

Annual Report 2019



Corporate Directory

DIRECTORS

E Skira (Non-Executive Chair)

V Vella (Non-Executive Director)

A Ramlie (Non-Executive Director)

A Sidarto (Non-Executive Director)

COMPANY SECRETARIES

G Gettingby

K Nadebaum

PRINCIPAL REGISTERED OFFICE

15 Hudswell Road

Perth Airport

Western Australia 6105

Phone: +61 (08) 9232 1000

Fax: +61 (08) 9232 1001

LOCATION OF SHARE REGISTRY

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace

Perth

Western Australia 6000

SECURITIES EXCHANGE

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

AUDITOR

KPMG

235 St Georges Terrace

Perth

Western Australia 6000

OTHER INFORMATION

Macmahon Holdings Limited

ACN 007 634 406, incorporated

and domiciled in Australia, is a

publicly listed company limited

by shares.

Glossary of Terms

EBIT Earnings before net interest expense and tax expense

EBITDA Earnings before net interest expense, tax expense, depreciation and amortisation

EV Enterprise value, being market capitalisation plus net debt

Gearing Net debt or (Net cash) / Equity

LTIFR Lost time injury frequency rate

TRIFR Total recordable injury frequency rate

NPAT Net profit after tax

NTA Net tangible assets

ROC Return on capital – EBIT/Average Capital employed, where capital employed is total tangible assets less payables less bank overdraft

ROE Return on equity – NPAT/Average net assets

ROA Return on assets – NPAT/Average assets

Note: Refer to Summary of Consolidated Reports (page 118) for reconciliation to underlying results.

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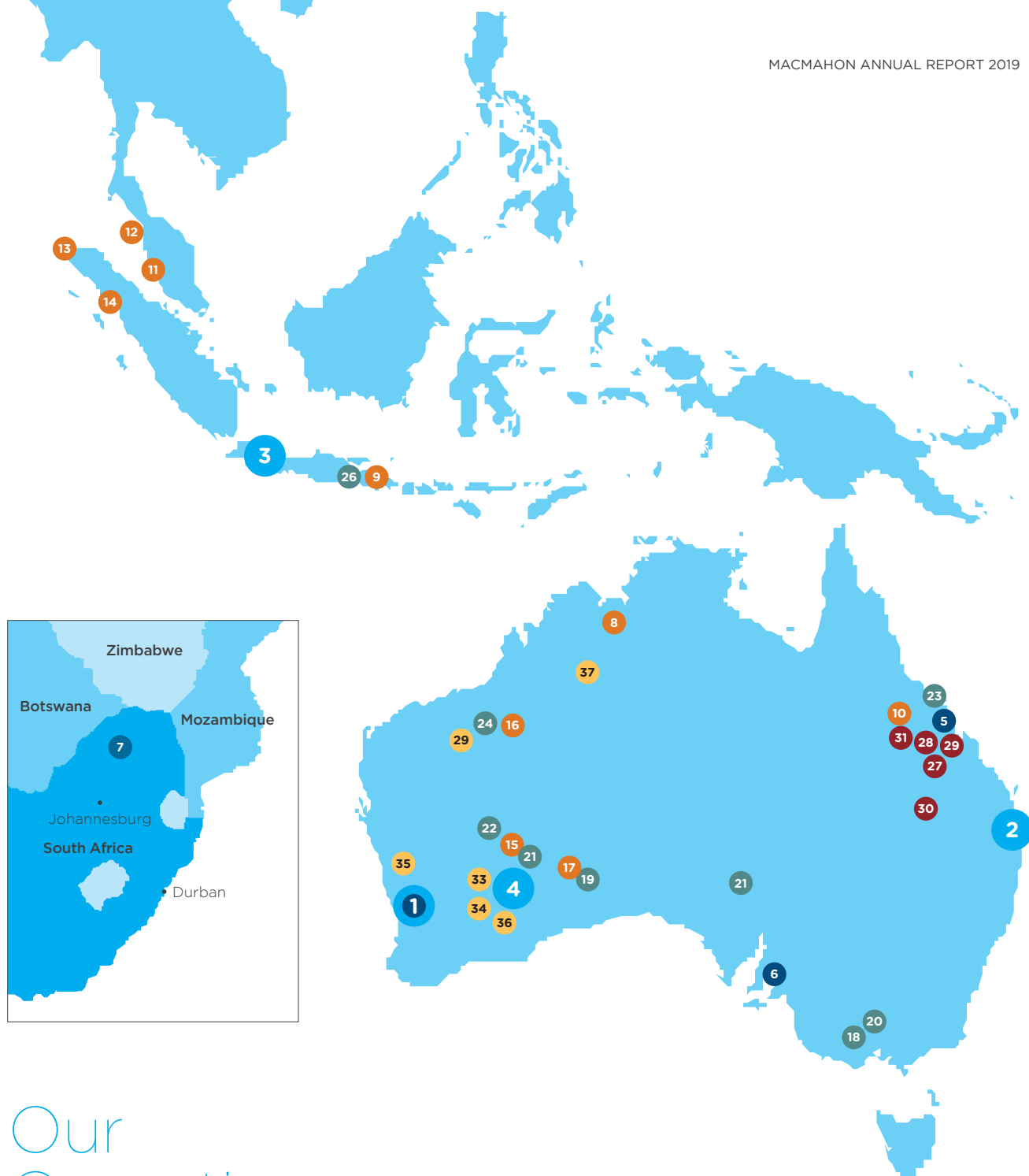
About Macmahon

Macmahon is an ASX listed company that has been offering mining and construction services to clients for more than 50 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, mine site maintenance and rehabilitation services, has established Macmahon as a trusted partner on resources projects throughout Australia and internationally.





Our Operations

Offices

- 1 Perth
- 2 Brisbane
- 3 Jakarta
- 4 Kalgoorlie

Workshops

- 1 Perth
- 5 Coppabella
- 6 Lonsdale

Performance Enhancement

- 7 Mogalakwena

Surface Mining

- 8 Argyle
- 9 Batu Hijau
- 10 Byerwen
- 11 Kanthan
- 12 Langkawi
- 13 Lhoknga
- 14 Martabe
- 15 Mt Morgans
- 16 Telfer
- 17 Tropicana

Underground Mining

- 18 Ballarat
- 19 Boston Shaker
- 20 Fosterville
- 21 Granny Smith
- 22 Leinster
- 23 Mt Wright
- 24 Nifty
- 25 Olympic Dam
- 26 Tjujuh Bukit

TMM Group

- 27 Norwich Park
- 28 Peak Downs
- 29 Poitrel
- 30 Rolleston
- 31 Saraji

GBF Underground

- 32 Bartons
- 33 Comet Vale
- 34 Daisy Milano
- 35 Deflector
- 36 Maxwells
- 37 Nicolsons

Macmahon Capabilities

Macmahon has more than 50 years' experience in surface mining, more than 20 years' experience in underground mining and has the ability to offer a broad suite of mining services.

SURFACE MINING

Our surface mining division operates in Australia and overseas, offering a broad suite of services including:

- Mine planning and analysis
- Drill and blast
- Bulk and selective mining
- Crushing and screening
- Fixed plant maintenance
- Water management
- Equipment operation and maintenance

UNDERGROUND MINING

Macmahon has a growing and highly experienced underground division which specialises in high quality underground mining and engineering services. These services include:

- Mine development
- Mine production
- Raise drilling
- Cablebolting
- Shotcreting
- Remote shaft lining
- Production drilling
- Shaft sinking

CIVIL & REHABILITATION

Macmahon, via its wholly-owned subsidiary TMM Group, offers a wide range of design, civil earthworks, mine rehabilitation and closure services to mine owners including:

- Topsoil and overburden stripping
- Bulk earthworks
- Road design and construction
- Train loading facilities
- Water infrastructure - dams, creek diversions, flood levies, and drainage structures
- Revegetation
- Rehabilitation monitoring and maintenance

EQUIPMENT MAINTENANCE & MANAGEMENT

Macmahon offers a complete equipment maintenance and management support service for a wide range of modern mining equipment. Our facilities in Perth, Adelaide, and the Bowen Basin provide Macmahon with the ability to:

- Service and maintain equipment, rebuild components, and complete repairs in-house and on demand
- Rapidly and efficiently deploy supplies to customer locations
- Train and employ a range of experienced tradespeople for rapid deployment to remote sites

PERFORMANCE ENHANCEMENT

Macmahon offers an advisory and operational improvement service which can provide mine owners with the benefit of our contracting skills and experience at owner-miner operations. This service can include:

- Operator coaching and training;
- Cultural change programs for employees; and
- Advice and assistance with mine planning, maintenance and employee engagement.





Letter from the Chair

Dear Shareholders,

Financial year 2019 represented another positive year of progress for Macmahon, with the Company growing revenue and underlying earnings as we delivered on our pipeline of work and enhanced our service offering.

Our financial results were in line with guidance, with revenue of \$1.1 billion, up 55% on FY18, and underlying EBIT of \$75.1 million, up 81% on FY18.

As always, our safety performance continues to be a critical focus area for the Board and management team. It was therefore deeply upsetting that one of our employees in Indonesia was fatally injured in an incident at the Batu Hijau project in March. Our thoughts are with the family, friends and colleagues impacted by this tragedy.

The past year has seen significant change in the Macmahon Board. In June this year, Non-Executive Chairman, Mr Jim Walker, and Non-Executive Director, Mr Kim Horne, unexpectedly resigned from the Macmahon Board. I would like to take this opportunity to thank both Mr Walker and Mr Horne for their contributions to the Company. Macmahon's underlying business remains strong and our strategy, which has delivered strong growth in recent years, remains the same. As a result Macmahon is well positioned for growth heading into FY20.

We are in the process of recruiting new Independent Directors as a key priority. To assist us in this process I'm pleased to acknowledge the recent reappointment of Mr Vyril Vella as an Independent Non-Executive Director. Mr Vella has a long history with Macmahon and brings a wealth of knowledge and experience to the Company's Board. We intend to make further appointments and will announce them in due course.

Subsequent to year end we completed our acquisition of the GBF Group, which has an enviable track record in Western Australia as a leading underground mining company. I would like to welcome GBF Group founders Michael Foulds and Ross Graham and their broader team to Macmahon, and we look forward to realising value through enhanced scale and capability in underground mining.

As we are now in a solid financial position with good medium term revenue visibility, the Board has adopted a new capital allocation policy. This policy is designed to balance the priorities of retaining balance sheet strength, having the flexibility to fund new and existing projects, and returning cash to shareholders. Accordingly, I am pleased to report the Board has elected to reinstate dividends to shareholders by approving the payment of a final dividend of 0.5 cents per share for FY19.

Finally, on behalf of the Board and senior management, I would like to extend our appreciation to all employees, shareholders, clients and suppliers for their ongoing support.



EVA SKIRA

Independent Non-Executive Chair

I would like to extend our appreciation to all employees, shareholders, clients and suppliers for their ongoing support.



CEO's Report

2019 was a successful year for Macmahon. We delivered another outstanding financial result, with underlying earnings within guidance due to the ongoing delivery of our significant order book.

KEY ACHIEVEMENTS

Highlights of the 2019 result compared with 2018:

Revenue of \$1.1 billion, up 55%;

Underlying EBITDA of \$181.4 million, up 52%;

Underling EBIT of \$75.1 million, up 81%;

Underlying EBIT margins increased to 6.8%, from 5.8%;

Operating cash flow before interest, tax and settlement for the class action improved to \$125.9 million, up 23.6%;

Net tangible assets per share increased to 20.3 cents per share, up 8%; and

The reinstatement of dividends, declaring a final dividend of 0.5cps.

During the period we:

Joined the benchmark S&P/ASX300 index;

Settled a legacy class action relating to events in 2012;

Achieved record monthly volumes for our largest contracts, including Batu Hijau, Byerwen and Tropicana;

Secured the new Boston Shaker underground contract at the Tropicana gold mine; and

Bolstered our underground division, announcing the acquisition of GBF Group.

This was supported by our robust balance sheet and the exceptional work of our people.

Further details on our Company's performance are contained in the Operational and Financial Review section.

PEOPLE, CULTURE AND SAFETY

Operating in the mining services industry presents significant safety challenges. It goes without saying that we take creating a safe working environment seriously, and that looking after our employees is our utmost priority.

The Company's total recordable injury frequency rate decreased to 3.98, an improvement of 37% over the year. However, this result was overshadowed by the fatality at our Batu Hijau operations. We express our sincere condolences to the family, friends and colleagues of late Pak Agustiman. We remain determined to continuously improve our processes to ensure every team member can go home safely every day.

In addition to our commitment to safety, we also invested heavily in providing opportunities for our workforce to grow and develop professionally throughout the year. We continue to focus on the health and wellbeing of our people. Our leading mental health program, *Strong Minds, Strong Mines*, has improved mental health awareness across the whole business.

