



MACMAHON

**MACMAHON HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES**
INTERIM FINANCIAL REPORT
31 DECEMBER 2021



CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

For the six months ended 31 December 2021

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DIRECTORS' REPORT

For the six months ended 31 December 2021

The Directors present their report, together with the condensed consolidated interim financial statements, of Macmahon Holdings Limited and its controlled entities (the Group or Macmahon) for the six months ended 31 December 2021 including the independent review report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the interim period are:

E Skira	(Non-Executive Chair)
M Finnegan	(Managing Director and Chief Executive Officer)
D McComish	(Non-Executive Director)
B Munro	(Non-Executive Director)
A Ramlie	(Non-Executive Director)
A Sidarto	(Non-Executive Director)
H Tyrwhitt	(Non-Executive Director)
V Vella	(Non-Executive Director – Resigned 20 October 2021)

PRINCIPAL ACTIVITIES

Macmahon is an ASX listed company that has been offering mining and construction services to clients for more than 58 years. We seek to develop strong relationships with our clients in which both parties can work together in an open, flexible and transparent way. Our approach to doing business, together with our capabilities in surface and underground mining, civil design and construction, performance enhancement, and mine site maintenance and rehabilitation services, has established Macmahon as a trusted partner on resources projects throughout Australia and internationally.

OPERATIONAL OVERVIEW

Macmahon derives revenue from activities including surface and underground mining, civil design and construction (primarily on mine sites), equipment repair and maintenance, mining advisory services, design and fabrication of mining infrastructure, and mine site maintenance and rehabilitation services.

Surface Mining

Macmahon's surface mining division offers a broad range of services including mine planning, drill and blast, bulk and selective mining, crushing and screening, water management as well as equipment operation and maintenance. During the period, Macmahon provided surface mining services to the following projects:

- **Tropicana Gold Mine** – Macmahon is fulfilling a life of mine contract at the Tropicana project in Western Australia for AngloGold Ashanti and Regis Resources Limited.
- **Telfer Gold Mine** – Macmahon is fulfilling a life of mine contract at the Telfer project in Western Australia for Newcrest.
- **King of the Hills Mine** – Commencing in early 2022, Macmahon will be providing both surface and underground mining services to Red 5 Limited at the King of the Hills Project in Western Australia.
- **Batu Hijau Copper / Gold Mine** – Macmahon is fulfilling a life of mine contract to provide all mining services at the Batu Hijau mine in Indonesia for PT Amman Mineral Nusa Tenggara (AMNT).
- **Byerwen Coking Coal Mine** – Macmahon is fulfilling a contract for the provision of open cut mining at the Byerwen project for QCoal in Queensland.
- **Mt Morgans Gold Mine** – Macmahon is fulfilling a contract for the provision of open pit mining services, including drilling and blasting, loading, hauling and technical services at the Mt Morgans project in Western Australia for Dacian Gold.
- **Martabe Gold Mine** – Macmahon is contracted by PT Agincourt Resources to provide mining services at the Martabe gold mine in the North Sumatra province of Indonesia.
- **Langkawi Quarries** – Macmahon is fulfilling a mining services quarry contract on Langkawi Island, Malaysia, for YTL Cement.
- **Foxleigh Mine** – Macmahon is fulfilling an equipment hire and maintenance services contract at the Foxleigh Mine located in Queensland's Bowen Basin.
- **Dawson South** – Macmahon is fulfilling surface mining services for Anglo American's Dawson South mine located in Queensland.
- **Julius** – Macmahon is fulfilling surface mining services at the Julius gold project in Western Australia for Northern Star Resources.

DIRECTORS' REPORT

For the six months ended 31 December 2021

- **Warrawoona Gold Mine** – Macmahon is scheduled to commence open cut mining activities in early 2022 for Calidus Resources Limited at the Warrawoona gold project in Western Australia.

Underground Mining

Macmahon's underground mining division offers underground development and production services, a broad range of ground support services, as well as services to facilitate ventilation and access to underground mines including shaft sinking, raise drilling and shaft lining. During the period, Macmahon provided underground services to the following projects:

- **Boston Shaker Gold Mine** - Macmahon is fulfilling a contract to develop an underground mine at the Tropicana project in Western Australia for AngloGold Ashanti and Regis Resources Limited.
- **Gwalia Gold Mine** – Macmahon is fulfilling a contract providing underground mining services to St Barbara at the Gwalia Gold Mine in Western Australia.
- **King of the Hills Mine** – Commencing in early 2022, Macmahon will be providing both surface and underground mining services to Red 5 Limited at the King of the Hills Project in Western Australia.
- **Granny Smith Gold Mine** - Macmahon provides cablebolting services to Goldfields in Western Australia.
- **Fosterville Gold Mine** - Macmahon provides cablebolting services to Kirkland Lake Gold in Victoria.
- **Leinster Nickel Mine** - Macmahon provides production drilling and other mining services to BHP in Western Australia.
- **Olympic Dam Mine** - Macmahon provides raise drilling services to BHP in South Australia.
- **Deflector Gold Mine** – Macmahon is fulfilling a contract providing underground mining services to Silver Lake Resources at the Deflector Gold Project in Western Australia.
- **Mt Belches Gold Mine** – Macmahon provides underground mining and development services for Silver Lake Resources at the Maxwell's, Cock-Eyed Bob and Santa underground mines in Western Australia.
- **Nicolsons Gold Mine** - Macmahon provides fleet rental and equipment maintenance support for Pantoro in Western Australia.

