Appendix 4D

Name of entity	McAleese Limited
ABN	86 156 354 068
Reporting period	Six months ended 31 December 2015
Previous reporting period	Six months ended 31 December 2014

Results for announcement to the market [(i)]

	31 Dec 15 $'000	31 Dec 14 $'000	Change %
Revenue	**284,962**	**356,784**	**(20.1)**
Profit / (loss) after income tax	**(97,361)**	**52,535**	(285.3)
Income tax expense	13,779	15,573	11.5
Net finance costs	7,019	9,069	22.6
Individually significant items:			
(Profit)/loss on disposal of subsidiary / business	-	(48,701)	-
Acquisition costs	-	331	-
Impairment charges / (reversals) - plant & equipment	50,144	(1,411)	-
Impairment charges - equity investment	-	3,000	-
Impairment charges - available-for-sale financial assets	8,320	-	-
Loss on disposal of available-for-sale financial assets	344	-	-
Revaluation of listed options	(560)	-	-
Insurance recovery - IES acquisition	(740)	-	-
Litigation settlement - Beta disposal	414	-	-
Mona Vale accident	-	(2,000)	-
Restructure costs & superannuation	1,187	(2,067)	-
Consulting and advisory costs	3,652	-	-
EBIT before individually significant items	**(13,802)**	**26,329**	**(152.4)**
Net tangible assets per share ($)	0.14	0.80	

(i) Please refer to the Interim Financial Report, including the Directors' Report, for further explanation of the six months results.

Dividends

No dividends were paid or declared during the current or previous reporting period and it is not proposed to pay any dividends in respect of the current period.

Details of associates and joint venture entities

The Group still holds a 50% share of joint venture entity HHA Group Pty Ltd (In liquidation) (HHA), who were placed in administration on 28 June 2015. At 30 June 2015, the Group impaired the investment and loans to HHA for which minimal to no recovery is expected. Net receivables which were also impaired at 30 June 2015 have been written off as bad debts during the current period.

On 21 December 2015, the Group acquired 3,346 $1 ordinary shares in ACN 609 289 170 Pty Ltd pursuant to a Shareholder Agreement dated 18 December 2015 between ACN 609 289 170 Pty Ltd and four principal creditors of Trans Global Projects Pty Ltd (in Administration). The investment held by the Group in ACN 609 289 170 is 33.46% of the ordinary equity. ACN 609 289 170 Pty Ltd is a non-trading entity domiciled in Queensland and the contribution to the Group's net profit for the period was nil.

Compliance statement

This report is based on financial statements which have been subject to review.

McAleese Limited
and its controlled entities

ABN 86 156 354 068

Interim Financial Report
31 December 2015

Contents

The Directors present their report together with the consolidated interim financial report of the Group comprising McAleese Limited (the 'Company') and its subsidiaries (together referred to as the 'Group') for the six months ended 31 December 2015 and the auditor's review report thereon.

Directors

The following persons were Directors of the Company during the entire six months and up to the date of this report, unless otherwise stated:

Mr Don Telford (Chairman)

Mr Mark Rowsthorn (Managing Director and Chief Executive Officer)

Mr Wayne Kent

Cav Gilberto Maggiolo

Ms Kerry Gleeson

Mr Warren Saxelby

Principal activities

The principal activities of the Group are the provision of heavy haulage and craneage, bulk haulage, liquid fuels distribution and transport and logistics services. There were no significant changes in the nature of the activities of the Group during the period.

Dividends

No dividends were paid or declared during the period (31 Dec 14: nil) and it is not proposed to pay any dividends in respect of the current period.

Operating and financial review

Group Overview

- Statutory net loss after tax of $97.4 million (HY15: profit after tax of $52.5 million).
- EBITDA of $6.7 million (before individually significant items) (HY15: $49.5 million).
- Net debt of $188.0 million at 31 December 2015 compared to $170.5 million at 30 June 2015.

McAleese Group generated EBITDA of $6.7 million (before individually significant items) (HY15: $49.5 million) on revenue of $285 million (HY15: $356.8 million) during the period ended 31 December 2015. The pro-forma trading net loss after tax was $14.6 million or a loss of 5.2 cents per share (excluding the impact of significant items of $82.8 million after tax or a loss of 29.2 cents per share).

During the half, McAleese Group continued to encounter challenging market conditions. Key commodity markets serviced by the Group experienced sustained volatile conditions and the capital projects pipeline in the resources sector remained subdued. The Bulk Haulage and Heavy Haulage & Lifting divisions continued to be impacted as a result. The Group's material exposure to the Australian dollar iron price through its contracts with Atlas Iron Limited (ASX: AGO) (**Atlas**) has been a significant driver of the first half result.

As a consequence of the broader macroeconomic context, the Specialised Transport division's competitive landscape has continued to create margin pressure and general freight activity has remained soft, particularly on East-West lanes.

The Oil & Gas division performed steadily and continued to transition towards a sustainable business with improved returns.

Refer to the sections below on the Group's divisional performance for more commentary on factors that influenced trading during the half.

In light of the external environment, the Company has been focused on restructuring the business to align with lower activity levels, maximising profitable revenue and a strategic process to recapitalise the Group's balance sheet and position the Company's business for the future.

Business transformation program

To respond to the rapid changes in, and challenges of, the operating environment, and to realign the Group's cost structure and simplify its offering to end markets, a business transformation program was initiated during the period. This program has been a major focus for the Company and seeks to reshape McAleese Group into a business capable of meeting the requirements of its existing customer base, but with a more expansive integrated service offering and stronger platform upon which to capitalise on a sector recovery.

The business transformation program will see the restructuring of the senior management and functional teams and dissolution of some of the Group's divisional structures to remove duplication, reduce cost and streamline governance.

Activities that commenced during the half to progress the business transformation program included:

- an accelerated asset sale program;
- an accelerated cost reduction program;
- review of the network of depots and operations;
- maximising the efficiency of existing assets;
- innovation to improve customer outcomes;
- pursuing new opportunities in fuels distribution;
- alignment of capital expenditure to financial performance; and
- streamlining of systems and processes.

The Group continues to expedite these activities with a focus on maintaining positive cash flow and increasing return on capital employed to acceptable levels.

Strategic process update

As announced to the market on 27 August 2015, the Company has been conducting a Strategic Process to recapitalise the McAleese Group with the assistance of Moelis & Company. The Strategic Process has been running for several months on a timetable agreed with the Group's financiers. Throughout this period the financiers have been provided information regarding the structure and terms of the various proposals received by the Group. The proposals that the Group has received remain indicative and non-binding, and the Group is working with a select number of parties to finalise binding proposals that are capable of acceptance by the Group and its financiers.

If the recapitalisation is implemented, it is expected that the Group's financiers would agree to sell their debt to the successful party on terms that are acceptable to the Group. As a condition to any purchase of the debt, it is expected that there would be an agreement between the successful party and the Group to reduce the amount of the debt by way of compromise, with the revised debt to be on new terms agreed with the Group. The recapitalisation would also be conditional upon an underwritten equity component, most likely a rights issue, the terms of which remain under negotiation. In combination these steps are intended to provide a sustainable capital structure for the Group.

The Group's financiers remain supportive of the Strategic Process and a waiver relating to breaches of financial undertakings at 31 December 2015 remains in place. Refer to the Events Subsequent to Reporting Date section for further information in respect of the waiver.

Impairments

With the ongoing weakness in commodity prices and activity in the resources sector, the Group has assessed the carrying values of property, plant and equipment and the Directors have determined to impair the Group's property, plant and equipment by $50.1 million.

Given the continued decline in iron ore pricing, the carrying value of Bulk Haulage division's property, plant and equipment have been assessed and the value impaired by $28 million.

Property, plant and equipment within the Heavy Haulage & Lifting division was impaired by $19.8 million, reflecting the continued decline of activity and maintenance levels in the resources infrastructure sector, market over-capacity and a weak pipeline of new projects.