I'm pleased to report that we have increased both Indigenous and female representation in our workforce over the course of the year. Indigenous employees increased from 2.9% to 5.4%, whilst female representation increased from 12.1% to 13.8%. The management team and I continue to strive for an inclusive workplace environment that provides value for our employees, our customers and importantly, our shareholders.

UNDERGROUND BUSINESS GROWTH AND STRATEGIC ACQUISITION OF GBF GROUP

Our underground division has seen substantial change and growth during the year.

In March, we were delighted to secure the Boston Shaker underground contract at the Tropicana gold mine in Western Australia, where we have been operating the surface mining contract successfully since 2012.

This alliance style contract with AngloGold Ashanti Ltd and Independence Group NL has already exceeded our operational expectations and reinforces the synergistic benefits of having one mining contractor providing both surface and underground services concurrently. We are proud to be associated with this project and look forward to its safe and efficient development over the years to come.

Subsequent to the year end, consistent with our strategy of growing our underground business we completed the acquisition of specialist underground contractor GBF Group.

GBF is a well-regarded brand with more than 450 employees. It has a solid track record particularly with Western Australian gold clients. It is a strategically aligned, value accretive acquisition that immediately adds scale and capability to our complementary underground business.

The underground division is now well resourced to take advantage of future growth opportunities.

TELFER

In June Macmahon entered into facilitated negotiations with Newcrest regarding pricing for mine plan and work programme changes at the Telfer gold project. Subsequently following further discussions with Newcrest, we have now assessed that an acceptable agreement for increased revenue is likely to be reached in the near future. As a result we have determined that the contract is not considered onerous based on a positive cash flow forecast over the remaining contract term.

OUTLOOK

Macmahon's business remains in a strong position and is well placed heading into FY20 with a strong balance sheet, a \$4.5 billion order book, a significant pipeline of project opportunities, and a compelling strategic focus with a suite of services that differentiates us from our industry peers.

I would like to thank everyone in the Macmahon team for their commitment and strong contributions during the year. I would also like to extend my appreciation to the Board and my senior management team for their support as we continue to deliver value for shareholders.



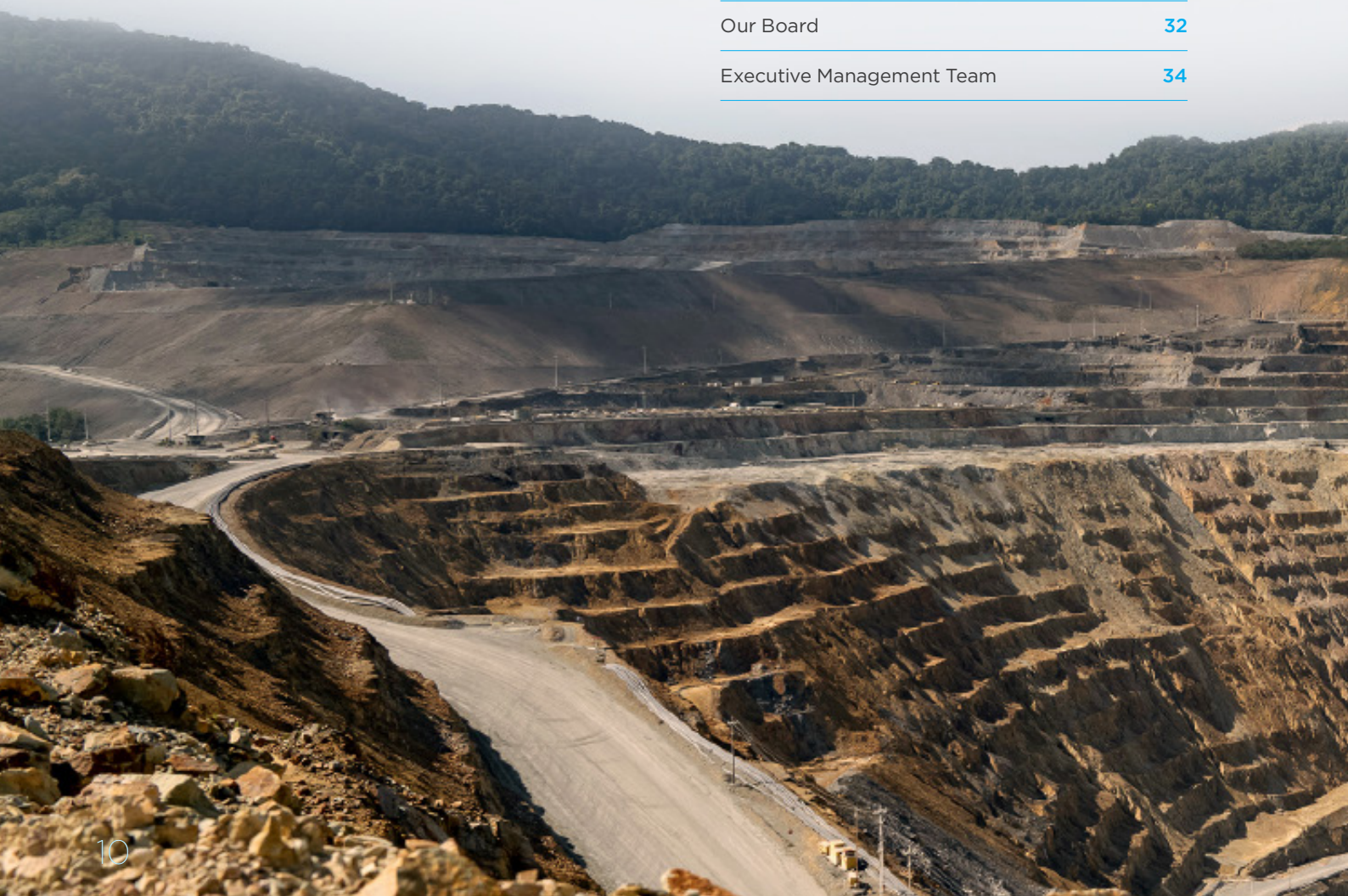
MICHAEL FINNEGAN
Chief Executive Officer

Operational and Financial Review

Macmahon provides mining and infrastructure services to miners throughout Australia and internationally.

Headquartered in Perth, Western Australia, the Company derives revenue from activities including surface and underground mining, civil design and construction (primarily on mine sites), equipment repair and maintenance, performance enhancement, design and fabrication of mining infrastructure, and mine site maintenance and rehabilitation services.

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Our approach to doing business has established us as a trusted partner on resources projects throughout Australia and internationally.

Operational Review

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.

PROJECT ACTIVITY

During the year, Macmahon provided services to the following projects:

Tropicana Gold Mine

Macmahon is currently fulfilling a life of mine contract at the Tropicana project in Western Australia which is a joint venture between AngloGold Ashanti and Independence Group. In December 2017, the project owners approved phase 1 of the Long Island program of works, which extends our works to December 2023.

Telfer Gold Mine

Macmahon is fulfilling a life of mine contract (forecast to January 2023) at the Telfer project in Western Australia for Newcrest.

Byerwen Coal Mine

In November 2017, Macmahon executed a contract for the establishment and operation of the new Byerwen Coal Mine near Glenden in Queensland's Bowen Basin for QCoal and JFE (forecast to November 2020).

Mt Morgans Gold Mine

Macmahon is performing a mining services contract for the provision of open pit mining services including drilling and blasting, loading, hauling and technical services for Dacian Gold in Western Australia (forecast to December 2022).

Argyle Diamond Mine

Through its Indigenous employment subsidiary, Doorn-Djil Yoordaning, Macmahon is currently operating at the Argyle Diamond Mine in Western Australia, where it provides tailings dam earthworks, hauling of coarse tailings to the TSF, and associated services. Macmahon has recently signed a further project extension with works to be completed by the end of December 2020.

Batu Hijau Copper/Gold Mine

Macmahon is performing its life of mine contract to provide all mining services at the Batu Hijau mine in Indonesia for PT Amman Mineral Nusa Tenggara ("AMNT"). Batu Hijau is a well established, world class copper gold deposit, and one of the largest mines of its kind in the world. (forecast to April 2032).

Martabe Gold Mine

Macmahon is part of a 50:50 joint venture which is contracted by PT Agincourt Resources to provide mining services at the Martabe Gold Mine in the North Sumatra province of Indonesia (forecast to March 2021).

Kanthan, Langkawi and Lhoknga Quarries

Macmahon was awarded a seven year mining services quarry contract on Langkawi Island during the year (forecast to December 2025). This contract complements the two other quarry operations at Kanthan (Malaysia) (forecast to February 2020) and Lhoknga (Indonesia) (forecast to June 2020).

Mogalakwena Platinum Mine

Macmahon is providing advisory services to Anglo American Platinum in South Africa for an operational transformation program.

As part of this project, Macmahon personnel provide coaching and expertise across load and haul, and drill and blast operations to deliver performance enhancements (forecast to March 2020).

Batu Hijau is a well established, world class copper gold deposit, and one of the largest mines of its kind in the world.



Macmahon secured the new Boston Shaker underground contract at the Tropicana gold mine and bolstered our underground division, announcing the acquisition of GBF Group.



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.

PROJECT ACTIVITY

During the year, Macmahon provided services to the following projects:

Mount Wright Gold Mine

Macmahon provides production drilling services at the Mount Wright Gold Mine in Queensland for Carpentaria Gold. Macmahon has been working at this project for several years.

Ballarat Gold Mine

Macmahon provides production drilling and cable bolting for Castlemaine Gold Fields in Victoria. Macmahon signed a three year contract extension during the year.

Cadia-Ridgeway Gold Mine

Macmahon provided cable bolting services for Newcrest during the year with works completed in early 2019.

Nifty Copper Mine

Macmahon provides production drilling, cable bolting, box hole drilling and shotcreting to Metals X in Western Australia.

Pajingo Gold Mine

Macmahon provided box hole drilling to Minjar Gold in Queensland.

Granny Smith Gold Mine

Macmahon provided cable bolting services to Goldfields near Laverton in Western Australia.

Fosterville Gold Mine

Macmahon commenced a contract in December 2018 to provide cable bolting services to Kirkland Lake Gold in Victoria.

Leinster Nickel Mine

Macmahon provides cable bolting services to BHP.

Tujuh Bukit Copper/Gold Mine

Macmahon through its 50:50 joint venture is contracted to construct an underground exploration decline for PT Merdeka Copper Gold in East Java, Indonesia.

Boston Shaker Gold Mine

Macmahon commenced a five year contract in May 2019 to develop a new underground mine at the Tropicana site, which is a joint venture between AngloGold Ashanti and Independence Group.

Ranger Uranium Mine

Macmahon continued to provide care and maintenance services at the Ranger Mine in the Northern Territory for Energy Resources of Australia with the contract completed in June 2019.

Olympic Dam Copper/Gold Mine

Macmahon continues to provide raise drilling services at the Olympic Dam Mine in South Australia for BHP. Macmahon has been active at Olympic Dam for more than 10 years, and is contracted to continue underground raise drilling work at this site until June 2023.

Other Projects

A number of raise drilling contracts were completed including at the **Endeavor Mine** for Endeavor Operations, **Thalanga** for Red River Resources, **Dargues Gold Mine** for Big Island Mining and the **Halls Creek Mine** for Pantoro.

Engineering

Macmahon's engineering division also provided service crew personnel to BHP at **Leinster Nickel Operations**, borehole pipe installation at **Prominent Hill** for Oz Minerals and shaft sinking at **Fosterville** for Kirkland Lake Gold.

Civil & Rehabilitation Services

Following the successful acquisition of TMM Group (TMM) in February 2018, Macmahon's presence continues to grow on the east coast of Australia.

PROJECT ACTIVITY

TMM projects during the year included:

Peak Downs

TMM has been operating at BMA's Peak Downs mine in the Bowen Basin for many years. In 2019, TMM was contracted to perform rehabilitation, tailings dam remediation and haul road construction works.

Saraji

TMM is providing equipment to the Saraji mine, also operated by BMA, including a full workshop and maintenance services along with dozers, graders, loaders, excavators and water carts. The current scope is contracted until June 2020. TMM is also performing a number of smaller civil infrastructure design and construction projects.

Rolleston

TMM recently completed works at Glencore's Rolleston mine in March 2019. The scope of works included a creek diversion, and the construction of a new flood levee dragline walk road and a large water storage facility including extended controlled release infrastructure.

Poitrel Levee

TMM's initial scope of work at the Poitrel Coal Mine, operated by BHP Mitsui Coal, included the construction of a flood protection levee for a pit expansion. TMM is now performing works to deliver a significant dam expansion and subsequent to year end was awarded a mud removal contract.