Mining Support Services

Macmahon provides consulting, design, civil construction, equipment hire, maintenance and site rehabilitation services. During the period, Macmahon provided services to the following projects:

- **Warrawoona Gold Project** – Macmahon provides early-stage civil works (construction of new mine infrastructure, including roads, pads, drainage, dams, office facilities and workshops) to Calidus Resources Limited at the Warrawoona Gold Project in Western Australia.
- **Peak Downs Coking Coal Mine** - TMM provides mine services works, top soil stripping, rehabilitation, tailings dam remediation and civil works to BHP Mitsubishi Alliance (BMA).
- **Saraji Coking Coal Mine** - TMM provides equipment, a full workshop with maintenance services and civil infrastructure design, construction and mine rehabilitation works to BMA.
- **Coburn Mineral Sands** – Macmahon has been providing civil construction services, including the construction of a 43 kilometre access road, bulk earthworks, other site roads, main intersection and drainage to Strandline Resources at their Coburn Mineral Sands mine in Western Australia.
- **Fimiston** – Macmahon provides civil works at Northern Star's Fimiston Project in Western Australia.
- **Hu'u** – Macmahon is constructing an 11km access road at the Hu'u copper gold exploration project in Indonesia.

Equipment Maintenance and Management

Macmahon owns and operates world-class equipment maintenance facilities, giving it the ability to support front line contracting services with plant maintenance services.

Macmahon's primary workshop, located in Perth, Western Australia, is a key operational asset with the ability to rebuild both plant and components. This facility allows Macmahon to keep maintenance activities in-house and to rapidly and efficiently deploy supplies to client locations and conduct essential maintenance work.

DIRECTORS' REPORT

For the six months ended 31 December 2021

FINANCIAL OVERVIEW

Profit or Loss

	For the six months ended 31 December 2021 \$'000	Restated ¹ For the six months ended 31 December 2020 \$'000
Revenue		
Australia	643,552	472,009
Indonesia	164,641	173,459
Other International	1,554	7,004
Group Revenue	809,747	652,472
EBITDA (underlying)	138,738	121,181
EBIT(A) (underlying)	46,908	46,476
NPAT (underlying)	31,688	30,356
EBITDA (reported)	113,944	116,302
EBIT (reported)	18,501	41,408
NPAT (reported)	3,282	43,142

¹ 31 December 2020 balances have been restated to reflect the Group's change in accounting policy for costs related to configuration and customisation of Software-as-a-Service (SaaS) arrangements. Refer to Note 10 to the condensed consolidated interim financial statements for more details.

With the exception of revenue and NPAT (reported), the measures above are not defined by IFRS and are unaudited. Refer to Note 5 to the condensed consolidated interim financial statements for reconciliation of underlying results.

Revenue for the Group increased by 24% to \$809.7 million (31 December 2020: \$652.5 million). This increase is primarily attributed to the growth in the Company with the commencement of new projects (Foxleigh, Dawson South, Julius and Gwalia), along with the expansion of existing contracts and growth within mining support services (Granny Smith, Olympic Dam, Fimiston, Leinster, Hu'u and Coburn).

Underlying earnings (before interest, tax, customer contracts amortisation and other one-off items (EBIT(A))) increased by 1% to \$46.9 million (31 December 2020: \$46.5 million). Similarly, underlying earnings before interest, tax, depreciation and amortisation and other one-off items (EBITDA) increased by 14% to \$138.7 million (31 December 2020: \$121.2 million).

Reported net profit after taxes for the half-year ended 31 December 2021 decreased by 92% to \$3.3 million (31 December 2020: \$43.1 million). The decrease was primarily due to one-off expenses, being the final GBF acquisition earn-out expense, Software as a Service (SaaS) costs and amortisation of customer contracts assets recognised on acquisitions.

Balance Sheet and Cash Flows

Net assets of \$536.7 million have remained consistent as of 31 December 2021 (30 June 2021, restated: \$535.9 million).

The Group's net tangible assets (NTA) increased by 1% across the half-year from \$512.8 million (30 June 2021, restated) to \$517.1 million at 31 December 2021. As a result, NTA per share rose from 23.8 cents per share (30 June 2021, restated) to 24.0 cents per share.

Working Capital

Investment in net working capital increased during the half-year by \$40.6 million primarily due to the commencement of new projects and increased inventory for critical items to proactively manage COVID related supply chain pressures. At 31 December 2021, current trade and other receivables and inventories increased by \$40.7 million and \$15.9 million to \$287.6 million (30 June 2021: \$246.9 million) and \$84.4 million (30 June 2021: \$68.5 million), respectively, whilst current trade and other payables increased by \$16.1 million to \$234.6 million (30 June 2021: \$218.5 million).

