

continued

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 2014 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 page 39 to 53 of the directors' report for the year ended 30 June 2014. 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 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Trevor Hart
Partner

Perth

19 August 2014

Summary of Consolidated Results

	2014	2013	2012	2011	2010
Profit & Loss (\$m)					
Operating revenue - incl. construction	1,021.9	1,606.1	1,661.5	1,089.4	896.4
Joint venture revenue	25.9	209.5	246.3	221.4	419.9
Joint venture recoveries	(3.5)	(60.5)	(37.0)	(56.4)	(61.9)
Total revenue	1,044.3	1,755.1	1,870.8	1,254.4	1,254.4
Underlying EBITDA	172.9	172.0	167.8	123.2	99.6
Depreciation, amortisation and impairment	(104.6)	(87.4)	(78.2)	(57.1)	(44.3)
Underlying EBIT	68.3	84.5	89.6	66.1	55.3
Significant and non-recurring items ¹	-	(123.2)	-	(57.9)	-
Reported EBIT	68.3	(38.7)	89.6	8.2	55.3
Net interest	(19.8)	(21.0)	(14.4)	(12.0)	(5.8)
Reported operating profit / (loss)	48.5	(59.7)	75.2	(3.8)	49.5
Tax (expense) / benefit	(18.0)	30.2	(19.2)	1.1	(10.7)
Reported NPAT	30.4	(29.5)	56.1	(2.7)	38.8
Minority interest ("MI")	-	-	-	3.8	(0.9)
Reported NPAT attributable to Macmahon	30.4	(29.5)	56.1	1.0	37.9
Add: significant and non-recurring items (net of tax and MI) ¹	-	73.1	-	37.8	-
Underlying NPAT attributable to Macmahon	30.4	43.6	56.1	38.8	37.9
Balance Sheet (\$m)					
Plant and equipment	442.9	471.1	417.8	311.2	286.3
Total assets	823.7	944.5	989.0	685.7	580.8
Net assets	432.2	401.2	356.8	323.1	339.7
Equity attributable to Macmahon	432.2	401.2	356.8	323.2	336.0
Net debt / (net cash)	55.9	61.7	82.6	(39.5)	(43.8)
Cash Flow (\$m)					
Reported EBITDA	172.9	67.5	167.8	65.3	99.6
Net interest paid	(15.9)	(18.8)	(9.2)	(12.0)	(5.8)
Income tax (paid) / refund	(8.7)	(9.6)	(4.8)	(0.9)	2.1
Working capital and provisions decrease / (increase)	(70.4)	69.5	(67.0)	40.0	21.2
Operating cash flow including JV	77.9	108.6	86.8	92.4	117.1
Investing and financing cash flows (net)	(122.3)	(91.6)	(65.4)	(76.2)	(125.0)
Effect of exchange rates on cash	0.3	1.5	(2.1)	(2.8)	0.8
Cash at beginning of financial year	153.5	134.9	115.6	102.2	109.3
Closing cash balance	109.4	153.5	134.9	115.6	102.2

Note: Numbers in the table may not add due to rounding.

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).