South Walker Creek

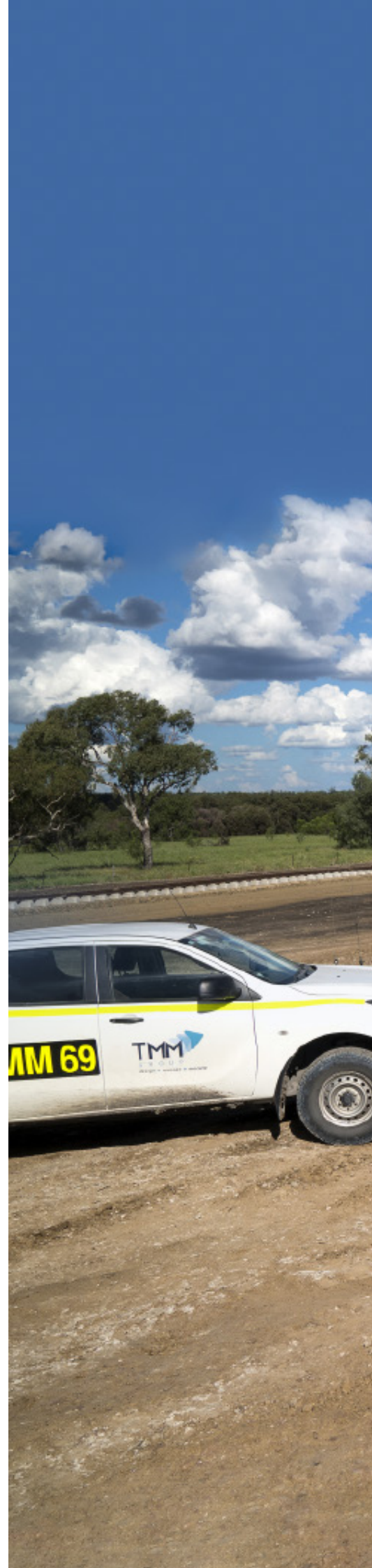
TMM completed a number of projects at South Walker Creek including the design and construction of a dragline shutdown pad, 20 Ha of rehabilitation works and regulated structured repairs. Works are currently underway to upgrade and expand the ROM pad and to design and construct the extension to the light vehicle road network.

Consulting

TMM's business also provides consulting services to the mining industry. In 2019, TMM completed civil infrastructure and design services for BHP's **Isaac Downs** along with a number of smaller projects including roads, drainage and concrete works. Preliminary design services are currently underway for all non-process infrastructure for the **Dingo West Mine**.

Rehabilitation

Various rehabilitation and reshaping contracts were completed during the year including BHP's **Norwich Park**, **Peak Downs** and **South Walker Creek**.



Macmahon's presence
continues to grow on the
east coast of Australia.





Equipment Maintenance & Management

Macmahon owns and operates world class equipment maintenance facilities, giving it the ability to support frontline 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.

KEY PLANT AND EQUIPMENT

Macmahon's Surface Mining fleet currently includes a broad range of excavators, dump trucks, front end loaders, dozers, and drill rigs. Macmahon's fleet is sourced from a range of providers including Caterpillar, Hitachi, Liebherr and Epiroc.

Macmahon's Underground Mining fleet is comprised of trucks, loaders, and drills. This equipment is predominantly sourced from Sandvik, Epiroc and Caterpillar.

Sustainability and Corporate Social Responsibility

SAFETY AND COMMUNITY

In March 2019, Macmahon appointed a General Manager, People and Health, Safety, Environment, Quality and Training ("HSEQT") to lead the team responsible for building employee capability and ensuring that Macmahon plays a sustainable role in the local communities in which we operate.

Preserving the physical and mental health of our people is a key priority for Macmahon. Accordingly, we have developed and delivered unique physical and mental health programs across our business which are strongly supported by our senior management team.

Our safety performance improved over the year, with a recorded Lost Time Injury Frequency Rate (LTIFR) of 0.36 and a Total Recordable Injury Frequency Rate (TRIFR) of 3.98 at the end of FY19.

	FY19	FY18
LTIFR	0.36	0.46
TRIFR	3.98	6.28*

* Updated for reclassifications subsequent to FY18 Annual Report release.

Regrettably, whilst the overall performance improved in FY19, a single fatality occurred on a project in Indonesia. In response, a number of actions were implemented across our business to minimise the potential re-occurrence of this type of event.

ENVIRONMENT

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

During the year, we continued to implement environmental management strategies and plans to ensure compliance. No prosecutions or any infringements or other penalties from the operations at which we operate were received.

We also acknowledge that climate change poses a threat to our environment and will have implications for the industries we service. During the year the Company developed a Climate Change Position Statement which is published on our website and includes a commitment to continual improvement in energy efficiency across our business. Macmahon mines a range of commodities that will support the transition to a lower carbon economy.

AUDITING AND ISO CERTIFICATION

External audits were performed by both Macmahon's clients and an independent third party for certification purposes.

The Macmahon HSEQ Management Systems are audited annually against ISO 9001:2015, ISO 14001:2015, BS OHSAS 18001:2007 and AS/NZS 4801:2001 respectively.

Macmahon successfully transitioned to the new ISO 2015 standards and is pleased to report no major non-conformances were raised against the business during the recertification and transition audits.

HUMAN RIGHTS

Macmahon is committed to eliminating all forms of modern slavery in our operations and supply chains. We support human rights and fair employment practices by ensuring the work environment is safe for all employees.

As part of this, we will undertake due diligence activities to identify, address, mitigate and prevent any adverse human rights impacts from our operations and supply chain through our procurement practices and contractual arrangements.

ANTI-BRIBERY AND CORRUPTION

Macmahon expects all employees to act lawfully, ethically and responsibly. Our expectations on anti-bribery and corruption are detailed in our Code of Conduct. We recognise that in some countries generally accepted business practices are different from those in Australia. We commit to conducting our practices in line with local community standards of integrity and propriety. Notwithstanding, as a responsible corporate citizen Macmahon requires all employees to comply with the Code of Conduct no matter what local practices may be.

Employees are required to complete Code of Conduct training through our induction program. This training program provides practical guidance and is supported by a theory assessment at the completion of training. To ensure completion, training is tracked within our learning management system. To further reinforce the importance of this, annual refresher training is required.

We have established a whistleblower hotline for employees to call if they feel unable to raise an issue where the matter relates to actual or suspected unlawful, unethical or irresponsible behaviour. Where issues are raised through the hotline, we have established a protocol where a Board-level committee will be notified of these concerns. Further, we will take all reasonable steps to protect the identity of the employee making the disclosure.



About	Letter from the Chair	CEOs Report	Operational and Financial Review	Directors Report	Auditor's Independence Declaration	Remuneration Report	Financial Statements	Director's Declaration	Independent Auditor's Report	Summary of Reports	ASX Information
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People

During the year, our employee base stabilised to 4,072 employees and 1,500 contractors working under Macmahon's supervision or management.

Macmahon has continued to deliver new initiatives to invigorate its recruitment, training and retention efforts. A new Leadership Pathways program was designed and implemented, with leaders throughout the group participating in training and coaching programs.

The success of the *Strong Minds, Strong Mines* program across our business has resulted in significant improvement in mental health awareness. We also rolled out a new communication platform and reward and recognition program called Team MAC. The purpose of this is to motivate our employees and reward good behaviours amongst our teams.

Our apprenticeship numbers have increased (from 22 to 37 apprentices) and we expanded our traineeship programs into Queensland and offered a new Tyre Fitter Traineeship (from 186 to 345 trainees). We have exceeded our Indigenous workforce target with participation from 2.9% to 5.4% of our Australian workforce and also increased female participation from 12.1% to 13.8%.

We are committed to creating an open and inclusive workplace where diverse experiences, perspectives and backgrounds of our people are valued and utilised. We believe that developing a diverse workforce that is representative of the broader society will create diversity of thought, providing increased

ways to approach challenges and opportunities. Given our workforce profile and the communities in which we operate, we have focussed on the training and development of women and indigenous employees.

We set measurable targets in relation to gender diversity at all levels of the organisation and monitor our progress towards achieving these targets. As part of this, we undertook a gender pay gap analysis across our global business to understand the state of gender pay equity within the Company. We support flexible working arrangements where practical and tailor our diversity initiatives to meet the needs of our local employees.

At our Martabe project in Indonesia, we have invested in a range of initiatives to enable us to achieve 32% female employee participation. We have trained female employees in a wide range of roles including drill and blast, production operations, engineering, administration and supervisory positions. Education programs have been conducted with local villages and families on working in the mining industry to encourage families to support women joining as employees. Macmahon has also conducted post-employment education around shift work and fatigue management due to the expectation that women will do housework when on nightshift.

During the year, we implemented a number of Indigenous traineeship initiatives through our Doorn-Djil Yoordaning business. As our business continues to grow, we are in a strong position to provide further entry level employment to young Indigenous people that will increase their skill levels via on the job training, mentoring and dedicated support programs to improve retention rates. Initiatives this year to support skills and training with Indigenous youth included collaborations with civil contracting company Carey Mining and our Tropicana Joint Venture Partners, AngloGold Ashanti and Independence Group, to develop the highly successful Operator Traineeship program "Get into Mining". From this program, eight candidates graduated with a Certificate II in Surface Extraction Operations and are now working in traineeships across the mining and exploration departments at the Tropicana Gold Mine.

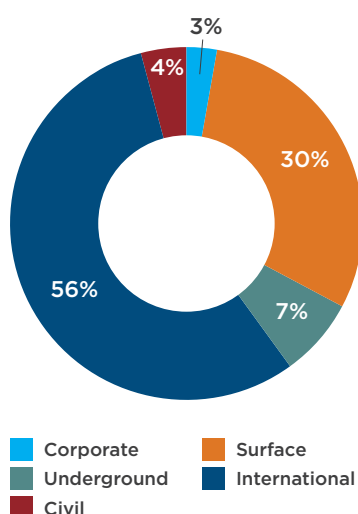
Following the successful program at Tropicana, Macmahon continues to work with the local Indigenous communities where we have operations to identify and create meaningful employment opportunities. We will also continue to focus on the development of all our people to provide a positive work environment where our employees are challenged to achieve their full potential.



Employees by location

	Employees and FTE Contractors	Total Workforce - including Contractors
Australia	1,782	2,401
Indonesia	2,217	3,089
Other	73	82
Total	4,072	5,572

Employees by Business Unit



TRAINING AND DEVELOPMENT

As a Registered Training Organisation, Macmahon continues to offer a number of career pathways for employees, providing opportunities and career development.

Spanning multiple jurisdictions, our apprentice and trainee programs help to service the business functions whilst providing entry level and accelerated pathways into the mining sector.

APPRENTICES AND TRAINEES

Macmahon's long standing and recognised apprenticeship program continues to show our commitment to the development of apprentices and trainees.

Macmahon currently provides a range of apprenticeships and traineeships for heavy diesel mechanics, auto electricians, boilermakers, tyre trainees and business trainees. This includes accelerated apprenticeship options and Certificate III in Surface Extraction Operations.

OPERATOR COMPETENCY

With dedicated management systems in place to record and monitor training compliance across the business and to meet regulatory reporting requirements, our on-site training compliance over the last financial year has continued to improve with relatively consistent growth displayed month on month.

With robust training programs and supporting processes in place, our future challenge is to transition the existing systems and processes into automated functionality.

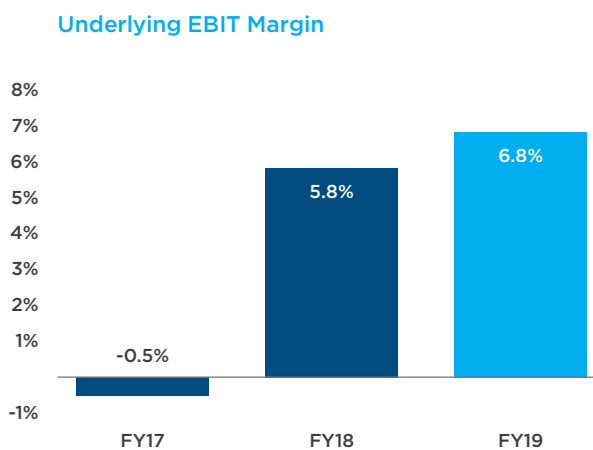
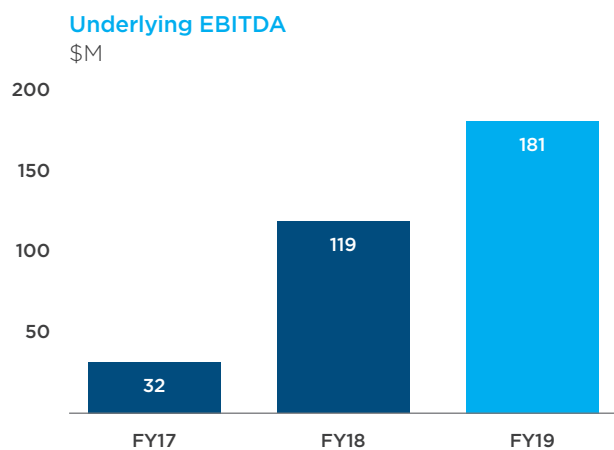
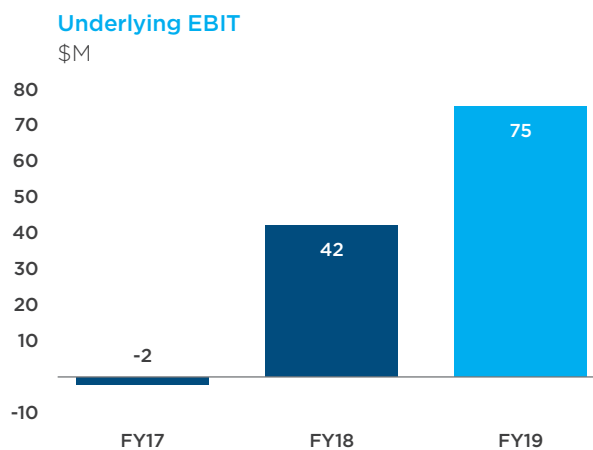
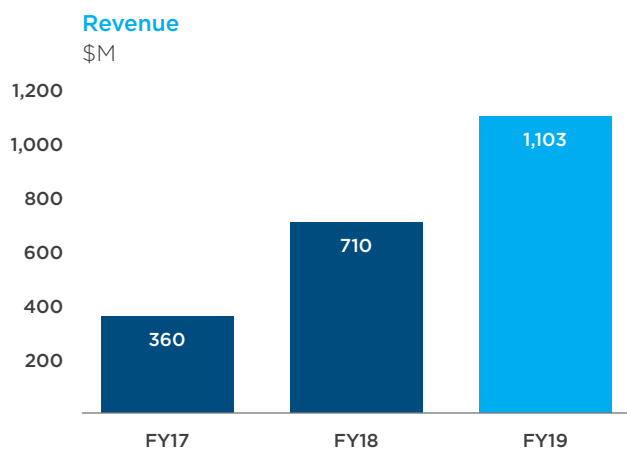
Financial Review