During 1H FY16, the Specialised Transport division encountered further weakening of freight volumes on key lanes and rates, due to softening economic activity and a slowdown in the mining and resources sectors. In light of these challenging conditions, property, plant and equipment was impaired by $2.1 million.

Net tangible asset backing at 31 December 2015 was $0.14 per share, down from $0.80 per share in the prior corresponding period.

Group cash flow and financing

Net debt increased from $170.5 million at 30 June 2015 to $188.0 million at 31 December 2015. During the period, McAleese Group generated negative cash flow from operating activities of $9.8 million, a result that was materially impacted by delayed customer receipts at the balance date which were subsequently paid.

Cash flow from investing activities was a net outflow of $5.6 million. Key items included a $14 million equity investment in Atlas. Capital expenditure of $4.9 million was fully funded by asset disposals pursuant to the business transformation program and was predominantly maintenance related. Proceeds from the disposal of assets totalled $12.8 million, reflecting the business transformation program. The Group continues to progress its asset divestment program to realise surplus equipment and a summary of each division's progress in realising these assets is included in the divisional commentary below.

As at the balance date the Group had a multi-option Syndicated Facility Agreement (**SFA**) and had drawn down its facilities by $205.5 million.

As noted above, the Group's strategic process has been supported by its lenders who agreed to revise the terms of the Group's debt facilities in August 2015 to provide a period of time for the Group to pursue this process. The revised arrangements suspended the Group's previous financial undertakings relating to leverage, interest cover ratio and gearing during FY16. New covenants relating to minimum EBITDA, minimum CFADS (Cash Flow Available for Debt Servicing) and maximum capital expenditure requirements were incorporated and the Group reduced its facility limits pursuant to the revised arrangements.

McAleese Group breached the financial undertakings in the SFA in respect of the testing period ended 31 December 2015 and this breach was waived by the Group's financiers on 28 January 2016. Refer to the Events Subsequent to Reporting Date note for further commentary.

Divisional Performance

Bulk Haulage

	1H FY16	1H FY15	% Change
Revenue ($m)	138.8	147.7	(6.0)
EBITDA ($m)	10.7	27.2	(60.7)
% Margin	7.7	18.4	
EBIT ($m)	0.3	15.6	(98.1)
% Margin	0.2	10.6	

The Bulk Haulage division provides bulk commodities haulage across off-road and on-road (highway) routes and ancillary onsite services in the mining sector.

During the half, the Bulk Haulage division hauled an additional 1.2 million tonnes of iron ore in the Pilbara region of Western Australia when compared to the prior corresponding period, following:

- continuation of haulage with Process Minerals International (PMI), a subsidiary of Mineral Resources Limited (ASX: MIN), which commenced in May 2015;
- continuation of haulage and road maintenance services to Millennium Minerals Limited (ASX: MOY) which commenced in December 2014; and
- the continued ramp up of production and haulage at Atlas's Mt Webber mine.

However, financial performance and margins were materially impacted by the revised haulage contracts with Atlas designed to maximise Atlas' cost competitiveness at low iron ore prices and provide the Group with an increased return when iron ore prices are higher. This is achieved through a base haulage rate and profit share linked to Atlas' received AUD iron ore prices. At recent AUD iron ore prices there has been no profit share from Atlas' operations, placing material downward pressure on earnings from the Bulk Haulage division. The Group continues to work co-operatively with Atlas and its other contractors on operating efficiencies that will further improve the sustainability of Atlas operations.

Financial performance in the Goldfields region of Western Australia was impacted by operational efficiency issues. A full review of the Goldfields operation has been conducted and plans are in the process of being implemented to rectify the issues that were identified.

The Bulk Haulage division was successful in reducing overheads by $5.6 million on the prior corresponding period, reflecting continued efforts to reduce cost in the business through initiatives such as revised accommodation arrangements for FIFO employees and restructuring.

Depreciation was $1.2 million lower than the prior corresponding period, largely as a result of asset impairments recognised in 2H FY15.

During the half, the Bulk Haulage division also commenced trials for an alternative road train combination in collaboration with Main Roads Western Australia, which, subject to ongoing endorsement, provides the Group with an opportunity to roll out the alternative combination in its operations and generate cost savings through significantly enhanced payloads.

The Bulk Haulage division realised $1.7 million in fleet sale proceeds as part of the ongoing McAleese Group asset divestment program.

The management team has continued to focus on a customer and commodity diversification strategy targeting new opportunities in geographies and commodities in which the Bulk Haulage division does not currently operate and has been exploring cross selling opportunities with other divisions.

Oil & Gas

	1H FY16	1H FY15	% Change
Revenue ($m)	54.1	85.8	(36.9)
EBITDA ($m)	2.2	7.9	(72.2)
% Margin	4.1	9.2	
EBIT ($m)	(0.7)	3.6	(119.4)
% Margin	(1.3)	4.2	

The Oil & Gas division comprises Cootes Transport, a provider of liquid and gaseous fuel transportation services in Australia for global oil and gas companies and Refuel International, a designer and manufacturer of refuelling and fluid handling equipment.

The 1H FY16 results in the Oil & Gas division reflect a period of transition from 1H FY15 when significant focus was placed on short-term transitionary arrangements in the Fuels business. During 1H FY16, focus was placed on creating a sustainable business with improved returns, underpinned by long-term contracts in the oil and gas sector and in December 2015, Cootes Transport was successful in tendering for a new LPG cartage contract with Elgas Limited (**Elgas**) for a further five years from 1 January 2016.

Increased volumes are expected to deliver total revenues of approximately $50 million per annum and improved EBITDA, with returns meeting the division's internal hurdle rates. As part of the arrangement, McAleese Group agreed to sell approximately $9 million of LPG tankers to Elgas with the proceeds to be applied to debt reduction.

The successful Elgas tender confirmed McAleese Oil & Gas' position as an industry leader in the transportation of dangerous goods and recognises the strength of its safety and service performance to the industry.

The Cootes Transport LPG business also experienced margin improvement through efficiency enhancements and improved pricing on certain tasks.

Revenue in the Oil & Gas division was down by 36.9% on the prior corresponding period primarily as a result of:

- the conclusion of Cootes Transport's marginal fuel transportation contracts with Caltex in New South Wales during Q2 FY15 and in Victoria during Q1 FY16;
- the inclusion of revenue from Cootes Transport's higher margin transitionary wet hire arrangements in 1H FY15 relating to exited fuel transportation contracts with Shell and BP that were in place until Q1 FY15;
- the divestment of Liquip International Pty Ltd (**Liquip**) in August 2014 which contributed two months of revenue in 1H FY15; and
- the divestment of Beta Fluid Systems, Inc in October 2014 which contributed four months of revenue in 1H FY15.

The decrease in margins of the residual Cootes Transport Fuels business was contributed to by stranded overhead following loss of major fuel transportation contracts and the inclusion in the prior corresponding period of the higher margin transitionary arrangements for Shell and BP referred to above. Refuel International's margins were impacted by timing differences relating to the tendering, manufacturing and revenue generation phases of its sales processes.

The Oil & Gas division realised $3.3 million in fleet sale proceeds as part of the ongoing McAleese Group asset divestment program.

The Refuel International business performed steadily during the half and, in spite of a challenging environment, has continued to successfully tender for new work and has increased market share in Asia and the Middle East.

Heavy Haulage & Lifting

	1H FY16	1H FY15	% Change
Revenue ($m)	49.2	78.6	(37.4)
EBITDA ($m)	(0.9)	15.5	(105.8)
% Margin	(1.8)	19.7	
EBIT ($m)	(6.6)	9.7	(168.0)
% Margin	(13.4)	12.3	

The Heavy Haulage & Lifting division (HHL) provides heavy haulage and lifting solutions for equipment required in the construction, operation and maintenance of resources, energy and infrastructure projects. HHL also provides storage and transport services for mining inputs.