Capital Expenditure

Capital expenditure (excluding intangible assets) for the half-year was \$152.7 million (31 December 2020: \$138.9 million), comprising of \$67.1 million acquired through finance and \$85.6 million funded in cash.

DIRECTORS' REPORT

For the six months ended 31 December 2021

Net Financing

At 31 December 2021, cash on hand totalled \$161.2 million (30 June 2021: \$182.1 million) offset by borrowings of \$403.7 million (30 June 2021: \$312.4 million) resulting in net debt at 31 December 2021 of \$242.5 million (30 June 2021: \$130.3 million).

The increase in net debt was primarily due to the purchase of plant and equipment together with increased working capital to support new and existing projects, increased inventory of critical items, earn out payment for GBF acquisition and payment of the final FY2021 dividend, offset partially by the generation of positive operating cash flows.

Cash Flow

Operating cash flows (excluding interest, tax, SaaS costs and acquisition costs) for the half-year was \$96.6 million (31 December 2020: \$96.7 million), representing a conversion rate from underlying EBITDA of 70% (31 December 2020: 80%).

Cash conversion was impacted by the increase in working capital relating to start-up of new projects, higher inventory levels to mitigate COVID related supply chain disruption and the timing of receipts of certain key receivables.

Including the late receivables of \$7.1 million (31 December 2020: \$9.9 million) and excluding the increased inventory of \$15.9 million, underlying EBITDA to cash conversion would be 86% (31 December 2020: 88%), which is as expected during the current period of growth as new projects commence.

DIVIDENDS

Subsequent to half-year end, the Directors have declared an unfranked interim dividend of 0.30 cents per share.

EVENTS SUBSEQUENT TO THE REPORTING DATE

The Directors are not aware of any other matter or circumstance arising since 31 December 2021 not otherwise dealt with within the condensed consolidated interim financial report that has significantly affected or may significantly affect the operations of the Group and the results of those operations or the state of affairs of the Group in subsequent financial periods.

ROUNDING OF AMOUNTS

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to "rounding-off". Amounts in this report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 7 of the condensed consolidated interim financial report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the *Corporations Act 2001*.



EVA SKIRA

Chair

22 February 2022

Perth



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 review of Macmahon Holdings Limited for the half-year ended 31 December 2021 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

R Gambitta
Partner

Perth

22 February 2022



Independent Auditor's Review Report

To the shareholders of Macmahon Holdings Limited

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Macmahon Holdings Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Macmahon Holdings Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of 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*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2021.
- Condensed consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date.
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

The **Group** comprises Macmahon Holdings Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 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*.

A review of an Interim 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.

A handwritten signature in blue ink that reads 'KPMG.' with a period at the end.

KPMG

A handwritten signature in blue ink, appearing to be 'R Gambitta', with a period at the end.

R Gambitta
Partner

Perth

22 February 2022

DIRECTORS' DECLARATION

For the six months ended 31 December 2021

In the opinion of the Directors of Macmahon Holdings Limited;

1. The condensed consolidated interim financial statements and notes of the Group set out on pages 11 to 23 are in accordance with the *Corporations Act 2001* including:
 - a) giving a true and fair view of the financial position of the Group as at 31 December 2021 and of its performance for the six months ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that Macmahon Holdings Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



EVA SKIRA

Chair

22 February 2022

Perth

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021

	Note	2021 \$'000	Restated ¹ 2020 \$'000
Revenue		809,747	652,472
Other income		2,856	2,345
		812,603	654,817
Expenses			
Materials and consumables used		(212,802)	(223,215)
Employee benefits expense		(336,993)	(246,547)
Depreciation and amortisation expense		(95,443)	(74,894)
Equipment and other short-term lease expenses		(50,440)	(18,243)
Subcontractor costs		(32,905)	(18,267)
Share based payments reversal / (expense)	13	368	(192)
Other expenses	6	(66,026)	(33,109)
Operating profit		18,362	40,350
Share of profit of equity-accounted investees, net of tax		139	1,058
Operating profit, income and expenses from equity-accounted investees		18,501	41,408
Net finance costs		(9,109)	(6,192)
Profit before income tax		9,392	35,216
Income tax benefit / (expense)	7	(6,110)	7,926
Profit after income tax for the period		3,282	43,142
Other comprehensive income items that are or may be reclassified subsequently to profit and loss			
Foreign currency translation		5,234	(18,988)
Other comprehensive income / (loss), net of tax		5,234	(18,988)
Total comprehensive income for the period		8,516	24,154
Earnings per share for profit attributable to the owners of Macmahon Holdings Limited			
Basic earnings per share (cents)		0.16	2.05
Diluted earnings per share (cents)		0.15	2.01

¹ 31 December 2020 balances have been restated to reflect the Group's change in accounting policy for costs related to configuration and customisation of Software-as-a-Service (SaaS) arrangements. Refer to Note 10 for more details.