FINANCIAL PERFORMANCE

From continuing operations before significant items

	1H19	2H19	2019	2018
Revenue				
Australia	352.4	347.8	700.2	545.4
Indonesia	186.6	202.3	388.9	160.2
Other International	3.1	10.8	13.9	4.7
Group Revenue	542.1	560.9	1,103.0	710.3
EBITDA (underlying)	89.1	92.3	181.4	119.2
EBIT (underlying)	39.9	35.2	75.1	41.5
NPAT (underlying)	32.3	24.4	56.7	31.6
EBITDA (reported)	80.4	90.4	170.8	118.9
EBIT (reported)	31.1	33.4	64.5	41.2
NPAT (reported)	23.6	22.5	46.1	31.3

Note: Refer to Summary of Consolidated Reports (page 118) for reconciliation to underlying results.



PROFIT AND LOSS

Revenue for the Group increased by 55.3% from the prior period to \$1.1 billion, primarily due to the ramp up of several large contracts that commenced in FY18, including Batu Hijau (phase 2 commenced April 2018), Byerwen (commenced November 2017) and Mt Morgans (commenced late December 2017). In addition Macmahon commenced new projects in FY19 including Boston Shaker and Langkawi.

In line with guidance, underlying earnings before interest and tax (EBIT) for FY19 was \$75.1 million, reflecting a 81.0% growth compared to \$41.5 million underlying EBIT in FY18. Similarly, underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 52.2% to \$181.4 million.

Depreciation and Finance costs

Following growth in capital expenditure over the period, depreciation of property, plant and equipment and finance costs for 2019 increased from \$77.7 million and \$2.4 million respectively to \$106.2 million and \$10.7 million.

Tax

The Group reported a tax expense of \$7.7 million for continuing operations. The effective tax rate for continuing operations is 14.4% due to the recognition of previously unrecognised deferred tax assets. Excluding these items the effective tax rate would have been 26.5%.

BALANCE SHEET

Execution of existing projects together with commencement of new projects resulted in an increase in Net Assets from \$409.8 million to \$447.6 million at 30 June 2019.

The Company's Net Tangible Assets (NTA) increased by 8.3% over the year from \$404.0 million to \$437.4 million at 30 June 2019 resulting in NTA per share increasing from 18.7 cents per share to 20.3 cents per share.

Working Capital

Whilst current trade and other receivables increased to \$181.5 million at 30 June 2019 (\$152.3 million in 2018) due to expansion of operations and delays in expected receipts of payments, the current trade and other payables at 30 June 2019 of \$168.6 million remained consistent with the prior year of \$174.3 million. A strong focus on inventory management resulted in inventory marginally increasing to \$45.8 million compared to \$42.0 million in the prior year.

Net Debt

Cash on hand at 30 June 2019 of \$113.2 million (FY18: \$109.6 million) offset by total debt of \$165.8 million (FY18: \$106.3 million) resulted in net debt at year end of \$52.7 million. Debt increased by \$59.6 million with the purchase of plant and equipment across the group to support new projects and maintain growth on existing projects. Increase in cash of \$3.5 million was lower than expected due to customer receipts of \$24.0 million expected to be received prior to 30 June 19 being receipted within the first week of July 19. Including these receipts the net debt would reduce to \$28.7 million.

During the year Macmahon increased the general purpose corporate debt facility to \$50.0 million with the Commonwealth Bank of Australia which expires in October 2020. This facility is currently drawn for bank guarantees for \$20.4 million.

CASH FLOW

Operating cash flow (excluding interest, tax and settlement for the class action) for the 12 months ended 30 June 2019 was \$125.9 million (FY18: \$101.9 million), representing a conversion rate from underlying EBITDA of 69.4%. The cashflow conversion was impacted by the increase in working capital due to delayed receipts from trade receivables, which were paid shortly after financial year end. Including receipts from customers in the first week of July 19 the EBITDA conversion would increase to 82.6%.

Capital Expenditure

Capital expenditure for the year totalled \$124.5 million, comprising \$67.8 million acquired through finance leases and \$56.7 million funded in cash. This excludes the lease receivable of \$16.1 million.

DIVIDEND

The Board has elected to reinstate dividends to shareholders by approving the payment of a final dividend of 0.5 cents per share for FY19.

Vision and Strategy

Macmahon's vision is to be a premium provider of contract mining services, delivering consistent returns and stable employment. Our strategic pillars include:

Safety

Improving safety performance across all operations remains a core priority.

Execution and Relationships

Focussing on ensuring our current projects perform on or above expectations. Macmahon is also committed to fostering strong relationships with our customers.

Technology

Investing in innovation and technology to differentiate our services and ensure they are delivered in the most efficient and productive manner.

People and Culture

Instilling a proactive, positive culture where people are empowered to make decisions, are accountable for their actions and rewarded appropriately for success.

New Work

Macmahon remains focussed on winning new work across a diverse spread of commodities, clients and geographies.

Diversification

Growing our core mining business with a focus on underground and rehabilitation, including exploring M&A opportunities.

Statement of Values

In everything we do, we think and act according to our guiding principles.

Safety

Think Safe • Act Safe • Enforce Safety

- Lead by example
- Identify and report hazards
- Promote a “Zero-harm Culture”
- Do not accept unsafe acts and conditions

Teamwork

Work Smart • Work Hard • Work Together

- Create a positive and enjoyable environment
- Foster the potential of our people
- Share a common vision of success

Prosperity

Find Value • Drive Value • Achieve Value

- Continue to strive for ongoing efficiency, productivity and quality

Integrity

Be Reliable • Be Direct • Be Honest

- Act lawfully, ethically and responsibly
- Acknowledge the views of employees, stakeholders and communities
- Recognise and promote diversity, cultural heritage and ambitions
- Be trustworthy and fair in all dealings
- Pride, honesty and respect

Environment

Reduce • Recycle • Rejuvenate

- Promote environment awareness
- Minimise waste
- Invest in the environment

Risk Management

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

Given the breadth of operations and the geographies and markets in which the Company operates, a wide range of risk factors have the potential to impact on Macmahon. While Macmahon attempts to mitigate and manage risks where it is efficient and practicable to do so, there is no guarantee these efforts will be successful.

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

PERFORMANCE OF THE BATU HIJAU PROJECT

The future financial performance of Macmahon, including during FY20, is heavily dependent on outcomes at the Batu Hijau project.

Any underperformance at the Batu Hijau Mine will be particularly material to Macmahon.

The mining services contract for the Batu Hijau project requires agreements to be reached about certain matters on a regular basis, including annual performance targets. There is no guarantee this will occur.

The Batu Hijau mine is located in Indonesia, where the risk of earthquake, volcanic eruption and tsunami is higher than many other parts of the world. Macmahon notes there has been recent volcanic activity and earthquakes on the nearby island of Lombok, which may impact on Batu Hijau.

PERFORMANCE OF THE TELFER PROJECT

As previously disclosed, Macmahon has been working to resolve several issues on the Telfer project that have resulted in it incurring significant losses. This has included Macmahon commencing a formal dispute resolution process with Newcrest regarding a variation claim. There is no guarantee that the predictions or forecasts made by Macmahon about the future financial performance of the Telfer project will be realised.

Performance at the Telfer mine is subject to various operational and contractual risks. While some of these risks apply to all projects, performance at Telfer may be particularly material to Macmahon.

GUIDANCE

Macmahon provides forecasts and predictions about its future performance ("Guidance") on the basis of several assumptions which may subsequently prove to be incorrect.

Guidance is not a guarantee of future performance, and is subject to known and unknown risks, many of which are beyond the control of Macmahon.

Key identified risks that may result in Macmahon not meeting its Guidance include, but are not limited to, termination of key contracts, variability in cost and productivity assumptions, and inability to recover claims and variations from clients.

Macmahon's actual results may differ materially from its Guidance and the assumptions on which the Guidance is based.

CONTINGENT LIABILITIES

Macmahon is exposed to a number of contingent liabilities, including those described in the notes to this Annual Report.

The Guidance provided by Macmahon will be negatively impacted if those contingent liabilities that are currently unquantified crystallise into actual liabilities.

RELIANCE ON KEY CUSTOMERS

Macmahon's business relies on a number of individual contracts and business alliances and Macmahon derives a significant proportion of its revenue from a small number of key long term customers and business relationships with a few organisations. In the event that any of these customers fails to pay, reduces production or scales back operations, terminates the relationship, defaults on a contract or fails to renew their contract with Macmahon, this may have an adverse impact on the financial performance and/or financial position of Macmahon.

INDUSTRY AND COMMODITY CYCLES

Macmahon's financial performance is influenced by the level of activity in the resources and mining industry, which is impacted by a number of factors beyond the control of Macmahon. This includes:

- demand for mining production, which may be influenced by factors including (but not limited to) prices of commodities, exchange rates and the competitiveness of Australian and Indonesian mining operations;
- government policy on infrastructure spending;
- the policies of mine owners including their decisions to undertake their own mining operations or to outsource these functions; and
- the availability and cost of key resources including people, large earth moving equipment and critical consumables.

Macmahon is indirectly exposed to movements in commodity prices, which are volatile and beyond Macmahon's control.

Adverse movements in commodity prices may reduce the pipeline of work in the mining sector and the level of demand for the services of Macmahon's mining business, which could have a material impact on Macmahon's operating and financial performance.

FAILURE TO WIN NEW CONTRACTS

Macmahon's performance is impacted by its ability to win, extend and complete new contracts. Any failure by Macmahon to continue to win new contracts and work will impact its financial performance and position.

Macmahon expects to continue to have a broad range of competitors across all of its operations, which impacts the margins obtainable on contracts. There is a risk that existing and increased future competition may limit the ability to win new contracts or achieve attractive margins.

EARLY CONTRACT TERMINATION AND CONTRACT VARIATIONS

Guidance is partly based on current contracts in hand and Macmahon derives a significant proportion of its revenue from providing services under large contracts. A client could terminate services on short term notice and as a result, there can be no assurance that work in hand will be realised as revenue in any future period. There could be future risks and costs arising from any termination of contract.

Early termination or failure to renew a contract by Macmahon's clients when that renewal is expected is likely to have an adverse effect on financial performance.

While Macmahon has no reason to believe any existing or potential contracts will be terminated, there can be no assurance that this will not occur.

Due to the nature of Macmahon's business, there is also a risk that Macmahon's claims for contract variations are disputed and not ultimately agreed, or are insufficiently certain at a point in time such that they cannot be brought to account in a given accounting period.

PROJECT DELIVERY RISK

Execution and delivery of projects involves judgement regarding the planning, development and operation of complex operating facilities and equipment. As a result, Macmahon's operations, cash flows and liquidity could be affected if the resources or time needed to complete a project are miscalculated, if it fails to meet contractual obligations, or if it encounters delays or unspecified conditions.

MARGINS, OPERATIONS, SAFETY AND ENVIRONMENT

Cost overruns, unfavourable contract outcomes, serious or continued operational failure, adverse industrial relations outcomes, disruption at key facilities, disruptions to information and communication systems or a safety incident have the potential to have an adverse financial impact.

Macmahon is also exposed to input costs through its operations, such as the cost of fuel and energy sources, equipment and personnel. To the extent that these costs cannot be passed on to customers in a timely manner, or at all, Macmahon's financial performance could be adversely affected.