Capital expenditure in the resources industry has remained low and market conditions for HHL have further deteriorated over the half. The Group remains confident that maintenance capital expenditure in the resources sector will improve over the medium term, however there is significant uncertainty about the timing of a recovery.

Market conditions have resulted in a material decline in both crane and transport asset utilisation from the prior corresponding period. Further, in light of the continued absence of new capital projects and deferral of mine maintenance expenditure, particularly in the division's core operating regions, excess market capacity continued to provide downward pressure on margins as customers and contractors sought to reduce project costs in light of falling commodity prices and increased domestic competition.

During the half, while continuing to actively seek business development and cross selling opportunities, the division placed significant focus on aligning costs and assets to the market environment. Through this process, HHL realised $7.3 million in fleet sale proceeds.

Specialised Transport

	1H FY16	1H FY15	% Change
Revenue ($m)	42.8	44.7	(4.3)
EBITDA ($m)	(1.8)	2.5	(172.0)
% Margin	(4.2)	5.6	
EBIT ($m)	(3.1)	1.2	(358.3)
% Margin	(7.2)	2.7	

The Specialised Transport division comprises the operations of WA Freight Group which include the movement of less than truck load consolidated freight (LTL) utilising express services between the East and West coasts of Australia and on all main capital city corridors.

During the half, the division continued to face weak East-West volumes, largely as a result of the subdued resources sector, and a highly competitive market on East coast lanes. In spite of volumes materially in line with the prior corresponding period, margin contraction was experienced.

A review of the division's revenue base is continuing to target improved yield to restore profitability and corrective action has commenced, including a renewed focus on the provision of higher margin express freight solutions as well as other productivity and efficiency initiatives.

The Specialised Transport division realised $0.6 million in fleet sale proceeds as part of the ongoing McAleese Group asset divestment program.

Events subsequent to reporting date

Financing waiver

Given the persistence of challenging conditions and their consequences on financial performance, McAleese Group breached the financial undertakings in the SFA in respect of the testing period ended 31 December 2015. Throughout the half, the Group maintained frequent and constructive discussions with its banking syndicate, notably in relation to the Strategic Process.

On 28 January 2016, the Group was granted a waiver of this breach by its financiers, subject to the continuation of the Strategic Process currently being undertaken and the Group meeting reporting obligations to its financiers on the Strategic Process and each financier being satisfied with those reports.

The Strategic Process for the purpose of the waiver is defined as the corporate recapitalisation process being conducted by the Group during the period up to and including 15 March 2016. On 15 March 2016, the Group received financier consent to an extension of the Strategic Process to 15 April 2016.

Asset sales

On 29 January 2016, the Group received $7.9 million in net cash proceeds, being the balance owing for the sale of LPG tankers to Elgas in accordance with the Sale and Purchase Agreement dated 23 December 2015. The sales occurred above book value and proceeds were applied to debt reduction.

No other matter or circumstance has arisen in the interval between 31 December 2015 and the date hereof that, in the Directors' opinion, has significantly affected or may significantly affect:

(i) the Group's operations in current and future financial years; or

(ii) the results of those operations in current and future financial years; or

(iii) the Group's state of affairs in current and future financial years.

Auditor's independence declaration

The auditor's independence declaration is set out on page 9 and forms part of the Directors' Report for the six months ended 31 December 2015.

Rounding of amounts

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Interim Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the Directors:

Mr Donald Telford
Director

Mr Mark Rowsthorn
Director

Dated at Camberwell on the 15th day of March 2016.

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

To: the directors of McAleese Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 there have been:

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

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

KPMG

KPMG

SEBell

Suzanne Bell
Partner

Melbourne

15 March 2016

McAleese Limited
Consolidated statement of comprehensive income
For the six months ended 31 December 2015

	Note	31 Dec 15 $'000	31 Dec 14 $'000
Revenue		284,962	356,784
Other income	4	1,300	52,156
Direct transport and logistics costs		(85,923)	(72,873)
Cost of goods sold		(3,202)	(12,451)
Repairs and maintenance		(16,350)	(16,184)
Employee benefits expense		(110,582)	(131,848)
Fuel, oil, electricity		(28,470)	(38,735)
Occupancy and property costs		(13,648)	(15,962)
Depreciation and amortisation expense		(20,465)	(23,168)
Impairment (charges) / reversals – plant & equipment		(50,144)	1,411
Impairment charges – equity investment		-	(3,000)
Impairment charges – available-for-sale financial assets		(8,320)	-
Other expenses	5	(25,721)	(18,953)
Profit / (loss) before finance costs and income tax		**(76,563)**	**77,177**
Net finance costs	6	(7,019)	(9,069)
Profit / (loss) before income tax		**(83,582)**	**68,108**
Income tax expense	7	(13,779)	(15,573)
Profit / (loss) after income tax		**(97,361)**	**52,535**
Other comprehensive income			
Items that have been or may be reclassified subsequently to profit or loss:			
Translation of foreign operations		(18)	(846)
Revaluation of available-for-sale financial assets		8,664	-
Reclassification of revaluation reserve to profit or loss		(8,664)	-
Total items that have been or may be reclassified subsequently to profit or loss		(18)	(846)
Other comprehensive income / (loss), net of income tax		**(18)**	**(846)**
Total comprehensive income / (loss) after income tax		**(97,343)**	**51,689**
Basic earnings / (loss) per share (cents)		(34.44)	18.58
Diluted earnings / (loss) per share (cents)		(34.44)	18.56

The notes on pages 14 to 30 are an integral part of these consolidated interim financial statements.

McAleese Limited
Consolidated statement of financial position
As at 31 December 2015

	Note	31 Dec 15 $'000	30 Jun 15 $'000
Current assets			
Cash and cash equivalents	13	18,635	44,782
Trade and other receivables		64,321	62,245
Prepayments		8,389	5,639
Inventories		7,647	4,845
Assets classified as held for sale	8	10,741	18,775
Total current assets		**109,733**	**136,286**
Non-current assets			
Financial instruments	13	560	-
Investments		3	-
Property, plant and equipment	9	204,320	278,057
Intangible assets		972	1,119
Available-for-sale financial assets	13	4,680	-
Deferred tax assets		-	13,740
Total non-current assets		**210,535**	**292,916**
Total assets		**320,268**	**429,202**
Current liabilities			
Trade and other payables		47,475	47,368
Financial instruments	13	2,367	2,515
Loans and borrowings	12	202,739	209,228
Current tax provision		(1)	(1)
Employee provisions		18,380	18,124
Other provisions	10	2,022	2,734
Liabilities classified as held for sale	8	-	657
Total current liabilities		**272,982**	**280,625**
Non-current liabilities			
Financial instruments	13	1,792	2,692
Loans and borrowings	12	1,144	4,210
Employee provisions		1,821	1,765
Other provisions	10	2,739	2,846
Total non-current liabilities		**7,496**	**11,513**
Total liabilities		**280,478**	**292,138**
Net assets		**39,790**	**137,064**
Equity			
Contributed equity		251,417	251,417
Reserves		(3,399)	(3,486)
Accumulated losses		(208,228)	(110,867)
Total equity		**39,790**	**137,064**

The notes on pages 14 to 30 are an integral part of these consolidated interim financial statements.