continued

Summary of Consolidated Results

	2014	2013	2012	2011	2010
People and Safety					
Number of employees	2,467	3,495	4,791	3,536	3,021
LTIFR	0.9	0.9	1.4	0.2	0.4
TRIFR	8.5	7.7	7.7	3.5	4.6
Order Book					
Work in hand (\$m) - incl. construction	2,573	3,230	3,139	2,013	2,215
New contracts and extension (\$m)	387	1,846 ¹	2,997	1,052	2,057
Profit & Loss Ratios					
Revenue growth (%)	(40.5)	(6.2)	49.1	-	(15.6)
Reported NPAT/Total revenue (%)	2.9	(1.7)	3.0	0.1	3.0
Underlying NPAT/Total revenue (%) ²	2.9	2.5	3.0	3.1	3.0
EBIT interest cover (x)	3.4	(1.8)	6.2	0.7	9.5
Reported basic EPS (cents)	2.4	(3.0)	7.7	0.1	5.2
Underlying basic EPS (cents) ²	2.3	4.4	7.7	5.3	5.2
Diluted EPS (cents)	2.4	(3.0)	7.5	0.1	5.1
Balance Sheet Ratios					
Gearing (Net debt/Equity) (%)	12.9	15.4	23.1	(12.2)	(12.9)
Reported ROC (%)	10.0	(5.1)	13.8	1.9	13.1
Underlying ROC (%) ²	10.0	11.0	13.8	11.8	13.1
Reported ROE (%)	7.3	(7.8)	16.5	0.3	11.3
Underlying ROE (%) ²	7.3	11.5	16.5	10.7	11.3
Reported ROA (%)	3.7	(3.1)	5.7	0.2	6.6
Underlying ROA (%) ²	3.7	4.6	5.7	5.2	6.6
NTA per share (\$)	0.3	0.3	0.4	0.4	0.4
Cash Flow Ratios					
Operating cash flow per share (cents)	6.2	8.6	11.7	12.6	16.0
Shareholders					
Shares on issue (m) @ 30 June	1,261.7	1,261.7	738.6	733.7	733.7
Share price @ 30 June (cents)	10.0	13.0	57.5	56.0	54.5
Dividend declared (cents)	-	-	4.0	-	3.0
Percentage franked (%)	n/a	n/a	100.0	n/a	-
Market capitalisation (\$m)	126.2	164.0	424.7	410.9	399.9
Enterprise value (EV)	182.0	225.7	507.3	371.4	356.1
Price/NTA (x)	0.3	0.4	1.3	1.4	1.3

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 18 August 2014.

- a) The twenty largest Shareholders held 63.28% of the ordinary shares.
- b) There were 9,679 ordinary Shareholders as follows:

Size of holdings	Total holders
1 - 1,000	837
1,000 - 5,000	2,247
5,001 - 10,000	1,569
10,001 - 100,000	4,183
100,000 and over	843
	9,679

The number of Shareholders holding less than a marketable parcel of ordinary shares is 2,752.

Twenty largest Shareholders as at 18 August 2014

Name	Number of ordinary shares held	Percentage of capital held
Leighton Holdings Investments Pty Limited	246,631,927	19.55
J P Morgan Nominees Australia Limited	149,986,411	11.89
Citicorp Nominees Pty Limited	77,500,593	6.14
HSBC Custody Nominees <Australia>	68,716,062	5.45
National Nominees Limited	61,214,934	4.85
3rd Wave Investors Ltd	41,000,000	3.25
UBS Nominees Pty Ltd	31,597,596	2.50
CPU Share Plans Pty Limited <MAH EEP Unallocated A/C>	15,102,177	1.20
Alkat Pty Ltd <Bowen Welsh A/C>	14,649,390	1.16
Bond Street Custodians Limited <Intelligent Inv Wholesale>	11,899,377	0.94
Mr Conway Jeffrey Jones	11,666,667	0.92
JBWere (NZ) Nominees Ltd <54959 A/C>	11,216,667	0.89
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	9,450,292	0.75
Mr Nicholas Ronald Bowen	8,500,000	0.67
Mr Manishkumar Rasiklal Patel	7,909,390	0.63
BNP Paribas Noms Pty Ltd <Drp>	7,499,786	0.59
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
DMG & Partners Securities Pte Ltd <Clients A/C>	5,738,274	0.45
Mr Allan Douglas Christie + Mrs Patricia Marjorie Christie <Christie Family A/C>	5,670,342	0.45
	798,435,752	63.28%

continued

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
Leighton Holdings Limited	246,631,927
Northcape Capital Pty Ltd	90,682,720

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
C P Brown

Principal registered office

Level 3
27-31 Troode Street
West Perth
Western Australia, 6005
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"

continued

ASX Additional Information

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

7 November 2014

Release of half year results

February 2015

Release of full year results

August 2015

Glossary

EBIT	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 – $\text{EBIT} / \text{Capital employed}$, where capital employed is total tangible assets less payables less bank overdraft.
ROE	Return on equity – $\text{NPAT} / \text{Average net assets}$
ROA	Return on assets – $\text{NPAT} / \text{Total assets at year end}$



Level 3, 27-31 Troode Street, West Perth,
Western Australia 6005

Tel: +61 8 9232 1000
Fax: +61 8 9232 1001
Email: investors@macmahon.com.au

www.macmahon.com.au