Macmahon's operations involve risk to personnel and property. An accident may occur that results in serious injury or death, damage to property and environment, which may have an adverse effect on Macmahon's financial performance, and reputation and ability to win new contracts.

CONTRACT PRICING RISK

If Macmahon materially underestimates the cost of providing services, equipment, or plant, there is a risk of a negative impact on Macmahon's financial performance.

COMMODITY PRICE EXPOSURE

Gold and copper are the two most important commodities contributing to Macmahon's order book and tender pipeline. If the gold and copper industries were to suffer, it would have a material adverse effect on Macmahon revenues and profitability.

EQUIPMENT AND CONSUMABLE AVAILABILITY

Macmahon has a significant fleet of equipment and has a substantial ongoing requirement for consumables including tyres, parts and lubricants. If Macmahon cannot secure a reliable supply of equipment and consumables, there is a risk that its operational and financial performance may be adversely affected.

KEY PERSONNEL

Macmahon's growth and profitability may be limited by loss of key operating personnel, inability to recruit and retain skilled and experienced employees or by increases in compensation costs. The growth of activity in the mining sector has increased demand for quality resources, creating a tightening market and upward pressure to secure skilled mining leaders, professionals and personnel.

CURRENCY FLUCTUATION

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

PARTNER AND CONTROL RISK

Macmahon may undertake services through and participate in joint ventures or partnering/alliance arrangements.

The success of these partnering activities depends on satisfactory performance by Macmahon's partners. The failure of partners to meet performance obligations could impose additional financial and performance obligations that could cause significant impact on Macmahon's reputation and financial results, including loss or termination of the contract and loss of profits.

Following the completion of the AMNT transaction, AMC (which is a related party of AMNT) has become the largest shareholder of Macmahon with a 44.3% shareholding, giving AMC significant influence over Macmahon, with the ability to block special resolutions of shareholders and potentially to pass or block ordinary resolutions. AMC's interests as a shareholder of Macmahon may differ from the interests of other shareholders, and the existence of this shareholding (together with other major shareholdings) may reduce the prospects of persons making takeover bids for Macmahon in the future.

COUNTRY RISK

While Macmahon has significant operations in Australia, its largest project is in Indonesia. During the current year Macmahon commenced providing consulting services in South Africa. Sovereign risk in these countries is higher than in Australia.

Operating in international markets can expose Macmahon to additional adverse economic conditions, civil unrest, conflicts, terrorism, security breaches and bribery and corrupt practices.

Some countries in which Macmahon operates, or may operate in the future, have less developed legal, regulatory or political systems than in Australia, which may be subject to unexpected or sudden change or in which it may be more difficult to enforce legal rights.

The financial performance and position of Macmahon's foreign operations may be adversely affected by changes in the fiscal or regulatory regimes applying in the relevant jurisdictions, changes in, or difficulties in interpreting and complying with local laws and regulations of different countries (including tax, labour, foreign investment law) and nullification, modification or renegotiation of, or difficulties or delays in enforcing contracts with clients or joint venture partners that are subject to local law.

FINANCING RISK

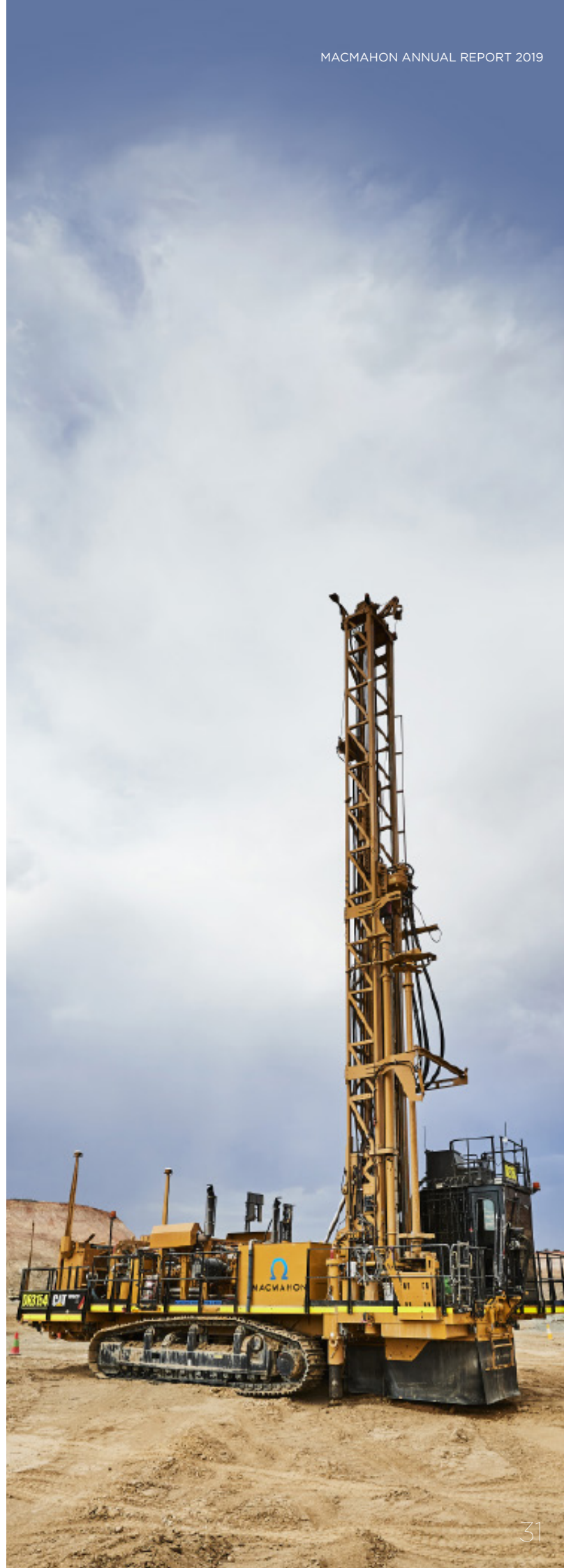
Macmahon has financing facilities with external financiers. A default under any of these facilities could result in withdrawal of financial support or an increase in the cost of financing.

ACQUISITION RISK

In August 2019 Macmahon announced the completion of its acquisition of the GBF Group. There is a risk this business will not perform as expected or that the integration of the business will be more difficult or costly than planned.

OTHER MATERIAL RISKS THAT COULD AFFECT MACMAHON INCLUDE:

- A major operational failure or disruption at key facilities or to communication systems which interrupt Macmahon's business;
- Changing government regulation including tax, occupational health and safety, and changes in policy and spending;
- Loss of reputation through poor project outcomes, unsafe work practices, unethical business practices, and not meeting the market's expectation of our financial performance;
- Foreign exchange rates and interest rates in the ordinary course of business; and
- Loss of key Board, management or operational personnel.



Our Board



EVA SKIRA
**Independent,
Non-Executive Chair**

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

Ms Skira has served on a number of Boards in business, government and the not-for-profit sectors across a range of industries including engineering, infrastructure, health and finance.



VYRIL VELLA
**Independent,
Non-Executive Director**

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



ALEX RAMLIE
**Non-Independent,
Non-Executive Director**

Mr Ramlie is a Director of AMNT. Prior to joining AMNT, he was the President Director and Chief Executive Officer of PT Borneo Lumbung Energi & Metal Tbk, which operated a hard coking coal mine in Central Kalimantan.

Between 2012 and 2015, Mr Ramlie was also a Director of Bumi PLC, a Vice-President Commissioner/ Vice-Chairman of PT Berau Coal Energy Tbk and its subsidiary, PT Berau Coal, and held Commissioner positions in PT Bumi Resources Tbk, PT Kaltim Prima Coal, and PT Arutmin Indonesia.

He is currently Director of Operations and Corporate Secretary of PT Amman Mineral Nusa Tenggara and played an instrumental role in the acquisition of PT Newmont Nusa Tenggara (now PT Amman Mineral Nusa Tenggara). Mr Ramlie began his career as an investment banker at Lazard Frères & Co.



ARIEF SIDARTO
**Non-Independent,
Non-Executive Director**

Mr Sidarto is the Chief Financial Officer of AMNT. His qualifications include an MBA from Harvard Business School and two bachelor degrees with summa cum laude from The Wharton School of Finance and The Engineering School of the University of Pennsylvania.

Prior to joining AMNT in April 2017, Mr Sidarto held the position of Managing Director and Member of the Board of PT Rajawali Corpora. He was also Managing Partner of Samuel Group from 2009 to 2015 and Managing Director of Wellspring Capital Partners from 2010 to 2014.

Mr Sidarto was previously with Goldman Sachs New York in 1991 in its Structured Finance Division; before relocating to Hong Kong and then Singapore to run investment banking and corporate finance as Chief Operating Officer.

Executive Management Team

MICHAEL FINNEGAN

Chief Executive Officer

Mr Finnegan holds a Bachelor of Science (Mining) with 20 years' experience in the mining industry. The last 15 years have primarily been spent in senior line management positions. Mr Finnegan has a strong commercial and technical background and has spent time in operations on the east and west coast of Australia as well as a number of countries throughout Asia.

GILES EVERIST

Chief Financial Officer

Mr Everist was appointed as Chief Financial Officer in December 2017. He has more than 30 years' finance experience primarily within the resources sector. He has a Bachelor of Sciences (Honours) in Mechanical Engineering from the University of Edinburgh and is also a Chartered Accountant.

Prior to joining Macmahon, Mr Everist held the position of Chief Financial Officer and Company Secretary at Monadelphous Group.

GREG GETTINGBY

Chief Development Officer

Mr Gettingby joined Macmahon in 2002 and was appointed to the position of Chief Development Officer in December 2018. He previously held commercial management and legal roles with the Company across all divisions of its business. Prior to joining Macmahon, Mr Gettingby worked as a lawyer in private practice and holds a Bachelor of Arts and a Bachelor of Laws.

CARL O'HEHIR

General Manager, Civil and Surface Australia

Mr O'Hehir holds a Bachelor of Engineering (Mining) and is a Site Senior Executive under the Queensland Coal Mining Safety and Health Act. Mr O'Hehir has over 18 years' experience in open cut mining in Queensland and in Africa across technical, operational and managerial roles. Prior to joining TMM in July 2010, Mr O'Hehir held senior positions at Thiess and BHP.

ANDREW DOE

General Manager, Underground

Mr Doe holds a Bachelor of Engineering (Mining) with 25 years' industry experience. Mr Doe has a predominantly underground hard rock background across a range of commodities, working for Australian and global producers. Prior to joining Macmahon, Mr Doe worked in a corporate role with a global mining house.

MARK HATFIELD

General Manager, Plant & Maintenance Services

Mr Hatfield has more than 16 years' experience within the mining and heavy equipment industry and has fulfilled numerous operational and senior leadership roles. Mr Hatfield has a strong technical background and has spent time in operations on the west coast of Australia as well as a number of countries throughout Asia.

KATHERINE MARTIN

General Manager, People and HSEQT

Ms Martin joined Macmahon as General Manager, People and HSEQT in 2019. She brings more than two decades' experience in senior roles in human resources, workforce planning, organisational development and change management. Prior to Macmahon, Ms Martin held management positions with Mineral Resources Limited, Newmont, BC Iron, HWE Mining and Barrick Gold. Ms Martin is a member of the Australian HR Institute.

MICHAEL FISHER

General Manager, South Africa

Mr Fisher has 20 years' experience in the mining industry and holds a Graduate Diploma of Mine Engineering. The last 8 years have primarily been spent in senior management positions. Mr Fisher has a strong commercial and operational background, with experience in mineral and coal operations in the Northern Territory, on the east coast of Australia and several provinces across Indonesia.

PETER BINSTED

General Manager, Asia

Mr Binsted is a Civil Engineer with more than 30 years' experience in hard rock mining and the civil construction business. Since joining Macmahon in 1985, he has held various operational and managerial positions in Australia, with the last 23 years spent in Southeast Asia. Mr Binsted has a strong commercial and operational background gained from managing successful business units in Asia.



MICHAEL FINNEGAN
Chief Executive Officer



GILES EVERIST
Chief Financial Officer



GREG GETTINGBY
Chief Development Officer



CARL O'HEHIR
General Manager,
Civil and Surface Australia



ANDREW DOE
General Manager,
Underground



MARK HATFIELD
General Manager,
Plant & Maintenance Services



KATHERINE MARTIN
General Manager,
People and HSEQT



MICHAEL FISHER
General Manager, South Africa



PETER BINSTED
General Manager, Asia

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the “Group” or the “consolidated entity”) consisting of Macmahon Holdings Limited (referred to hereafter as the “parent entity” or “the Company”) and the entities it controlled at the end of, or during, the year ended 30 June 2019.



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

MS EVA SKIRA AM, 65

Position:

Independent Non-Executive Director
Appointed as Non-Executive Director in September 2011; appointed Chair on 27 June 2019

Qualifications:

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

Experience and expertise:

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

Ms Skira has served on a number of Boards in business, government and the not-for-profit sectors across a range of industries including engineering, infrastructure, health and finance. She was Deputy Chair at Metrobus, Non-Executive Director of Doric Construction Group, Deputy Chancellor of Murdoch University and Board Member of MDA National Insurance.