McAleese Limited
Consolidated statement of changes in equity
For the six months ended 31 December 2015

	Attributable to Owners of the Company									
		Reserves								
	Ordinary Share Capital $'000	Capital Reserves $'000	Foreign Currency Translation Reserve $'000	Share- Based Payments Reserve $'000	Revaluation Reserve $'000	Total Reserves $'000	(Accumulated Losses) / Retained Earnings $'000	Total Equity $'000	Non-controlling Interest $'000	Total Equity $'000
Opening Balance 1 July 2014	**251,417**	**(1,834)**	**399**	**138**	**-**	**(1,297)**	**(19,923)**	**230,197**	**1,890**	**232,087**
Total comprehensive income										
Profit / (loss)	-	-	-	-	-		52,535	52,535	-	52,535
Other comprehensive income	-	-	(846)	-	-	(846)	-	(846)	-	(846)
Total comprehensive income	**-**	**-**	**(846)**	**-**	**-**	**(846)**	**52,535**	**51,689**	**-**	**51,689**
Share based payments expense	-	-	-	106	-	106	-	106	-	106
Transactions with owners in their capacity as owners										
Change in ownership interest in subsidiary	-	(2,110)	-	-	-	(2,110)	-	(2,110)	(1,890)	(4,000)
Total transactions with owners in their capacity as owners	**-**	**(2,110)**	**-**	**-**	**-**	**(2,110)**	**-**	**(2,110)**	**(1,890)**	**(4,000)**
Balance at 31 December 2014	**251,417**	**(3,944)**	**(447)**	**244**	**-**	**(4,147)**	**32,612**	**279,882**	**-**	**279,882**
Opening balance at 1 July 2015	**251,417**	**(3,944)**	**6**	**452**	**-**	**(3,486)**	**(110,867)**	**137,064**	**-**	**137,064**
Total comprehensive income										
Profit / (loss)	-	-	-	-	-	-	(97,361)	(97,361)	-	(97,361)
Other comprehensive income	-	-	(18)	-	-	(18)	-	(18)	-	(18)
Total comprehensive income	**-**	**-**	**(18)**	**-**	**-**	**(18)**	**(97,361)**	**(97,379)**	**-**	**(97,379)**
Share-based payments expense	-	-	-	105	-	105	-	105	-	105
Transactions with owners in their capacity as owners										
Change in ownership interest in subsidiary	-	-	-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2015	**251,417**	**(3,944)**	**(12)**	**557**	**-**	**(3,399)**	**(208,228)**	**39,790**	**-**	**39,790**

The notes on pages 14 to 30 are an integral part of these consolidated interim financial statements.

McAleese Limited
Consolidated statement of cash flows
For the six months ended 31 December 2015

	31 Dec 15 $'000	31 Dec 14 $'000
Cash flows from operating activities		
Cash receipts from customers	313,289	411,805
Cash paid to suppliers and employees	(316,223)	(380,117)
Interest received	366	631
Interest paid	(7,252)	(7,763)
Net cash (outflow) / inflow from operating activities	**(9,820)**	**24,556**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4,948)	(42,925)
Proceeds from sale of property, plant and equipment	12,817	18,506
Purchase of available-for-sale financial assets	(14,000)	-
Proceeds on disposal of available-for-sale financial assets	656	-
Purchase of investment	(3)	-
Purchase of additional investment in subsidiary	-	(4,000)
Purchase of business	-	(925)
Disposal of subsidiaries and businesses, net of cash disposed	-	68,290
Purchase of convertible note	-	(4,000)
Advances to associated entity	-	(3,000)
Purchase of investment in joint venture	-	(3,000)
Purchase of intangible assets	(120)	(59)
Net cash (outflow) / inflow from investing activities	**(5,598)**	**28,887**
Cash flows from financing activities		
Repayment of borrowings	(4,972)	(55,000)
Payment of debt establishment costs	(1,965)	-
Payment of lease liabilities	(3,792)	(6,327)
Net cash outflow from financing activities	**(10,729)**	**(61,327)**
Net decrease in cash and cash equivalents	(26,147)	(7,884)
Cash and cash equivalents at 1 July	44,782	50,958
Cash and cash equivalents at 31 December	**18,635**	**43,074**

The notes on pages 14 to 30 are an integral part of these consolidated interim financial statements.

1. Reporting entity

McAleese Limited (the 'Company') is a company incorporated and domiciled in Australia. These interim financial statements ('interim financial statements') as at and for the six months ended 31 December 2015 covers the consolidated entity consisting of the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for-profit entity and is primarily involved in the specialised transport and logistics industry.

2. Basis of preparation

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with AASB 134: *Interim Financial Reporting,* the Corporations Act 2001 and with IAS 34 *Interim Financial Reporting*.

These interim financial statements do not contain all the information normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2015 and any public announcements made during the half-year and subsequently which are available on the Company's website (www.mcaleese.com.au).

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the interim financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

These interim financial statements were approved by the Board of Directors on 15 March 2016.

(b) Basis of measurement and the going concern assumption

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and available-for sale financial assets which are measured at fair value.

In preparing the financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern, which contemplates the continuity of business operations, realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the financial report.

The Group incurred a loss after tax of $97.4 million for the six months ended 31 December 2015 and has a current asset deficiency of $163.2 million as at 31 December 2015.

As disclosed in Note 12, the Group is funded by a syndicated facility agreement which is secured over assets of the Group. The facility is subject to financial undertakings including minimum EBITDA, minimum cash flow available for debt servicing and maximum capital expenditure requirements. Compliance is assessed at each quarter.

The Group breached its financial undertakings at 31 December 2015. As announced on 28 January 2016, the Group received from its financiers a waiver of the breach subject to the continuation of the Strategic Process and the Group meeting reporting obligations to its financiers and each financier being satisfied with those reports ("the Waiver"). The Strategic Process for the purpose of the Waiver is defined as the corporate recapitalisation process being conducted by the Group during the period up to and including 15 March 2016. On 15 March 2016, the Group received financier consent to an extension of the Strategic Process to 15 April 2016.

If the Waiver had been in place as at 31 December 2015, $144.9 million of the current loans and borrowings of $202.7 million would have been classified as non-current and the Group would have had a current asset deficiency of $18.3 million.

Regardless of the Waiver, the ongoing ability of the Group to defer payment of its debt facilities depends on the Group's ability to remain within the limits of the financial undertakings which will be influenced by factors including:

- trading results and cash flows including those from the realisation of assets held for sale and other surplus assets;
- the performance of key customer Atlas Iron Limited ('Atlas Iron');
- meeting, to the financier's satisfaction, the Strategic Process reporting obligations;
- the outcome of the Strategic Process; and
- the ongoing support of the financiers.

2. Basis of preparation (continued)

(b) Basis of measurement and the going concern assumption (continued)

Current operating environment and cash requirements

The current operating environment continues to present challenges in terms of price pressures and volatile demand patterns. The forecast trading results and cash flows taking into account the material assumptions below in relation to Atlas Iron and reasonably possible changes in trading performance, indicate the Group:

- will not operate within the level and terms of its financial undertakings; and
- will not have sufficient free cash flow to repay Facility A Tranche 2 ($55.4 million) of its syndicated facility when it matures in November 2016.

Given the forecast breach of covenants and debt repayment requirements under the existing syndicated facility, in the absence of the Strategic Process resulting in a recapitalisation of the Group, the Group will require the ongoing support of its existing financiers to continue as a going concern.

Reliance on key customer – Atlas Iron Limited

Atlas Iron is a key customer of McAleese, and is forecast to make a material contribution to the Group's revenue and EBITDA in FY2016 and beyond. Accordingly, the Group's forecast trading result and cash flows are highly dependent upon the operations of Atlas Iron. Atlas Iron's revenue and cash flows are derived from the mining and sale of iron ore. As such, the Group's financial performance is highly dependent on Atlas Iron's production volumes and realised AUD iron ore prices.

As previously announced the Group's haulage agreements with Atlas Iron provide Atlas Iron with a lower base haulage rate and the Group with profit share linked to AUD iron ore prices realised by Atlas Iron.

The material assumptions adopted by the Directors in the cash flow forecasts in relation to the Atlas Iron Haulage contracts include:

- nil contribution from the profit share linked to the realised AUD iron ore price; and
- haulage of tonnes over the mine lives consistent with the FY2016 medium term production plan and management estimates for FY2017.

The Strategic Recapitalisation Process

As announced to the market on 27 August 2015, the Group has been conducting a Strategic Process to recapitalise the Group with the assistance of Moelis & Company. The Strategic Process has been running for several months on a timetable agreed with the Group's financiers. Throughout this period the financiers have been provided information regarding the structure and terms of the various proposals received by the Group. The proposals that the Group has received remain indicative and non-binding, and the Group is working with a select number of parties to finalise binding proposals that are capable of acceptance by the Group and its financiers.