The accompanying notes form part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021 \$'000	Restated ¹ 30 June 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents		161,169	182,079
Trade and other receivables	8	287,637	246,868
Inventories		84,390	68,498
Assets classified as held for sale		57	207
Total current assets		533,253	497,652
Non-current assets			
Investments accounted for using the equity method		461	285
Trade and other receivables	8	13,651	6,444
Property, plant and equipment	9	645,783	582,664
Intangible assets and goodwill		19,538	23,105
Deferred tax asset		38,308	33,333
Total non-current assets		717,741	645,831
Total assets		1,250,994	1,143,483
Liabilities			
Current liabilities			
Trade and other payables		234,557	218,515
Borrowings	11	102,241	108,186
Income tax payable		306	4,211
Employee benefits		53,788	52,961
Provisions		17,704	16,160
Total current liabilities		408,596	400,033
Non-current liabilities			
Borrowings	11	301,440	204,246
Employee benefits		4,280	3,341
Total non-current liabilities		305,720	207,587
Total liabilities		714,316	607,620
Net assets		536,678	535,863
Equity			
Issued capital		563,118	563,118
Reserves		(10,821)	(14,658)
Net accumulated losses		(15,619)	(12,597)
Total equity		536,678	535,863

¹ 30 June 2021 balances have been restated to reflect the Group's change in accounting policy for costs related to configuration and customisation of Software-as-a-Service (SaaS) arrangements. Refer to Note 10 for more details.

The accompanying notes form part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2021

<i>In thousands of AUD</i>	Note	Share capital	Reserve for own shares ²	Foreign currency reserve, net of tax	Share based payments	Accumulated losses	Retained profits	Total equity
Balance at 30 June 2021		563,118	(12,910)	(5,650)	3,902	(192,396)	189,863	545,927
Opening balance adjustment on application of IFRIC decision	10	-	-	-	-	-	(10,064)	(10,064)
Restated balance at 1 July 2021¹		563,118	(12,910)	(5,650)	3,902	(192,396)	179,799	535,863
Profit after income tax for the period		-	-	-	-	-	3,282	3,282
Other comprehensive income, net of tax		-	-	5,234	-	-	-	5,234
Total comprehensive income for the period (net of tax)		563,118	(12,910)	(416)	3,902	(192,396)	183,081	544,379
Transactions with owners, recorded directly in equity:								
Treasury shares purchased for compensation plans		-	(152)	-	-	-	-	(152)
Treasury shares allocated on vesting of performance rights		-	152	-	(6)	-	24	170
Dividends (0.35 cents per ordinary share)		-	-	-	-	-	(7,351)	(7,351)
Share-based payments expense	13	-	-	-	(368)	-	-	(368)
Transfer of lapsed performance rights		-	-	-	(1,023)	-	1,023	-
Total transactions with owners		-	-	-	(1,397)	-	(6,304)	(7,701)
Balance at 31 December 2021		563,118	(12,910)	(416)	2,505	(192,396)	176,777	536,678

<i>In thousands of AUD</i>	Note	Share capital	Reserve for own shares ²	Foreign currency reserve, net of tax	Share based payments	Accumulated losses	Retained profits	Total equity
Balance at 30 June 2020		563,118	(16,159)	10,898	5,406	(192,396)	126,964	497,831
Opening balance adjustment on application of IFRIC decision	10	-	-	-	-	-	(8,237)	(8,237)
Restated balance at 1 July 2020¹		563,118	(16,159)	10,898	5,406	(192,396)	118,727	489,594
Restated profit after income tax for the period ¹		-	-	-	-	-	43,142	43,142
Other comprehensive income, net of tax		-	-	(18,988)	-	-	-	(18,988)
Restated total comprehensive income for the period (net of tax)¹		-	-	(18,988)	-	-	43,142	24,154
Transactions with owners, recorded directly in equity:								
Treasury shares purchased for compensation plans		-	(36)	-	-	-	-	(36)
Treasury shares allocated on vesting of performance rights		-	1,508	-	(907)	-	(448)	153
Dividends (0.35 cents per ordinary share)		-	-	-	-	-	(7,351)	(7,351)
Share-based payments expense	13	-	-	-	192	-	-	192
Transfer of lapsed performance rights		-	-	-	(1,519)	-	1,519	-
Total transactions with owners		-	1,472	-	(2,234)	-	(6,280)	(7,042)
Restated balance at 31 December 2020	10	563,118	(14,687)	(8,090)	3,172	(192,396)	155,589	506,706

¹ 30 June 2021, 31 December 2020 and 30 June 2020 balances have been restated to reflect the Group's change in accounting policy for costs related to configuration and customisation of Software-as-a-Service (SaaS) arrangements. Refer to Note 10 for more details.

² During the reporting period 647,560 shares were purchased for \$151,671 for compensation plans (31 December 2020: 129,294 shares purchased for \$35,879). As at 31 December 2021, there are 54,839,003 (30 June 2021: 54,839,003) unallocated Macmahon shares held in trust.