She also has deep understanding of sustainability and environmental practices, having been the Chair of the Water Corporation of Western Australia and Forest Products Commission.

She is currently Chair of Trustees at St John of God Health Care Inc and Board member at Western Power, WA Parks Foundation and the Western Australia Cricket Association. Ms Skira was recognised in the 2019 Australia Day honours list and awarded a Member of the Order of Australia for her significant service to business in Western Australia.

Current listed directorships:

None

Former directorships (last 3 years):

RCR Tomlinson Limited (resigned October 2018)

Committee memberships:

- Chair of the Remuneration and Nomination Committee
- Member of the Audit and Risk Committee

Interests in ordinary shares:

61,953

Interests in share rights:

267,538

MR VYRIL VELLA, 70

Position:

Independent Non-Executive Director
Appointed November 2007; resigned 31 October 2018; reappointed 29 June 2019

Qualifications:

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

Experience and expertise:

Mr Vella has over 40 years' experience in the civil engineering, building, property and construction industries. During Mr Vella's 34 years with the Leighton Group, he held various positions including General Manager NSW, Director of Leighton Contractors Pty Ltd (now CIMIC), Founding Director of Welded Mesh Pty Ltd, Managing Director of Leighton Properties and Associate Director of Leighton Holdings.

Mr Vella was a consultant to Leighton Holdings, where he advised on investment in the residential market, general property issues and major construction and infrastructure projects. He also was Non-Executive Director at Devine Limited.

Current listed directorships:

None

Former directorships (last 3 years):

No listed entities

Committee memberships:

- Chairman of the Audit and Risk Committee
- Member of the Remuneration and Nomination Committee

Interests in ordinary shares:

1,857,842

Interests in share rights:

None

MR ALEXANDER RAMLIE, 46**Position:**

(AMNT Nominee) Non-Independent, Non-Executive Director
Appointed 8 August 2017

Qualifications:

BA, MA (Economics)

Experience and expertise:

Mr Ramlie joined the Board as a Non-Executive Director and nominee of AMNT in August 2017 after the successful completion of the AMNT transaction. Prior to becoming a Director of AMNT, he was the President Director and Chief Executive Officer of PT Borneo Lumbung Energi & Metal Tbk from 2011 to 2015. Borneo operates a hard coking coal mine in Tuhup, Central Kalimantan, which is held by its wholly-owned subsidiary, PT Asmin Koalindo Tuhup.

Between 2012 and 2015, Mr Ramlie was also a Director of Bumi PLC, Vice-President Commissioner/ Vice-Chairman of PT Berau Coal Energy Tbk and its subsidiary, PT Berau Coal, and held Commissioner positions in PT Bumi Resources Tbk, PT Kaltim Prima Coal, and PT Arutmin Indonesia.

He is currently Director of Operations and Corporate Secretary of PT Amman Mineral Nusa Tenggara and played an instrumental role in the acquisition of PT Newmont Nusa Tenggara (now PT Amman Mineral Nusa Tenggara). Mr Ramlie began his career as an investment banker at Lazard Frères & Co.

Current listed directorships:

None

Former directorships (last 3 years):

No listed entities

Committee memberships:

- Member of the Audit and Risk Committee
- Member of the Remuneration and Nomination Committee

Interests in ordinary shares:

215,489

Interests in share rights:

676,960

MR ARIEF WIDYAWAN SIDARTO, 50**Position:**

(AMNT Nominee) Non-Independent, Non-Executive Director
Appointed 8 August 2017

Qualifications:

MBA

Experience and expertise:

Mr Sidarto brings his vast management experience from mining and infrastructure companies to the Board of Macmahon. He was Managing Director and Member of the Board of PT Rajawali Corporation, the holding company of a diversified business group in palm oil plantation, gold and other mining properties, transportation, infrastructure and media.

His management experience extends to the hospitality sector, in companies such as St Regis, Four Seasons Hotel and Sheraton Hotels. He was also Managing Partner of Samuel Group, a brokerage and investment banking firm, from 2009 to 2015 and concurrently, Managing Director of Wellspring Capital Partners, a private equity firm, between 2010 to 2014.

His vast banking and finance experience extends to his career at Goldman Sachs in New York, working in its Structured Finance Division in 1991; he then relocated to Hong Kong and subsequently to Singapore to run investment banking and corporate finance as Chief Operating Officer. During his time, he was responsible for deal execution (M&As, LBOs, restructuring, debt and equity capital raisings), select client relationships and cross selling (commodities, asset-liability management products) and was a Member of Goldman Sachs' Commitments Committee.

He also held directorships in Singapore entities, In-Sing Minerals Pte. Ltd. and Goodearth Universal Pte. Ltd.

He currently serves as Director of PT Amman Mineral Nusa Tenggara where he is a member of the Finance and Investment Committee, the Ethics Committee and the Audit and Risk Management Committee.

Current listed directorships:

None

Former directorships (last 3 years):

Director of In-Sing Minerals Pte. Ltd. (a Singapore entity) and Goodearth Universal Pte. Ltd. (a Singapore entity) and Managing Director and Member of the Board of PT Rajawali Corporation.

Committee memberships:

None

Interests in ordinary shares:

215,489

Interests in share rights:

676,960

MR KIM HORNE AM, 64**Position:**

Independent Non-Executive Director
Appointed March 2018;
resigned 26 June 2019

Qualifications:

Dip (Frontline Supervision), WA
Restricted Quarry Managers
Certificate, graduate of the
University of WA Management
Education Programme

Experience and expertise:

Mr Horne had an extensive career at Alcoa, holding the role of Manager of Mining in Western Australia, Location Manager of Pinjarra Refinery and Executive Director of Alcoa Australia, responsible for health, safety and environment, community and government relations and human resources; he also held the role of Vice President of Human Relations for Global Primary Products in New York. His final role was as President of Alcoa's Global Mining Centre. During his time, he also completed the Alcoa Executive Program.

He previously held Board positions at the Western Australian Chamber of Mines and Energy, Peel Development Commission, was Non-Executive Chairman of Mitchell Logistics Company and Director of Toll Mining Services.

He is Deputy Chair of Synergy, the State electricity generator and retailer in Western Australia, and is a life member of the Chamber of Minerals and Energy. He is also Deputy Chair of Fremantle Ports in Western Australia, and is an Independent Director at Rainbow Bee Eater, a technology development company playing a role in shifting fossil fuel based energy to renewable and sustainable energy.

In 2014, Mr Horne was appointed as a Member of the Order of Australia for his services to the mining industry.

Current listed directorships:

None

Former directorships (last 3 years):

No listed entities

Committee Memberships:

None

Interests in ordinary shares:

107,744

Interests in share rights:

None

MR JIM WALKER, 67**Position:**

Non-Executive Chairman
Appointed October 2013
as Non-Executive Director;
appointed Chairman in March
2014; resigned 27 June 2019

Qualifications:

GAICD, FCA, FAIM

Experience and expertise:

Mr Walker has over 40 years of experience in the resources and mining sector. Until 2013, he was the Managing Director and Chief Executive Officer of WesTrac Pty Ltd, where he led the company's rapid development in industrial and mining services locally and in China. Prior to this, Mr Walker held various roles with other Australian Caterpillar dealers. He was a member of the Australian Institute of Management, holding the position of President WA between 2008-2010 and National President - Australia between 2010-2013.

He was recently Non-Executive Director at Programmed Maintenance Services Limited and Deputy Chairman of Seeing Machines Limited. He also served as a Director at Seven Group Holdings Limited, National Hire Group Limited, Skilled Group Limited and Coates Group Holdings Pty Limited.

He is currently Chairman of Mader Group Limited, Austin Engineering Limited, Wesley College, Australian Potash Limited, the WA Motor Museum and the State Training Board WA. He is also Deputy Chairman of Royal Automobile Club of Western Australia and Non-Executive Director of MG Kailis Group.

Current listed directorships:

- Chairman of Austin Engineering Limited (appointed November 2016)
- Chairman of Australian Potash Limited (appointed August 2018)

Former directorships (last 3 years):

- Non-Executive Director of Programmed Maintenance Services Limited (resigned October 2017)
- Deputy Chairman of Seeing Machines Limited (resigned December 2018)

Special responsibilities:

None

Interests in ordinary shares:

521,000

Interests in share rights:

None

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ("the Board") and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

	Full Board Meetings		Special Board Meetings (C)		Audit and Risk Committee Meetings		Remuneration and Nomination Committee Meetings		Other Committee Meetings (D)	
	Eligible to Attend (A)	Attended (B)	Eligible to Attend (A)	Attended (B)	Eligible to Attend (A)	Attended (B)	Eligible to Attend (A)	Attended (B)	Eligible to Attend (A)	Attended (B)
E Skira	8	8	6	5	3	3	3	2	1	1
V A Vella	2	2	*	*	1	1	1	1	*	*
A Ramlie	8	5	6	3	*	*	*	*	*	*
A W Sidarto	8	8	6	6	*	*	*	*	*	*
K A Horne	8	7	6	6	2	2	3	3	2	2
J A Walker	8	8	6	6	3	3	3	3	2	2

A Number of meetings held during the time the Director held office or was a member of the committee during the year.

B Number of meetings attended.

C Special Board meetings, unscheduled meetings called at short notice.

D Other committees include sub-committees of the board.

* Not a member of the relevant committee or board



COMPANY SECRETARIES

Gregory Gettingby BA/LLB

Mr Gettingby holds a Bachelor of Arts and a Bachelor of Laws.

Mr Gettingby joined Macmahon in 2002 and was appointed to the position of Chief Development Officer in 2018. He previously held commercial management and legal roles with the Company.

Prior to joining Macmahon, Mr Gettingby worked as a lawyer in private practice.

Katina Nadebaum B.Com, CA

Ms Nadebaum joined the Company in November 2018 as Joint Company Secretary. Previously, Ms Nadebaum was the Company Secretary of Macmahon Holdings Limited in May 2008 to February 2011. Ms Nadebaum is also the Company Secretary of Programmed Maintenance Services Limited.

Prior to that she has held the role of Company Secretary for various public companies and has also worked as an Accountant in public practice where she provided corporate and company secretarial advice.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity consisted of providing mining and consulting services to mining companies throughout Australia, Southeast Asia and South Africa.

Apart from the above, or as noted elsewhere in this report, there were no significant changes in the nature of the activities of the consolidated entity during the financial year under review.

DIVIDENDS

The Board has elected to reinstate dividends to shareholders by approving the payment of a final dividend of 0.5 cents per share for FY19.

As the final dividend was declared after the balance sheet date, the financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2019.

REVIEW OF OPERATIONS

For the 12 months ended 30 June 2019, the Group reported increases in total revenue, underlying earnings before interest and tax (EBIT) and underlying net profit after tax from continuing operations which was driven by the inclusion of 12 months operating results from contracts that commenced mid to late 2018, commencement of new contracts and scope modifications on existing contracts.

A review of, and information about the operations of the consolidated entity during the financial year and of the results of those operations is contained on pages 10 to 31, which form part of this Director's report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In June 2019, Macmahon signed an agreement to acquire 100% of GF Holdings (WA) Pty Ltd and its subsidiaries.

The acquisition is consistent with Macmahon's strategy of growing capability and scale in its underground division to capitalise on the significant level of underground opportunities that the Company is seeing with its current and potential clients. The acquisition completed on 2 August 2019.

For details of the acquisition please refer to ASX announcements dated 18 June 2019 and 2 August 2019.

Subsequent to the year end the Board approved a final dividend on ordinary shares in respect of the 2019 financial year of 0.5 cents per share.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations have been included generally within the annual report.

ENVIRONMENTAL REGULATION

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

REMUNERATION REPORT - AUDITED

The audited remuneration report is set out on pages 46 to 57 and forms part of this Directors' report.

INDEMNITY AND INSURANCE OF OFFICERS

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

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

INDEMNITY AND INSURANCE OF AUDITOR

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

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

PROCEEDINGS ON BEHALF OF THE PARENT ENTITY

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

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

ROUNDING OF AMOUNTS

The consolidated entity 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 that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

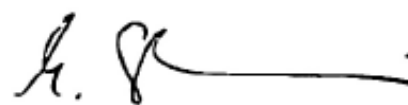
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 44.

AUDITOR

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

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



EVA SKIRA

Director
30 August 2019
Perth



Auditor's Independence Declaration





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

To the Directors of Macmahon Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Macmahon Holdings Limited for the financial year ended 30 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Trevor Hart
Partner

Perth

30 August 2019

Remuneration Report

Audited

This Remuneration Report for the year ended 30 June 2019 has been audited by the Company's external auditor.

The remuneration report details the remuneration arrangements for key management personnel (KMP) as defined by and in accordance with the requirement of the *Corporations Act 2001* (the Act) and its regulations.