If the recapitalisation is implemented, it is expected that Group's financiers would agree to sell their debt to the successful party on terms that are acceptable to the Group. As a condition to any purchase of the debt, it is expected that there would be an agreement between the successful party and the Group to reduce the amount of the debt by way of compromise, with the revised debt to be on new terms agreed with the Group. The recapitalisation would also be conditional upon an underwritten equity component, most likely a rights issue, the terms of which remain under negotiation. In combination these steps are intended to provide a sustainable capital structure for the Group.

The Group's financiers remain supportive of the Strategic Process and the Waiver remains in place. The Waiver is subject to continuation of the Strategic Process and the Group meeting reporting obligations to its financiers on the process and each financier being satisfied with those reports.

Whilst the Directors remain confident of a successful conclusion to the Strategic Process there is risk that a final proposal may not be forthcoming or may not be acceptable to the financiers or may be subject to conditions which are unable to be satisfied or a transaction is otherwise unable to be completed, in which case the financiers may withdraw or not extend covenant waivers and may seek to exercise default rights under the syndicated facility agreement.

2. Basis of preparation (continued)

(b) Basis of measurement and the going concern assumption (continued)

The cash flow forecasts include assumptions about the operating environment, the ongoing operations of Atlas Iron, the favourable outcome of the Strategic Process and recapitalisation of the Group and the ongoing support of the Group's existing financiers.

The above factors are material uncertainties that give rise to significant doubt about the ability of the Group to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

Notwithstanding the uncertainties set out above, the Directors believe at the date of the signing of the financial report there are reasonable grounds to consider that the going concern basis of preparation is appropriate.

Note 3(h) of the 30 June 2015 financial statements sets out the basis on which the Directors have determined the recoverable amount of the non-current assets which comprise the operating fleet. The recoverable amount is predicated on the assumption that the Group will continue as a going concern. In the event that the Group is unable to continue as a going concern a further provision would be required to write down the value of the assets to an alternative valuation.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars which is the Company's functional currency and the functional currency of the majority of the Group.

(d) Use of estimates and judgements

The preparation of these interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant judgements made in applying the Group's accounting policies and the key sources of estimation uncertainty relate to: investments; intangible assets; property, plant and equipment; provisions; and contingent liabilities.

(e) Changes in accounting policies

The accounting policies applied in these interim financial statements are consistent with those applied in the annual financial report for the year ended 30 June 2015. The Group 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 2015.

AASB 2015-13 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031-Materiality

The adoption of this amendment to standards has not resulted in any changes to existing accounting policies or had any impact on the interim financial statements.

3. Segment information

The Group has four reportable segments as described below. For each segment, the Group's Chief Executive Officer reviews internal management reports on at least a monthly basis.

The following describes the operations in each of the Group's reportable segments:

- The Heavy Haulage & Lifting division (HH&L) provides heavy haulage and lifting solutions for equipment required in the construction, operation and maintenance of resources, energy and infrastructure projects. HH&L also provides storage and transport services for mining inputs.
- The Bulk Haulage division provides bulk commodities haulage across off-road and on-road (highway) routes and ancillary onsite services in the mining sector.
- The Oil & Gas division comprises Cootes Transport, a provider of liquid and gaseous fuel transportation services in Australia for global oil and gas companies and Refuel International, a designer and manufacturer of refuelling and handling equipment.
- The Specialised Transport division comprises the operations of WA Freight Group which include the movement of less than truck load consolidated freight (LTL) utilising express services between the East and West coasts of Australia and on all main capital city corridors.

Unallocated items comprise mainly corporate overheads, finance costs, taxation and associated assets and liabilities.

McAleese Limited
Notes to the consolidated interim financial statements
For the six months ended 31 December 2015

3. Segment information (continued)

	Heavy Haulage & Lifting		Bulk Haulage		Oil & Gas		Specialised Transport		Total Reportable Segments		Unallocated		Total Group	
	31 Dec 15 $'000	31 Dec 14 $'000	31 Dec 15 $'000	31 Dec 14 $'000	31 Dec 15 $'000	31 Dec 14 $'000	31 Dec 15 $'000	31 Dec 14 $'000	31 Dec 15 $'000	31 Dec 14 $'000	31 Dec 15 $'000	31 Dec 14 $'000	31 Dec 15 $'000	31 Dec 14 $'000
Revenue	49,228	78,562	138,766	147,707	54,131	85,799	42,818	44,670	284,943	356,738	19	46	284,962	356,784
Other income	-	1,214	-	188	740	50,754	-	-	740	52,156	560	-	1,300	52,156
Segment income	**49,228**	**79,776**	**138,766**	**147,895**	**54,871**	**136,553**	**42,818**	**44,670**	**285,683**	**408,894**	**579**	**46**	**286,262**	**408,940**
EBITDA before significant items	(941)	15,543	10,650	27,166	2,170	7,906	(1,778)	2,484	10,101	53,099	(3,438)	(3,602)	6,663	49,497
Depreciation and amortisation	(5,646)	(5,810)	(10,372)	(11,604)	(2,911)	(4,324)	(1,278)	(1,334)	(20,207)	(23,072)	(258)	(96)	(20,465)	(23,168)
EBIT before significant items	**(6,587)**	**9,733**	**278**	**15,562**	**(741)**	**3,582**	**(3,056)**	**1,150**	**(10,106)**	**30,027**	**(3,696)**	**(3,698)**	**(13,802)**	**26,329**
<u>Individually significant items:</u>														
Profit on disposal of subsidiary	-	-	-	-	-	50,754	-	-	-	50,754	-	-	-	50,754
Acquisition costs	-	-	-	-	-	-	-	-	-	-	-	(331)	-	(331)
Impairment (charges) / reversals - plant & equipment	(19,791)	-	(28,036)	-	(178)	1,411	(2,139)	-	(50,144)	1,411	-	-	(50,144)	1,411
Impairment charges - equity investment	-	-	-	-	-	-	-	-	-	-	-	(3,000)	-	(3,000)
Impairment charges - available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(8,320)	-	(8,320)	-
Loss on disposal of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(344)	-	(344)	-
Revaluation of listed options	-	-	-	-	-	-	-	-	-	-	560	-	560	-
Insurance recovery - IES acquisition	-	-	-	-	-	-	-	-	-	-	740	-	740	-
Litigation settlement - Beta disposal	-	-	-	-	-	-	-	-	-	-	(414)	-	(414)	-
Mona Vale accident	-	-	-	-	-	2,000	-	-	-	2,000	-	-	-	2,000
Restructure costs & superannuation	(329)	-	-	-	-	2,067	-	-	(329)	2,067	(858)	-	(1,187)	2,067
Loss on disposal of business	-	-	-	-	-	(2,053)	-	-	-	(2,053)	-	-	-	(2,053)
Consulting and advisory costs	-	-	-	-	(15)	-	-	-	(15)	-	(3,637)	-	(3,652)	-
Total significant items	**(20,120)**	**-**	**(28,036)**	**-**	**(193)**	**54,179**	**(2,139)**	**-**	**(50,488)**	**54,179**	**(12,273)**	**(3,331)**	**(62,761)**	**50,848**
EBIT after significant items	**(26,707)**	**9,733**	**(27,758)**	**15,562**	**(934)**	**57,761**	**(5,195)**	**1,150**	**(60,594)**	**84,206**	**(15,969)**	**(7,029)**	**(76,563)**	**77,177**
Net finance costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(7,019)	(9,069)	(7,019)	(9,069)
Profit / (loss) before income tax	**(26,707)**	**9,733**	**(27,758)**	**15,562**	**(934)**	**57,761**	**(5,195)**	**1,150**	**(60,594)**	**84,206**	**(22,988)**	**(16,098)**	**(83,582)**	**68,108**

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Notes to the consolidated interim financial statements
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3. Segment information (continued)