The accompanying notes form part of the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2021

	Note	2021 \$'000	Restated ¹ 2020 \$'000
Cash flows from operating activities			
Receipts from customers		862,765	677,971
Payments to suppliers and employees		(768,896)	(586,311)
Receipts from joint venture entities		6	1,866
Payments to joint venture entities		(163)	(69)
Acquisition costs	6	(351)	(3,059)
Interest and transaction costs paid		(9,836)	(8,375)
Interest received		115	177
Dividends received from equity-accounted investments		-	1,595
Income taxes paid		(9,572)	(7,569)
Net cash from operating activities		74,068	76,226
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		4,442	3,852
Payment for plant and equipment	9	(87,294)	(100,321)
Payment for intangible assets		(153)	(1,346)
Investment in joint venture		-	(124)
Acquisition of a subsidiary, net of cash acquired	6	(17,095)	(1,717)
Net cash used in investing activities		(100,100)	(99,656)
Cash flows from financing activities			
Dividends paid		(7,351)	(7,351)
Proceeds from interest-bearing loans	11	70,000	73,762
Repayment of interest-bearing loans	11	(16,925)	(3,081)
Repayment of lease liabilities	11	(42,286)	(30,226)
Purchase of treasury shares		(152)	(36)
Net cash from / (used in) financing activities		3,286	33,068
Net (decrease)/increase in cash and cash equivalents		(22,746)	9,638
Cash and cash equivalents at beginning of period		182,079	141,837
Effect of exchange differences		1,836	(3,044)
Cash and cash equivalents at end of period		161,169	148,431

¹ 31 December 2020 balances have been restated to reflect the Group's change in accounting policy for costs related to configuration and customisation of Software-as-a-Service (SaaS) arrangements. Refer to Note 10 for more details.

The accompanying notes form part of the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2021

1. General information

Macmahon Holdings Limited (the Company) is a for-profit public company limited by shares, incorporated and domiciled in Australia. The condensed consolidated interim financial statements of the Company as at 31 December 2021 and the six months then ended consist of Macmahon Holdings Limited and the entities it controlled at the end of, or during, the half-year (collectively, the Group).

The principal activities of the Group for the six months ended 31 December 2021 consisted of providing mining and consulting services to mining companies throughout Australia and Southeast Asia.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2021 (2021 Financial Statements) are available on request at the Group's registered office at 15 Hudswell Road, Perth Airport, 6105, Western Australia or at www.macmahon.com.au.

2. Basis of preparation

These condensed consolidated interim financial statements for the half-year ended 31 December 2021 were prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the 2021 Financial Statements for the year ended 30 June 2021.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 Financial Statements.

The amounts contained in the condensed consolidated interim financial statements were rounded to the nearest thousand dollars under the option available to the Group under Australian Securities and Investment Commission (ASIC) *Corporations Instrument (Rounding in Financial/Directors' Report) 2016/191*, unless otherwise stated.

The condensed consolidated interim financial statements provide comparative information in respect of the previous period. For consistency with the current year's presentation, reclassification of items in the financial statements have been made in accordance with the classification of items in the condensed consolidated interim financial statements of the current period.

3. Changes in significant accounting policies

The accounting policies are consistent with those disclosed in the 2021 Financial Statements and corresponding interim reporting period, except for the accounting policy in relation to configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) arrangements, refer to Note 10.

The Group has not elected to early adopt any new or amended standards or interpretations that are issued but not yet effective.

4. Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2021 Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2021

5. Operating segments

	Mining \$'000	Unallocated \$'000	Total \$'000
2021			
Revenue			
Revenue from contracts with customers	809,747	-	809,747
Revenue from contracts with customers - non-cash consideration	-	-	-
Total revenue	809,747	-	809,747
Earnings before interest, tax, depreciation and amortisation (and significant, non-recurring items)	139,553	(815)	138,738
Depreciation and amortisation expense (excluding customer contracts)	(91,064)	(766)	(91,830)
Earnings before interest and tax (and significant, non-recurring items)	48,489	(1,581)	46,908
Finance income	-	115	115
Finance costs	(8,958)	(266)	(9,224)
Share-based payments expense reversal	-	368	368
Earn-out in relation to previous acquisitions	-	(21,945)	(21,945)
Acquisition costs	-	(351)	(351)
SaaS costs	-	(2,866)	(2,866)
Amortisation on customer contracts	(3,613)	-	(3,613)
Profit / (loss) before income tax	35,918	(26,526)	9,392
Other segment information			
Segment assets as at 31 December 2021	1,040,834	210,160	1,250,994
Segment liabilities as at 31 December 2021	702,407	11,909	714,316
Capital expenditure for the 6 months ended 31 December 2021	152,704	-	152,704
Restated¹ 2020			
Revenue			
Revenue from contracts with customers	599,407	-	599,407
Revenue from contracts with customers - non-cash consideration	53,065	-	53,065
Total revenue	652,472	-	652,472
Earnings before interest, tax, depreciation and amortisation (and significant, non-recurring items)	120,376	805	121,181
Depreciation and amortisation expense (excluding customer contracts)	(73,715)	(990)	(74,705)
Earnings before interest and tax (and significant, non-recurring items)	46,661	(185)	46,476
Finance income	-	177	177
Finance costs	(6,002)	(367)	(6,369)
Share-based payments expense	-	(192)	(192)
Earn-out in relation to previous acquisitions	-	(2,850)	(2,850)
Acquisition costs	-	(209)	(209)
SaaS costs	-	(1,628)	(1,628)
Amortisation on customer contracts	(189)	-	(189)
Profit / (loss) before income tax	40,470	(5,254)	35,216
Other segment information			
Segment assets as at 30 June 2021	911,859	231,624	1,143,483
Segment liabilities as at 30 June 2021	591,135	16,485	607,620
Capital expenditure for the 6 months ended 31 December 2020	138,857	-	138,857