1 EXECUTIVE REMUNERATION

1.1 Overview

The Company's approach to remuneration is to compensate employees in a way that is cost effective and appropriate for current industry conditions, but also sufficient to attract, retain and incentivise the calibre of personnel needed to effectively manage the Company's business. To this end the remuneration packages offered to Senior Executives have three components:

- market competitive fixed remuneration;
- a short term incentive opportunity, or the opportunity to earn a cash bonus dependent on performance over an annual period; and
- a long term incentive opportunity, or the opportunity to earn Macmahon shares dependent on performance over multiple years.

The remuneration mix for Executive KMP for FY19 is outlined below:

	Fixed remuneration	At risk	
		Short term incentive	Long term incentive
Michael Finnegan Chief Executive Officer	32%	32%	36%
Giles Everist Chief Financial Officer	42%	21%	37%
Greg Gettingby Chief Development Officer	40%	20%	40%

The value of the long term incentive in this table reflects the accounting standard value as noted in the remuneration table and includes the current year expense for performance rights granted in previous years.

1.2 Fixed remuneration

The fixed remuneration paid to Senior Executives is based on the size and scope of their role, knowledge and experience, market benchmarks for that role, and to some extent the Company's financial circumstances. Fixed remuneration comprises base salary, any applicable role specific allowances, and superannuation.

Macmahon regularly reviews and benchmarks fixed remuneration to monitor how that remuneration compares to the market and relevant industry peers. Benchmarking was completed during FY19 using industry surveys and reports from Mercer Consulting (Australia) Pty Ltd (Mercer). Based on the results of the market benchmarking review, salary increases were provided to employees during the year. For Executive KMP these increases in fixed remuneration ranged between 9.2% and 17.9%.

These increases were appropriate to bring the Executives into line with relevant comparator companies after significant growth in the size and complexity of the Company, and growth in the responsibilities and scope of the Executives' roles. For example, the Company's FY19 revenue was 55.3 % higher than its revenue in FY18 and 206.7% higher than its revenue in FY17.

1.3 FY19 Short term incentive (STI)

During FY19 the STI opportunity provided to Executive KMP, with continued service of at least 6 months during the period, had the following features.

Purpose of the plan	Incentivise employees to achieve the Company's annual targets for earnings before interest and tax (EBIT) and return on equity (ROE). These targets were derived from the Company's publicly stated EBIT guidance range of \$70 million to \$80 million, which was provided at the FY18 result. The STI was structured to commence from zero upon achievement of the Company's minimum EBIT and ROE targets, and to increase in line with any additional EBIT or ROE, up to a cap.
Reasons for using these targets	EBIT and ROE were chosen as the targets for the STI to simplify administration of the plan, and to focus employees on two key metrics for investors in the Company.
Weighting of performance targets	Any STI payment is to be calculated 75% based on EBIT performance, and 25% based on ROE.
Performance period	Performance against the STI targets will be measured during the period 1 July 2018 to 30 June 2019.
Form of payment	Cash and shares.
Deferral of STI	25% of any STI payment for each Executive team member will be deferred into shares for two years after the performance period ends and is payable in shares. These shares will only be released to the KMP if they remain an employee at the end of this period.
Executive claw back	Up to 30% of any STI payment to Executive team members may be claimed back by the Company at any time up to two years after it is paid to the Executive in the event of a restatement of the Company's financial results (other than a restatement caused by a change in applicable accounting rules or interpretations), the result of which is that any STI awarded to an Executive would have been a lower amount had it been calculated based on such restated results.
Board discretion	The Board has the right to modify, reduce or remove the STI opportunity at any time, including if there is a fatality.

Potential bonus amounts

The table below shows the potential bonus amounts, as a percentage of total fixed remuneration (TFR), available to the Executive KMP under the FY19 STI Plan.

	Performance Level		
	Threshold (lower end of guidance range)	Target (midpoint of guidance range)	Stretch (high end of guidance range)
M Finnegan	0% of TFR	100% of TFR	150% of TFR
G Everist	0% of TFR	50% of TFR	75% of TFR
G Gettingby	0% of TFR	50% of TFR	75% of TFR

1.4 Changes to the STI opportunity in FY20

For FY20, and following an external consultant review of the structure of the Company's STI, the Board has resolved to increase the EBIT target required for any STI payment, (based on the Company's publicly stated FY20 EBIT guidance) and to decrease the rate at which the STI increases where there is EBIT and ROE outperformance. For Executive KMP to receive 100% of their STI entitlement, the Company must achieve the high end of its FY20 guidance range. The Board will have the right to modify, reduce or remove the STI opportunity at any time, including if there is a fatality.

1.5 Long term incentive (LTI)

At the discretion of the Board, the Company provides a LTI opportunity to Senior Executives through the grant of performance rights. These performance rights can vest into fully paid ordinary shares in Macmahon, for no consideration, subject to meeting a performance condition and a continued employment condition. The purpose of this LTI opportunity is to incentivise Executives to deliver sustained increases in shareholder wealth over the longer term.

Performance condition

The vesting of performance rights is dependent on the Company's absolute level of total shareholder returns (TSR) over a defined performance period.

The reasons for selecting this performance condition include that (a) it provides a straightforward measure of Company performance that is simple to communicate to employees and for them to continuously monitor; (b) it is an important metric for investors in a Company of Macmahon's size and risk profile, many of whom have indicated that they seek absolute returns, rather than returns relative to an index, and (c) it should very closely match the actual returns received by investors in the Company.

For the purposes of calculating TSR, the starting share price is based on the volume weighted average price (VWAP) over the 30 calendar days prior to the first day of the performance period, and the closing share price is based on the VWAP over the 30 calendar days up to and including the final day of the performance period.

For all performance rights currently on issue, the portion of each grant of rights eligible to vest at various levels of increase in TSR is:

Macmahon's TSR performance over the performance period	Proportion of performance rights that are eligible to vest at the end of the performance period
Less than 17% CAGR TSR growth	0%
17% CAGR TSR growth	50%
Between 17% and < 25% CAGR TSR growth	50% plus a straight line increase in % award until 25% TSR is achieved
At 25% CAGR TSR growth and above	100%

Continued employment condition

Performance rights lapse if a holder ceases employment before the rights vest, unless the Board in its absolute discretion determines otherwise. There is no vesting of performance rights based solely on continued employment.

In addition, 50% of the "Tranche 3" performance rights issued to Executive KMP during FY19 were subject to a condition of continued employment for one year after any vesting of those performance rights. Under this condition, if any of the relevant performance rights vest into shares, the holder must remain a Macmahon employee for a further year before the shares are transferred to that individual.

Change of control

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

Testing of the performance condition

Performance rights are tested for vesting only once, at the end of the performance period. That is, there is no re-testing of performance rights.

Dividends and voting rights

Performance rights do not have dividend or voting rights. However, the shares allocated upon vesting of performance rights rank equally with other ordinary shares on issue.

Restriction on disposal of shares

The shares allocated to performance rights holders upon the vesting of those rights are initially held in a trust, and are subject to disposal restrictions in line with the Company's Trading in Shares Policy.

Performance rights granted in FY19

During FY19, a total of 45,254,702 performance rights were granted to Executive KMP. This grant of performance rights was approved by shareholders at the Company's 2018 AGM, with 99.29% votes in favour of the grant.

The performance rights granted to Executive KMP in FY19 were divided into the following tranches with the following performance periods and continued employment requirements:

FY19 LTI grant	% of LTI award	Performance period	Continued employment required for
Tranche 1	25%	2 years (July 18–June 20)	The performance period of 2 years
Tranche 2	25%	3 years (July 18–June 21)	The performance period of 3 years
Tranche 3	50%	4 years (July 18–June 22)	For 50% of this tranche: the performance period of 4 years; For the remaining 50% of this tranche: the performance period of 4 years plus one extra year

These performance rights were also subject to the performance condition described above. That is, for 100% of the performance rights in each tranche to vest, the Company must achieve compound annual growth in total shareholder returns of 25% or more over the performance period applicable to that tranche.

In addition to the performance rights listed above, the Company also granted performance rights to other employees of the group during FY19. Some of these performance rights had a three year performance period and continued employment requirement.

Details of all current performance rights issued by the Company are set out in note 28 to the financial statements included in this Annual Report.

1.6 Statutory performance indicators (including variable remuneration measures)

The table below shows measures of the Group's financial performance over the past five years as required by the *Corporations Act 2001*. However, as discussed above, these measures are not all consistent with the measures used in determining the variable amounts of remuneration to be awarded to Executive members of KMP. As a consequence, there may not always be a direct correlation between statutory key performance measures and variable remuneration awarded.

	FY19	FY18	FY17	FY16	FY15
Statutory performance indicators					
Profit/(loss) after income tax expense from continuing operations (\$m)	46.1	31.3	(5.5)	10.8	(220.6)
Reported basic earnings per share from continuing operations (EPS) (cents)	2.19	1.53	(0.47)	0.87	(17.55)
Dividends paid/declared (cents per share)	0.5	-	-	-	-
Share price at 30 June (cents)	18.5	21.5	16.5	8.8	6.6
Total Shareholder Return (TSR) (%)	(14.0)	30.3	87.5	33.3	(34.0)
Performance indicators used in determining STI					
Underlying EBIT¹	75.1	41.2	(1.7)	13.8	37.4
Underlying Return on Equity (ROE)¹	13.2	10.6	(1.1)	6.0	4.0

¹ Underlying results are calculated before one off costs (mergers & acquisition, LTI and class action costs).

The FY19 STI Plan was designed to incentivise the achievement of significant growth of earnings in line with the Company's FY19 EBIT guidance of \$70 to \$80 million while maintaining ROE. The FY19 LTI Plan is intended to drive growth in TSR, which will benefit shareholders through increases in the price of their shares and / or the payment of dividends.

1.7 Employment contracts

The Company's Senior Executives are engaged under employment contracts that are ongoing and have no fixed end date. However, these contracts may be terminated by notice from either party.

Key details of the employment contracts of the current Executive members of KMP are set out below.

	Annual fixed remuneration	Other remuneration	Notice periods to terminate	Termination payments
M Finnegan	\$625,000 (including superannuation)	Short term and long term incentive opportunities as described above.	3 months' notice by either party or payment in lieu, except in certain circumstances such as misconduct where no notice period applies.	Statutory entitlements; plus
G Everist	\$500,000 (including superannuation)			if the Executive is terminated or resigns in certain circumstances following a change of control or delisting of Macmahon, a payment equal to 6 months of annual fixed remuneration. Any unvested performance rights held by the Executive lapse upon termination or resignation, unless the Board in its absolute discretion determines otherwise.
G Gettingby	\$450,000 (including superannuation)			

2 NON-EXECUTIVE DIRECTOR REMUNERATION

The structure of the remuneration provided to Non-Executive Directors is distinct from that applicable to Executives. Non-Executive Directors receive only fixed remuneration which is not linked to the financial performance of the Company.

The remuneration provided to Non-Executive Directors in FY19 is set out below:

	Cash remuneration ¹	Salary sacrifice for share rights	Total remuneration during FY19 (including superannuation)
Eva Skira	88,744	26,256	115,000
Alexander Ramlie	8,676	91,324	100,000
Arief Sidarto	8,676	91,324	100,000
Vyrl Vella (part year)	36,667	-	36,667
Kim Horne	83,872	22,831	106,703
Jim Walker	157,858	20,342	178,200

1 Cash remuneration includes salary, committee fees and superannuation.

The maximum aggregate amount that can be paid to Non-Executive Directors (the fee pool) is currently \$1,100,000 per annum, including superannuation. There has been no increase in the fee pool amount since its approval by shareholders at the 2008 Annual General Meeting.

Share rights

A Non-Executive Director salary sacrifice plan (NED SSP) was initiated by the Company during the year, pursuant to which Non-Executive Directors may elect to sacrifice part/all of their annual pre-tax Directors' fees and committee fees (excluding superannuation) in the form of share rights. Vesting is contingent on the Non-Executive Director remaining continuously engaged by Macmahon as a Non-Executive Director and was granted in two tranches on 1 July 2018 (50% vesting on the day after release of Macmahon's half year results and 50% vesting on the day after release of Macmahon's full year results). The share rights can be cash settled at the request of the Non-Executive Director prior to vesting.

For additional information on restrictions or failure to vest refer to the ASX announcement dated 5 July 2018.

In accordance with the accounting standards, as the share rights provide an option over equity, this option has been fair valued on grant date (1 July 18). Details of the share rights are provided in section 6.

3 REMUNERATION GOVERNANCE

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

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

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

The protocols for any external consultant providing remuneration recommendations prohibit them from providing advice or recommendations to employees or Directors before recommendations are given to the Committee. These arrangements were implemented to ensure that any external party will be able to carry out its work, including information capture and formation of its recommendations, free from undue influence by the individuals to whom they relate.

The Committee engaged Mercer to provide benchmarking information about market remuneration levels for all senior employees including KMPs in a peer group of ASX listed companies. This information was not a remuneration recommendation as defined by the Act, however was considered by the Board in the FY19 salary review process.