	Heavy Haulage & Lifting		Bulk Haulage		Oil & Gas		Specialised Transport		Total Reportable Segments		Unallocated		Total Group	
	31 Dec 15 $'000	31 Dec 14 $'000	31 Dec 15 $'000	31 Dec 14 $'000	31 Dec 15 $'000	31 Dec 14 $'000	31 Dec 15 $'000	31 Dec 14 $'000	31 Dec 15 $'000	31 Dec 14 $'000	31 Dec 15 $'000	31 Dec 14 $'000	31 Dec 15 $'000	31 Dec 14 $'000
Profit / (loss) before income tax	**(26,707)**	**9,733**	**(27,758)**	**15,562**	**(934)**	**57,761**	**(5,195)**	**1,150**	**(60,594)**	**84,206**	**(22,988)**	**(16,098)**	**(83,582)**	**68,108**
Income tax expense	-	-	-	-	-	-	-	-	-	-	(13,779)	(15,573)	(13,779)	(15,573)
Profit / (loss) after income tax	**(26,707)**	**9,733**	**(27,758)**	**15,562**	**(934)**	**57,761**	**(5,195)**	**1,150**	**(60,594)**	**84,206**	**(36,767)**	**(31,671)**	**(97,361)**	**52,535**
Reportable segment assets	113,897	235,744	96,202	211,761	67,767	79,126	16,834	24,826	294,700	551,457	25,568	49,923	**320,268**	**601,380**
Reportable segment liabilities	(18,062)	(31,563)	(30,389)	(25,208)	(18,560)	(27,538)	(7,116)	(7,477)	(74,127)	(91,786)	(206,351)	(229,712)	**(280,478)**	**(321,498)**

4. Other income (including individually significant items)

	31 Dec 15 $'000	31 Dec 14 $'000
Individually significant items:		
Net profit on disposal of subsidiary	-	50,754
Revaluation of listed options	560	-
Insurance recovery - IES acquisition	740	-
Total individually significant items	**1,300**	**50,754**
Net gain on sale of property, plant and equipment	-	1,276
Other income	-	126
	1,300	**52,156**

5. Other expenses (including individually significant items)

	31 Dec 15 $'000	31 Dec 14 $'000
Individually significant items:		
Acquisition costs	-	331
Loss on disposal of available-for-sale financial assets	344	-
Litigation settlement - Beta disposal	414	-
Mona Vale accident	-	(2,000)
Restructure costs & superannuation	1,187	(2,067)
Net loss on disposal of business	-	2,053
Consulting and advisory costs	3,652	-
Total individually significant items	5,597	(1,683)
Net loss on sale of property, plant and equipment	1,544	-
Impairment loss on trade receivables	374	101
Other expenses	18,206	20,535
	25,721	**18,953**

6. Finance costs

	31 Dec 15 $'000	31 Dec 14 $'000
Interest Income	385	728
Interest on borrowings	(7,448)	(7,771)
Amortisation of borrowing costs	(1,003)	(479)
Change in fair value of derivatives	1,047	(1,547)
Total finance costs	**(7,404)**	**(9,797)**
Net finance costs	**(7,019)**	**(9,069)**

7. Income tax

	31 Dec 15 $'000	31 Dec 14 $'000
Reconciliation of effective tax rate		
Profit / (loss) before income tax	(83,582)	68,108
Tax using the Company's domestic tax rate of 30% (2014: 30%)	(25,074)	20,432
Effect of tax rates used in foreign jurisdictions	(20)	(91)
Non-deductible expenses	54	152
Impairment charges - equity investment	-	900
Impairment charges - available-for-sale financial assets	2,496	-
Loss on disposal of available-for-sale financial assets	103	-
Revaluation of listed options	(168)	-
Amortisation of intangible assets	11	213
Non-assessable profit on disposal of subsidiary	-	(15,581)
Net capital gain on disposal of subsidiary	-	9,841
Current year losses for which no deferred tax asset was recognised	10,384	696
De-recognition of deductible temporary differences	26,136	-
Prior year losses for which deferred tax now recognised	-	(1)
Change in recognised deductible temporary differences	-	(1,180)
Prior year under provision	(143)	95
Other	-	97
Income tax expense	**13,779**	**15,573**

Tax losses and deductible temporary differences have not been recognised as it is not probable that future taxable profit will be available in the short to medium term against which the Group can utilise the benefits. Unrecognised tax losses and deductible temporary differences at balance date were $18,066,000 & $26,284,000 respectively.

8. Assets and liabilities classified as held for sale

	Note	31 Dec 15 $'000	30 Jun 15 $'000
(a) Assets classified as held for sale			
Disposal group held for sale:			
Trade and other receivables		-	786
Prepayments		-	10
Inventories		-	1,750
Deferred tax asset		-	29
Property, plant and equipment	9	-	7,931
Total assets of disposal group held for sale		**-**	**10,506**
Assets held for sale:			
Property, plant and equipment	9	10,741	8,269
Total assets held for sale		**10,741**	**8,269**
(b) Liabilities directly associated with assets classified as held for sale			
Disposal group held for sale:			
Trade and other payables		-	561
Employee entitlements		-	96
Total liabilities directly associated with assets of disposal group held for sale		**-**	**657**

The disposal group held for sale previously included the Castlereagh Quarry business which forms part of the Bulk Haulage division. The quarry business has been marketed for sale, however there have been no offers which are acceptable to the Company, and as such the business is no longer held for sale. Assets held for sale represents the excess equipment throughout all divisions, the majority of which is expected to be sold prior to the end of the current financial year.

9. Property, plant and equipment

	Note	Land and buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Leased plant and equipment $'000	Total $'000
Cost						
Balance at 1 July 2015		165	10,946	551,904	31,253	594,268
Acquisitions through business combinations		-	-	-	-	-
Additions		-	200	4,748	-	4,948
Assets previously held for sale		-	18,547	35,780	-	54,327
Disposal of subsidiary		-	-	-	-	-
Disposals		(120)	(434)	(58,477)	-	(59,031)
Transfers		-	-	11,114	(11,159)	(45)
Reclassification to assets held for sale	8	-	-	(35,039)	-	(35,039)
Effect of movements in exchange rates		-	-	-	-	-
Balance at 31 December 2015		**45**	**29,259**	**510,030**	**20,094**	**559,428**
Balance at 1 July 2014		173	6,359	543,935	51,801	602,268
Acquisitions through business combinations		-	-	1,225	-	1,225
Additions		-	1,720	52,446	-	54,166
Assets previously held for sale		947	18,553	71,056	-	90,556
Disposal of subsidiary / business		(1,014)	(6)	(6,654)	-	(7,674)
Disposals		(8)	(30)	(92,131)	-	(92,169)
Transfers		-	2,897	17,645	(20,548)	(6)
Reclassification to assets held for sale	8	-	(18,547)	(35,780)	-	(54,327)
Effect of movements in exchange rates		67	-	162	-	229
Balance at 30 June 2015		**165**	**10,946**	**551,904**	**31,253**	**594,268**
Depreciation						
Balance at 1 July 2015		(57)	(8,254)	(290,662)	(17,238)	(316,211)
Acquisitions through business combinations		-	-	-	-	-
Depreciation		(1)	(660)	(19,134)	(402)	(20,197)
Impairment		-	-	(49,033)	(1,111)	(50,144)
Assets previously held for sale		-	(12,857)	(25,270)	-	(38,127)
Disposal of subsidiary		-	-	-	-	-
Disposals		29	434	44,763	-	45,226
Transfers		-	-	(6,205)	6,252	47
Reclassification to assets held for sale	8	-	-	24,298	-	24,298
Effect of movements in exchange rates		-	-	-	-	-
Balance at 31 December 2015		**(29)**	**(21,337)**	**(321,243)**	**(12,499)**	**(355,108)**
Balance at 1 July 2014		(62)	(2,718)	(213,889)	(11,390)	(228,059)
Depreciation		(15)	(1,988)	(41,093)	(2,138)	(45,234)
Impairment		-	-	(87,020)	-	(87,020)
Reversal of impairment charge		-	-	3,506	-	3,506
Assets previously held for sale		(181)	(12,539)	(56,832)	-	(69,552)
Disposal of subsidiary / business		205	-	4,311	-	4,516
Disposals		8	29	67,562	-	67,599
Transfers		-	(1,814)	(3,264)	5,084	6
Reclassification to assets held for sale	8	-	12,857	25,270	-	38,127
Effect of movements in exchange rates		(12)	-	(88)	-	(100)
Balance at 30 June 2015		**(57)**	**(6,173)**	**(301,537)**	**(8,444)**	**(316,211)**
Carrying Amounts						
As at 31 December 2015		**16**	**7,922**	**188,787**	**7,595**	**204,320**
As at 30 June 2015		108	4,773	250,367	22,809	278,057

Opening depreciation balances at 1 July 2015 have been adjusted where applicable, to reflect the re-allocation of prior year impairment charges across the relevant asset categories.