¹ 30 June 2021 and 31 December 2020 balances have been restated to reflect the Group's change in accounting policy for costs related to configuration and customisation of Software-as-a-Service (SaaS) arrangements. Refer to Note 10 for more details

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2021

5. Operating segments (continued)

	Sales to external customers		Geographical non-current assets as at	
	2021 \$'000	Restated ¹ 2020 \$'000	31 December 2021 \$'000	Restated ¹ 30 June 2021 \$'000
Australia	643,552	472,009	609,195	526,422
Indonesia	164,641	173,459	98,972	110,262
Other	1,554	7,004	9,574	9,147
	809,747	652,472	717,741	645,831

¹ 30 June 2021 and 31 December 2020 balances have been restated to reflect the Group's change in accounting policy for costs related to configuration and customisation of Software-as-a-Service (SaaS) arrangements. Refer to Note 10 for more details

6. Other expenses

	2021 \$'000	Restated ¹ 2020 \$'000
Freight expenses	10,180	7,063
Recruitment, training and other employee incidentals	5,533	4,882
Consulting and other professional services	4,833	3,237
Earn-out in relation to previous acquisitions	21,945	2,850
Acquisition costs	351	209
IT costs	5,421	2,820
Travel and accommodation expenses	3,795	2,628
Insurance	3,274	2,529
Administrative and facilities costs	3,387	2,410
Foreign exchange loss	-	805
Remeasurement of ECL allowance (Note 8)	18	-
SaaS costs	2,866	1,628
Other expenses	4,423	2,048
	66,026	33,109

The GBF acquisition final earn-out expense of \$21.945 million for the half-year ended 31 December 2021 consisted of a cash outflow of \$17.095 million, with the remaining cash payment deferred until 1 July 2022. Refer to ASX announcement made on 25 October 2021 for further details.

¹ 31 December 2020 balances have been restated to reflect the Group's change in accounting policy for costs related to configuration and customisation of Software-as-a-Service (SaaS) arrangements. Refer to Note 10 for more details

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2021

7. Income tax

For the half-year ended 31 December 2021, the income tax expense of the Group was \$6.110 million (31 December 2020: income tax benefit of \$7.926 million). The effective tax rate in the current period was 65.05% (2020: negative 22.51%, restated). Refer below reconciliation:

	2021 \$'000	Restated ¹ 2020 \$'000
Income tax expense / (benefit)		
Current tax	11,101	5,325
Deferred tax – origination and reversal of temporary differences	(4,991)	(13,251)
Income tax expense / (benefit)	6,110	(7,926)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	9,392	35,216
Tax at the statutory rate of 30%	2,818	10,565
Tax effect amounts which are not deductible/(taxable) in calculating tax income:		
Share-based payments	-	58
Non-assessable income	(566)	(663)
Foreign tax rate differential	(1,796)	(1,259)
Net temporary difference previously unrecognised	(603)	(17,854)
Deferred tax asset (recognised)/de-recognised due to change in tax rates	(1,805)	194
Permanent tax difference from the GBF earn-out payment expense	6,583	-
Other	1,479	1,033
Income tax expense / (benefit)	6,110	(7,926)

¹ 31 December 2020 balances have been restated to reflect the Group's change in accounting policy for costs related to configuration and customisation of Software-as-a-Service (SaaS) arrangements. Refer to Note 10 for more details

8. Trade and other receivables

	31 December 2021 \$'000	30 June 2021 \$'000
Current		
Trade receivables	51,063	48,176
Contract assets	189,923	159,910
Less: Expected credit loss allowance (ECL)	(3,525)	(3,112)
	237,461	204,974
Other receivables	41,449	36,758
Prepayments	8,727	5,136
	287,637	246,868
Non-current		
Contract assets	5,928	3,070
Other receivables	2,426	2,278
Agency receivables	5,297	1,096
	13,651	6,444

The movement in the expected credit loss allowance in respect of trade receivables and contract assets during the reporting period was as follows:

	\$'000
Balance as at 1 July 2021	(3,112)
Amounts written off	(18)
Adjustments to initial accounting for business combination	(266)
Exchange differences	(129)
Balance as at 31 December 2021	(3,525)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2021

9. Property, plant and equipment

Acquisitions

Capital expenditure for plant and equipment for the half-year totalled \$152.704 million, comprising \$67.051 million acquired through debt and \$85.653 million funded in cash.