9. Property, plant and equipment (continued)

Impairment loss

An Impairment loss of $50,144,000 (31 Dec 2014: $2,095,000) was recognised during the period relating to the write down of plant & equipment across all divisions.

Leased plant and equipment

The Group leases equipment under finance lease agreements. Certain leases provide the Group with the option to purchase the equipment. The leased equipment secures the lease obligations.

10. Other provisions

	31 Dec 15 $'000	30 Jun 15 $'000
Current other provisions		
Warranty	1	-
Onerous lease	315	330
Restructure & superannuation	161	804
Mona Vale accident	1,365	1,414
Other	180	186
Reclassification to liabilities held for sale	-	-
	2,022	**2,734**
Non-current other provisions		
Onerous lease	187	346
Other	2,552	2,500
	2,739	**2,846**

Reconciliation of movement in provisions

	Warranty $'000	Onerous lease $'000	Restructure & superannuation $'000	Mona Vale accident $'000	Other $'000
Opening balance at 1 July 2015	-	676	804	1,414	2,686
Charged to profit and loss	1	-	-	-	46
Written back to profit and loss	-	-	-	-	-
Amounts used during the year	-	(174)	(643)	(49)	-
Disposed through business sale	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-
Closing balance 31 December 2015	**1**	**502**	**161**	**1,365**	**2,732**

11. Dividends

No dividends have been declared or recommended by Directors at balance date in respect of the current period (31 Dec 2014: nil).

12. Loans and borrowings

	31 Dec 15 $'000	30 Jun 15 $'000
Current borrowings		
Secured bank loans	200,600	205,400
Capitalised facility fees	(2,799)	(1,836)
Finance lease liabilities	4,938	5,664
	202,739	**209,228**
Non-current borrowings		
Finance lease liabilities	1,144	4,210
	1,144	**4,210**

Facility A, Tranche 1

Tranche 1 is a four year term loan facility, repayable in full at maturity. Tranche 1 may be prepaid but amounts prepaid will reduce the commitments and may not be re-borrowed.

Facility A, Tranche 2

Tranche 2 is a three year loan facility, repayable in full at maturity. Tranche 2 may be prepaid but amounts prepaid will reduce the commitments and may not be re-borrowed.

Facility B

Facility B is a three year revolving multi-option cash collateralised facility for the provision of letters of credit, bank guarantees and performance bonds.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings were as follows:

			31 Dec 15		30 Jun 15	
	Currency	Year of Maturity	Face Value $'000	Carrying Amount $'000	Face Value $'000	Carrying Amount $'000
Secured bank loan	AUD	2016	55,446	55,446	55,400	55,400
Secured bank loan	AUD	2017	145,154	145,154	150,000	150,000
Finance lease liabilities	AUD	2016 / 2017	6,082	6,082	9,874	9,874
			206,682	**206,682**	**215,274**	**215,274**

Revised banking arrangements

The Group agreed revised terms with its lenders on 25 August 2015. The revised arrangements suspend the Group's previous financial undertakings relating to leverage, interest cover ratio and gearing during FY2016. The key new covenants are minimum EBITDA, minimum CFADS (Cash Flow Available for Debt Servicing) and maximum capital expenditure requirements for which compliance is assessed at the end of each quarter and formally reported to the Group's bankers at that time. At 31 December 2015, the Group have not complied with the financial undertakings as calculated at that date, and therefore, secured bank loans and related fees have been classified as a current liability at balance date as the Group did not have an unconditional right to defer settlement for at least 12 months after that date. Refer Note 16, Subsequent Events, for information regarding the Group's revised financing arrangements.

12. Loans and borrowings (continued)

Security for borrowings

During the half year, the Group continued to provide security to its bankers. The bank loans are secured over the assets of the Grantors as listed in the General Security Agreement. The finance lease liabilities are secured over leased plant and equipment.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	31 Dec 15			30 Jun 15		
	Future minimum lease payments $'000	Interest $'000	Present value of minimum lease payments $'000	Future minimum lease payments $'000	Interest $'000	Present value of minimum lease payments $'000
Less than one year	5,466	528	4,938	6,104	440	5,664
Between one and five years	1,180	36	1,144	4,339	129	4,210
	6,646	**564**	**6,082**	**10,443**	**569**	**9,874**

13. Financial risk management

The Group has exposure to the following risks in its normal course of business:

- credit risk;
- liquidity risk;
- market risk;
- price risk; and
- interest rate risk.

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit, Business Risk & Compliance Committee ("the Audit Committee"), which is responsible for developing and monitoring the Group's risk management policies. The Audit Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to ensure they reflect changes in market conditions and the Group's activities. The Group, 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 Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(a) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its contractual obligations, and arises principally on the Group's receivables from customers, other investments, cash held with financial institutions and derivatives held with various counterparties.

13. Financial risk management (continued)

Exposure to credit risk

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

	Carrying amount	
	31 Dec 15 $'000	30 Jun 15 $'000
Cash and cash equivalents – available for use	18,041	30,385
Cash and cash equivalents – restricted use	594	14,397
Total cash and cash equivalents	18,635	44,782
Trade and other receivables	64,321	63,031
	82,956	**107,813**

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties. The restricted use cash and cash equivalents relates to the following items;

An amount of $366,000 is currently held in escrow at balance date in relation to the sale of the Beta Fluid Systems (Beta) business. This amount is held in the name of Beta and will be released, subject to potential costs, pending the finalisation of ongoing site environmental assessments.

An additional amount of $228,000 is held in a deposit account to cover bank guarantees and letters of credit granted by the Group's lenders and specifically held for the purpose of meeting those obligations.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group establishes an allowance for impairment that represents its estimate of losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Impairment losses

The ageing of the trade and other receivables at the reporting date before the deduction of impairment was:

	31 Dec 15 $'000	30 Jun 15 $'000
Not past due	49,981	49,091
Past due 1 – 30 days	9,217	11,895
Past due 31 – 90 days	2,686	4,702
Past due greater than 90 days	11,550	9,310
	73,434	**74,998**

At 31 December 2015, an impairment provision of $9,113,000 (30 June 2015: $11,967,000) was held within trade and other receivables. The impairment provision relates to several customers where indications are that they may not be able to pay their outstanding balances.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and an analysis of customer credit risk, including the underlying customers' credit ratings, when available.

Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

13. Financial risk management (continued)

Movement in impairment of receivables

	31 Dec 15 $'000	30 Jun 15 $'000
Opening balance	11,967	1,141
Charged to profit and loss	374	7,900
Charged to profit and loss – significant items	-	3,518
Written back to profit and loss	(95)	233
Amounts written off as uncollectable	(3,133)	(744)
Disposed through sale of business	-	(81)
	9,113	**11,967**

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables). The Group monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

The following maturities reflect the breach of the syndicated facility agreement financial undertakings at 31 December 2015. This note should be read in conjunction with Notes 2(b), 12 and 16. The contractual cash flows include estimated interest payments and exclude the impact of netting agreements.