Impairment

The Group assessed each cash generating unit (CGU) for indicators of impairment. No indicators of impairment were identified for half-year ended 31 December 2021 (30 June 2021: Nil). The key estimates and judgements used have not materially changed to those disclosed in the 2021 Financial Statements.

Capital commitments

At 31 December 2021, the Group had entered into non-cancellable contracts to purchase plant and equipment of \$18.394 million (30 June 2021: \$32.034 million).

10. Intangible assets and goodwill

Change in accounting policy

Software-as-a-Service (SaaS) arrangements

During the year, the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements.

The Group's accounting policy has historically been to capitalise costs related to the implementation, configuration and customisation of SaaS arrangements as intangible assets in the Condensed Consolidated Statement of Financial Position. Following the adoption of the above IFRIC agenda decision, current software with underlying SaaS arrangements were identified and assessed to determine if the Group has control of the software. For those arrangements where the Group does not control the software or the asset, the Group derecognised the intangible previously capitalised.

The adoption of the above agenda decision has resulted in recognition of costs capitalised on SaaS arrangements as an expense of \$2.866 million in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the current period and \$10.064 million as an opening balance adjustment in retained earnings related to 30 June 2021.

Historical financial information has been restated to account for the impact of the change in accounting policy in relation to SaaS arrangements, as follows:

(a) Consolidated statement of profit or loss and other comprehensive income

	As previously reported \$'000	Adjustments \$'000	As restated \$'000
For the six months ended 31 December 2020			
Other expenses	(31,481)	(1,628)	(33,109)
Other profit or loss items	76,251	-	76,251
Profit after income tax for the period	44,770	(1,628)	43,142

(b) Consolidated statement of financial position

	As previously reported \$'000	Adjustments \$'000	As restated \$'000
Balances as at 30 June 2021			
Intangible assets and goodwill	37,482	(14,377)	23,105
Deferred tax asset	29,020	4,313	33,333
Other net assets	479,425	-	479,425
Net assets	545,927	(10,064)	535,863
Net accumulated losses	(2,533)	(10,064)	(12,597)
Other equity balances	548,460	-	548,460
Total equity	545,927	(10,064)	535,863

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2021

10. Intangible assets and goodwill (continued)

(b) Consolidated statement of financial position

	As previously reported \$'000	Adjustments \$'000	As restated \$'000
Balances as at 30 June 2020			
Net accumulated losses	(65,432)	(8,237)	(73,669)
Other equity balances	563,263	-	563,263
Total equity	497,831	(8,237)	489,594

	As previously reported \$'000	Adjustments \$'000	As restated \$'000
Balances as at 30 December 2020			
Net accumulated losses	(26,942)	(9,865)	(36,807)
Other equity balances	543,513	-	543,513
Total equity	516,571	(9,865)	506,706

(c) Consolidated statement of cash flows

	As previously reported \$'000	Adjustments \$'000	As restated \$'000
For the six months ended 31 December 2020			
Payments to suppliers and employees	(584,683)	(1,628)	(586,311)
Other operating cashflows	662,537	-	662,537
Net cash from operating activities	77,854	(1,628)	76,226
Payments for intangible assets	(2,974)	1,628	(1,346)
Other investing cashflows	(98,310)	-	(98,310)
Net cash used in investing activities	(101,284)	1,628	(99,656)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2021

11. Borrowings

On 24 August 2021, the Group executed a new syndicated asset finance facility. The total amount available under this asset finance facility is \$145.000 million and it enables the Group to support its capital requirements for the current financial year 2022. As at 31 December 2021, \$95.788 million was utilised.

For the existing \$164.000 million syndicated multi-option debt facility, the Group has drawn a total of \$124.000 million as cash and \$9.176 million as bank guarantees as at 31 December 2021. (As at 30 June 2021: \$60.000 million drawn as cash and \$4.401 million drawn as bank guarantees).

The Group leases offices, plant and equipment, and vehicles across the countries in which it operates. Lease contracts are for fixed periods between 6 months and 10 years and may include extension options.

The Group's lease liabilities are secured by the leased assets and in the event of default, the leased assets revert to the lessor. All remaining assets of the Group are pledged as security under the multi-option facility.

The table below summarises movements in borrowings during the six months ended 31 December 2021:

	Interest-bearing loans \$'000	Lease liabilities \$'000	Total \$'000
At 1 July 2021	97,935	214,497	312,432
Adjustments to initial accounting for business combination	-	285	285
Borrowings drawn on facility	70,000	-	70,000
Equipment financing ¹	15,098	63,485	78,583
Interest expensed	2,240	5,499	7,739
Interest and transaction costs paid	(1,451)	(5,499)	(6,950)
Principal repayments	(16,925)	(41,290)	(58,215)
Disposal	-	(996)	(996)
Transfers	(8,474)	8,497	23
Exchange differences	121	659	780
At 31 December 2021	158,544	245,137	403,681
Current	22,983	79,258	102,241
Non-current	135,561	165,879	301,440

¹ Includes \$11.532 million in relation to capital expenditure purchased during the financial year ended 30 June 2021 which was subsequently financed through equipment financing.

12. Fair value measurement

There were no material financial assets or financial liabilities carried at fair value. The carrying amount of financial assets and financial liabilities approximates their fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2021

13. Share based payments

For the half-year ended 31 December 2021, the Group issued two tranches of performance rights under the Senior Manager Long Term Incentive Plan (LTIP) and two tranches of share rights under the Non-Executive Director Salary Sacrifice Plan (SSP).

The LTIP provides senior management with the opportunity to receive fully paid shares in the Company for no consideration, subject to specific time restrictions, continuous employment and the satisfaction of certain performance conditions. Each performance right entitles the participant to receive one fully paid ordinary share at the time of vesting. The plan is designed to assist with employee retention and to incentivise senior management to optimise returns and earnings for shareholders.

The SSP provides non-executive directors an option to sacrifice a portion of their salary in return for a fixed number of rights over ordinary but restricted shares which will vest equally at two dates approximately 8 months and 14 months from the start of the financial year (NED share rights). Once vested, the shares will be held on trust on behalf of the recipients but will be subject to certain restrictions which limit the recipients' ability to sell the shares. Trading restrictions will generally end on the earliest of ceasing to be a non-executive director, the date a change of control occurs or 15 years after the date the relevant NED share rights were granted.

The volume of rights outstanding as of 31 December 2021 is reconciled below:

	LTIP and EEP performance rights		NED share rights	
	2021	2020	2021	2020
Balance at 1 July	57,415,717	89,063,957	647,560	707,856
Granted	16,270,740	13,778,822	2,119,243	1,295,123
Vested	-	(4,948,330)	(647,560)	(707,856)
Forfeited	(33,686,370)	(37,415,743)	-	-
Balance at 31 December	40,000,087	60,478,706	2,119,243	1,295,123

The following share-based payment (reversal) / expenses were recognised to profit or loss:

	LTIP and EEP performance rights		NED share rights	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Expenses	857	1,037	9	6
Reversal as a result of forfeiture	(1,234)	(851)	-	-
Total net (reversal) / expense	(377)	186	9	6

14. Contingent assets and liabilities

The Group has the normal contractor's liability in relation to its current and completed contracts (for example, liability relating to design, workmanship and damage), as well as liability for personal injury and property damage during a project. Potential liability may arise from claims, disputes and/or litigation against Group companies and/or joint venture arrangements in which the Group has an interest. The Group is currently managing a number of claims, disputes and litigation processes in relation to its contracts, as well as in relation to personal injury and property damage arising from project delivery.

Bank guarantees and insurance bonds are issued to contract counterparties in the ordinary course of business as security for the performance by the Group of its contractual obligations. The Group is also called upon to provide guarantees and indemnities to contract counterparties in relation to the performance of contractual and financial obligations. The value of these guarantees and indemnities is indeterminable.

There were no contingent assets as at 30 June 2021 or 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2021

15. Related party transactions

AMNT (including its related entities) is a significant shareholder of the Group. The following table provides the total amount of transactions entered into with AMNT, for the six months ended 31 December 2021 and 2020, as well as balances as at 31 December 2021 and 30 June 2021:

	31 December 2021 \$'000	31 December 2020 \$'000
Transaction recognised in profit or loss		
Revenue recognised from shareholder	123,017	172,923
Non-cash materials and consumables utilised from shareholder	-	(53,065)
	31 December 2021 \$'000	30 June 2021 \$'000
Receivables from significant shareholders		
Trade receivables and contract assets	44,794	44,081

16. Subsequent events

Subsequent to half-year end, the Directors have declared an unfranked interim dividend of 0.30 cents per share.

The Directors are not aware of any other matters or circumstances arising from 31 December 2021 not otherwise dealt with within the condensed consolidated interim financial statements that has significantly affected or may significantly affect the operations of the Group and the results of those operations or the state of affairs of the Group in subsequent financial periods.

COPORATE DIRECTORY

DIRECTORS

E Skira	(Non-Executive Chair)
M Finnegan	(Managing Director and Chief Executive Officer)
D McComish	(Non-Executive Director)
B Munro	(Non-Executive Director)
A Ramlie	(Non-Executive Director)
A Sidarto	(Non-Executive Director)
H Tyrwhitt	(Non-Executive Director)
V Vella	(Non-Executive Director – Resigned 20 October 2021)

COMPANY SECRETARY

G Gettingby	(Resigned 1 December 2021)
S Raven	(Appointed 1 December 2021)

PRINCIPAL REGISTERED OFFICE

15 Hudswell Road
Perth Airport, Western Australia 6105

LOCATION OF SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000

SECURITIES EXCHANGE

Macmahon is listed on the Australian Securities Exchange with an ASX code of "MAH"

AUDITOR

KPMG
235 St Georges Terrace
Perth WA 6000