31 Dec 2015	**Note**	**Carrying amount $'000**	**Contractual cash flows $'000**	**2 months or less $'000**	**2 – 12 months $'000**	**1 – 2 years $'000**	**2 – 5 years $'000**
Non-derivative financial liabilities							
Secured bank loans	12	200,600	221,028	221,028	-	-	-
Finance lease liabilities	12	6,082	6,646	371	5,095	1,180	-
Trade and other payables		47,475	47,475	47,475	-	-	-
		254,157	**275,149**	**268,874**	**5,095**	**1,180**	**-**
Derivative financial liabilities							
Interest rate swaps used for hedging		4,159	4,159	592	1,775	1,792	-
		4,159	**4,159**	**592**	**1,775**	**1,792**	**-**

30 Jun 2015	**Note**	**Carrying amount $'000**	**Contractual cash flows $'000**	**2 months or less $'000**	**2 – 12 months $'000**	**1 – 2 years $'000**	**2 – 5 years $'000**
Non-derivative financial liabilities							
Secured bank loans	12	205,400	224,771	1,530	7,503	63,019	152,719
Finance lease liabilities	12	9,874	10,443	1,190	4,914	4,339	-
Trade and other payables		47,929	47,929	47,929	-	-	-
		263,203	**283,143**	**50,649**	**12,417**	**67,358**	**152,719**
Derivative financial liabilities							
Interest rate swaps used for hedging		5,207	5,207	627	1,888	1,976	716
		5,207	**5,207**	**627**	**1,888**	**1,976**	**716**

13. Financial risk management (continued)

The contractual cash flows above reflect market forward interest rates at the period end and these amounts may change as market interest rates change. The future cash flows on derivative instruments may be different from the amount in the above table as interest rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group'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 the return.

When appropriate, the Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group Audit, Business Risk and Compliance Committee. When deemed appropriate, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

(d) Price risk

The Group has an exposure to the AUD iron ore price, via a profit sharing arrangement with one of its major customers. An increase or decrease in the AUD iron ore price of 10% would have resulted in an increase or decrease in profit and loss of $4,910,000 and $3,561,000 respectively.

(e) Interest rate risk

The Group adopts a policy of hedging its exposure to changes in interest rates by entering into interest rate swaps.

(f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's net debt to equity ratio at the reporting date was as follows:

	31 Dec 15 $'000	30 Jun 15 $'000
Secured bank loans	200,600	205,400
Finance lease liabilities	6,082	9,874
Cash and cash equivalents	(18,635)	(44,782)
Net debt	**188,047**	**170,492**
Total equity	**39,790**	**137,064**
Net debt to adjusted equity ratio	**4.73**	**1.24**

13. Financial risk management (continued)

(g) Accounting classifications and fair values

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 Dec 2015				
Non-current assets				
Available-for-sale financial assets	4,680	-	-	4,680
Listed options	560	-	-	560
	5,240	**-**	**-**	**5,240**
Current liabilities				
Interest rate swaps	-	2,367	-	2,367
	-	**2,367**	**-**	**2,367**
Non-current liabilities				
Interest rate swaps	-	1,792	-	1,792
	-	**1,792**	**-**	**1,792**
30 Jun 2015				
Non-current assets				
Available-for-sale financial assets	-	-	-	-
Listed options	-	-	-	-
	-	-	-	-
Current liabilities				
Interest rate swaps	-	2,515	-	2,515
	-	**2,515**	**-**	**2,515**
Non-current liabilities				
Interest rate swaps	-	2,692	-	2,692
	-	**2,692**	**-**	**2,692**

Available-for-sale financial assets relate to shares held by the Group in one of its key customers, Atlas Iron. The listed options represent options over shares in Atlas Iron which were acquired at no cost. The value disclosed represents the fair value of the options at balance date. The options have a strike price of 7.5 cents per share and expire on 30 June 2017.

Further details of the interest rate swaps are set out below:

	31 Dec 15			30 Jun 15		
	Face Value $'000	Average Fixed Interest Rate	Maturity	Face Value $'000	Average Fixed Interest Rate	Maturity
Current interest rate swaps - 3 year maturity	52,500	3.50%	Nov 16	52,500	3.50%	Nov 16
Current interest rate swaps - 4 year maturity	112,500	3.79%	Nov 17	112,500	3.79%	Nov 17
Total	**165,000**	**3.69%**		**165,000**	**3.69%**	

14. Capital commitments

The Group had contractual obligations to purchase property, plant and equipment of $3,057,000 as at 31 December 2015 (30 June 2015: $nil,).

15. Contingencies

The Group has provided bank guarantees and letters of credit in the ordinary course of business of $4,890,964 (30 June 2015: $4,729,993).

The Group is involved in legal claims which arise from the ordinary course of business. There is significant uncertainty as to whether a liability will arise in respect of these items and the amount of any liability which may arise cannot be reliably measured at this time. The Group has recently settled a legal claim in relation to its former USA subsidiary, Beta Fluid Systems, Inc., the claim of which pre-dated the sale of that business in October 2015. The amount of the settlement has been disclosed as a significant item in the financial statements.

In the course of acquisitions and disposals of businesses and assets, the Group routinely negotiates warranties and indemnities across a range of commercial issues and risks. The Group has recently settled a previous claim made on warranty insurance in relation to matters in the Oil & Gas and Bulk Haulage divisions which pre-dated the acquisition of that business in April 2012. The insurance recovery has been disclosed as a significant item in the financial statements.

Pursuant to a Shareholder's Agreement dated 18 December 2015, the Group have an obligation to make a payment of $331,254 subject to satisfaction of various conditions as outlined in a Deed of Company Arrangement.

16. Subsequent events

Financing waiver

Given the persistence of challenging conditions and their consequences on financial performance, McAleese Group breached the financial undertakings in the SFA in respect of the testing period ended 31 December 2015. Throughout the half, the Group maintained frequent and constructive discussions with its banking syndicate, notably in relation to the Strategic Process.

On 28 January 2016, the Group was granted a waiver of this breach by its financiers, subject to the continuation of the Strategic Process currently being undertaken and the Group meeting reporting obligations to its financiers on the Strategic Process and each financier being satisfied with those reports.

The Strategic Process for the purpose of the waiver is defined as the corporate recapitalisation process being conducted by the Group during the period up to and including 15 March 2016. On 15 March 2016, the Group received financier consent to an extension of the Strategic Process to 15 April 2016.

Asset sales

On 29 January 2016, the Group received $7.9 million in net cash proceeds, being the balance owing for the sale of LPG tankers to Elgas in accordance with the Sale and Purchase Agreement dated 23 December 2015. The sales occurred above book value and proceeds were applied to debt reduction.

No other matter or circumstance has arisen in the interval between 31 December 2015 and the date hereof that, in the Directors' opinion, has significantly affected or may significantly affect:

(i) the Group's operations in current and future financial years; or

(ii) the results of those operations in current and future financial years; or

(iii) the Group's state of affairs in current and future financial years.

Directors' declaration

In the opinion of the Directors of McAleese Limited ('the Company'):

(i) the consolidated interim financial statements and notes that are set out on pages 10 to 30 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance, for the half-year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(ii) noting the matters disclosed in Note 2(b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Mr Don Telford
Director

Mr Mark Rowsthorn
Director

Dated at Camberwell on the 15th day of March 2016.

KPMG

Independent auditor's review report to the members of McAleese Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of McAleese Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2015, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year period ended on that date, notes 1 to 16 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of McAleese Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of McAleese Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Material Uncertainties Related to Going Concern

We draw attention to Note 2 in the interim financial report, which indicates that the Group incurred a net loss of $97.4m during the half year ended 31 December 2015 and as of that date, the Group's current liabilities exceeded its current assets by $163.2m. As stated in Note 2, these events or conditions along with the matters set forth in Note 2, indicate that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.

KPMG

KPMG

SE Bell

Suzanne Bell
Partner

Melbourne

15 March 2016