The Board is satisfied that the remuneration benchmarking data provided by Mercer was free from undue influence by employees of Macmahon.

4 VALUE PROVIDED TO KMP

Details of the nature and value of each major element of remuneration provided to KMP of the Company during FY19 are set out in the table below. In this table the value of share based payments has been calculated in accordance with accounting standards.

Directors Non-Executive	Year	Short-term					Total short- term	Leave payout payments
		Salary ² \$	Committee fees \$	One off discretionary payments \$	Cash bonus / STI \$	Non- monetary benefits \$		
E Skira Chair	2019	91,324	13,699	-	-	-	105,023	-
	2018	80,632	8,505	-	-	-	89,137	-
A Ramlie	2019	91,324	-	-	-	-	91,324	-
	2018	72,452	-	-	-	-	72,452	-
A Sidarto	2019	91,324	-	-	-	-	91,324	-
	2018	72,452	-	-	-	-	72,452	-
V Vella³	2019	33,486	-	-	-	-	33,486	-
	2018	72,605	-	-	-	-	72,605	-
K Horne⁴	2019	91,324	6,121	-	-	-	97,445	-
	2018	21,685	-	-	-	-	21,685	-
J Walker⁵	2019	162,740	-	-	-	-	162,740	-
	2018	162,740	-	-	-	-	162,740	-
Total compensation for Non-Executive Directors	2019	561,522	19,820	-	-	-	581,342	-
	2018	482,566	8,505	-	-	-	491,071	-

Executives	Year	Short-term					Total short- term	Leave payout payments
		Salary \$	Committee fees \$	One off discretionary payments ⁶ \$	STI bonus \$	Non- monetary benefits \$		
M Finnegan Chief Executive Officer	2019	604,389	-	106,000	132,550	1,142	844,081	-
	2018	509,949	-	150,000	248,252	2,097	910,298	-
G Everist⁸ Chief Financial Officer	2019	463,854	-	-	53,020	2,506	519,380	-
	2018	244,182	-	-	53,632	311	298,125	-
G Gettingby Chief Development Officer	2019	425,000	-	60,609	47,718	890	534,217	-
	2018	350,000	-	91,324	89,757	-	531,081	-
Total compensation executive personnel	2019	1,493,243	-	166,609	233,288	4,538	1,897,678	-
	2018	1,104,131	-	241,324	391,641	2,408	1,739,504	-
Total compensation for Directors and Executives	2019	2,054,765	19,820	166,609	233,288	4,538	2,479,020	-
	2018	1,586,697	8,505	241,324	391,641	2,408	2,230,575	-

- 1 Represents the statutory remuneration expense based on fair value at grant date of the performance rights over the vesting period of the award. During the FY19 year no performance rights granted to KMP vested (refer table 6.2).
- 2 Non-Executive salary includes salary sacrificed for share rights during the year (refer section 2).
- 3 Mr. Vella ceased as a Non-Executive Director in October 2018 and was reappointed as a Non-Executive Director in June 2019.
- 4 Mr. Horne ceased as a Non-Executive Director in June 2019.
- 5 Mr. Walker ceased as a Non-Executive Director in June 2019.
- 6 One off discretionary payments in FY19 relate to retention bonus paid in October 2018 as per the Executives employment contract.
- 7 Other long term benefits relates to the movement in leave liabilities for each Executive.
- 8 Mr. Everist resigned as a Director and commenced in an Executive role as CFO in December 2017.

	Post employment		Share-based payment				Compensation consisting of options and rights	Total compensation
Other long-term benefits	Super-annuation	Termination payments	Share rights	Performance related	Non-Performance Related			
\$	\$	\$	\$	%	%	%	\$	\$
-	9,977	-	1,009	-	100	-	116,009	
-	8,468	-	-	-	100	-	97,605	
-	8,676	-	576	-	100	-	100,576	
-	6,883	-	-	-	-	-	79,335	
-	8,676	-	3,509	-	100	-	103,509	
-	6,883	-	-	-	-	-	79,335	
-	3,181	-	3,509	-	100	-	40,176	
-	25,000	-	-	-	100	-	97,605	
-	9,257	-	646	-	100	-	107,349	
-	2,060	-	-	-	100	-	23,745	
-	15,460	-	-	-	100	-	178,200	
-	15,460	-	-	-	100	-	178,200	
-	55,227	-	9,250	-	100	-	645,820	
-	64,754	-	-	-	100	-	555,825	
	Post employment		Share-based payment ¹				Compensation consisting of options and rights	Total compensation
Other long-term benefits ⁷	Super-annuation	Termination payments	Performance rights	Performance related	Non-performance related			
\$	\$	\$	\$	%	%	%	\$	\$
25,380	20,611	-	725,587	53	47	45	1,615,659	
33,287	20,049	-	155,863	36	64	14	1,119,497	
12,089	31,931	-	433,321	49	51	44	996,721	
8,601	21,444	-	26,752	23	77	8	354,922	
53,827	25,000	-	454,434	47	47	-	1,067,478	
28,943	41,926	-	74,618	24	76	11	676,568	
91,296	77,542	-	1,613,342	50	46	44	3,679,858	
70,831	83,419	-	257,233	30	59	12	2,150,987	
91,296	132,769	-	1,622,592	43	53	38	4,325,677	
70,831	148,173	-	257,233	24	67	10	2,706,812	

4.1 Voluntary information – Realised remuneration received by Executives for the year ended 30 June 2019

The amounts disclosed below reflect the realised benefits actually received by each KMP during the reporting period.

	Fixed remuneration ¹	Retention bonus ²	Awarded STI (cash) ³	Vested LTI ⁴	Realised remuneration received
M Finnegan	625,000	106,000	186,189	-	917,189
G Everist	495,785	-	42,759	-	538,544
G Gettingby	450,000	60,609	67,318	-	577,926
Total KMP	1,570,785	166,609	296,266	-	2,033,660

1 Fixed remuneration includes base salaries received and payments made to superannuation funds.

2 A retention bonus is not an ongoing feature of the Company's employment contracts. The retention bonus payment listed in this table reflects a one-off arrangement implement in November 2016 to retain these specific individuals at the Company for a two year period at a time when the Company was under threat of a hostile takeover attempt, and following the resignation of the then CEO of the Company.

3 The cash STI benefit represents 75% of the FY18 STI paid during the current financial year. The FY19 STI is not payable in FY19.

4 No performance rights vested during FY19.

The amounts disclosed above are not the same as remuneration expensed in relation to each KMP in accordance with the accounting standards (see Table 4.1 above).

Nevertheless, the Directors believe that remuneration received is relevant information for the following reasons:

- the statutory remuneration expensed for performance rights is based on fair value determined at grant date and does not reflect the fair value of the equity instruments when they are actually received by the KMPs;
- the statutory remuneration shows benefits before they are actually received by the KMPs (deferral and claw back of STI payments); and
- where performance rights do not vest because a market-based performance condition is not satisfied (e.g. absolute TSR), the Company must still recognise the full amount of expenses even though the KMPs will never receive any benefits.

The accuracy of information in this section has been audited together with the rest of the remuneration report.

5 ANALYSIS OF STI BONUSES INCLUDED IN STATUTORY REMUNERATION FOR FY19

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each Director of the Company, and other KMP are detailed below.

	Included in statutory remuneration	% vested in year	% forfeited in year
M Finnegan	132,550	21.21%	78.79%
G Everist	53,020	21.21%	78.79%
G Gettingby	47,718	21.21%	78.79%

Based on underlying performance for the current year 53.02% of the bonus would have been eligible to vest. However, given the fatality at the Batu Hijau project in March 2019, the Board decided to reduce the vesting percentage for KMPs by 60%.

6 EQUITY INSTRUMENTS

6.1 Rights over equity instruments granted as compensation

Non-Executive share rights

Details of share rights over ordinary shares in the Company granted to Non-Executive KMPs during the reporting period as part of the Company's NED Salary Sacrifice Plan was as follows:

		Salary sacrificed \$	Number of rights granted ⁵	Fair value at grant date ⁴ \$	Vesting date
E Skira	Tranche 1	13,128	61,953	372	Feb 19
	Tranche 2	13,127	61,953	743	Aug 19
A Ramlie	Tranche 1	45,662	215,489	1,293	Feb 19
	Tranche 2	45,662	215,489	2,586	Aug 19
A Sidarto	Tranche 1	45,662	215,489	1,293	Feb 19
	Tranche 2	45,662	215,489	2,586	Aug 19
K Horne	Tranche 1	22,831	107,744	647	Feb 19
	Tranche 2	- ¹	107,744	- ¹	Aug 19
J Walker	Tranche 1	20,342	96,000	576	Feb 19
	Tranche 2	- ²	96,000	- ²	Aug 19
V Vella³	-	-	-	-	-

1 Mr. Horne ceased as a Non-Executive Director on 26 June 2019 and in accordance with the NED SSP Rules tranche 2 of the share rights have lapsed.

2 Mr. Walker ceased as a Non-Executive Director on 27 June 2019 and in accordance with the NED SSP Rules tranche 2 of the share rights have lapsed.

3 Mr. Vella ceased as a Non-Executive Director in October 2018 and was re-appointed as a Non-Executive Director in June 2019.

4 In accordance with accounting standards, as the share rights granted includes an "option" over the ordinary shares, the option element is required to be fair valued.

5 Non-Executive rights are due to the NED Salary Sacrifice plan and not in addition to their remuneration.

Executive performance rights

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

	Number of rights granted during FY19	Vesting condition	Grant date	Fair value at grant date	Expiry date
M Finnegan	19,394,872	Absolute TSR	1 July 2018	1,764,933	See explanation below
G Everist	12,929,915	Absolute TSR	1 July 2018	1,176,622	See explanation below
G Gettingby	12,929,915	Absolute TSR	1 July 2018	1,176,622	See explanation below

Rights will expire on the earlier of the termination of the individual's employment, or the day after they are tested by the Board against the vesting condition and found not to satisfy that condition. Rights are eligible to vest between two and four years after issuance, depending on the tranche (see section 1.5). In addition to a continuing performance condition, vesting is conditional on the extent to which the Company achieves increases in absolute TSR, as described in section 1.5.

6.2 Details of equity incentives affecting current and future remuneration

Details of the vesting profiles of the rights over ordinary shares in the Company held by KMP during FY19 are detailed below:

Executive KMP	Grant date	Number granted	Number vested in FY19	Number forfeited in FY19	Held at 30 June 2019	Financial year in which the grant vests, subject to performance
M Finnegan	12 Aug 16	2,456,731	-	-	2,456,731	FY20
	18 Aug 17	3,333,333	-	-	3,333,333	FY21
	1 July 18	19,394,872	-	-	19,394,872	FY21-FY24 (25% per year)
G Everist	02 Mar 18	1,070,093	-	-	1,070,093	FY21
	1 July 18	12,929,915	-	-	12,929,915	FY21-FY24 (25% per year)
G Gettingby	12 Aug 16	1,618,822	-	-	1,618,822	FY20
	18 Aug 17	1,205,189	-	-	1,205,189	FY21
	1 July 18	12,929,915	-	-	12,929,915	FY21-FY24 (25% per year)

6.3 Analysis of movements in equity instruments

The value of rights over ordinary shares granted to Non-Executive KMP is disclosed above in note 6.1.

The value of rights over ordinary shares in the Company granted to Executive KMP during FY19 is detailed below:

Executive KMP	Value granted in year	Value exercised in the year
M Finnegan	1,764,933	-
G Everist	1,176,622	-
G Gettingby	1,176,622	-

The value of rights granted in the year is the fair value of the rights calculated at grant date. The total value of rights granted is included in the table above. This amount is allocated to remuneration over the performance period (i.e. in years 1 July 2018 to 30 June 2023).

The movement during the reporting period, by number of rights over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

Executive KMP	Held at 1 July 2018	Granted as compensation	Exercised / lapsed / forfeited	Held at 30 June 2019	Vested during the year
M Finnegan	5,790,064	19,394,872	-	25,184,936	-
G Everist	1,070,093	12,929,915	-	14,000,008	-
G Gettingby	2,824,011	12,929,915	-	15,753,926	-

6.4 Movements in shareholdings

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each KMP including their related parties, is as follows:

	Balance at the start of the year	Purchased	Sold	Vested rights ⁴	Balance at end of the year
Directors					
E Skira	-	-	-	61,953	61,953
A Sidarto	-	-	-	215,489	215,489
A Ramlie	-	-	-	215,489	215,489
V Vella ¹	1,857,842	-	-	-	1,857,842
K Horne ²	-	-	-	107,744	107,744
J Walker ³	425,000	-	-	96,000	521,000
Executives					
M Finnegan	554,100	-	-	-	554,100
G Everist	50,000	-	-	-	50,000
G Gettingby	730,817	-	-	-	730,817
Total	3,617,759	-	-	696,675	4,314,434

1 Mr. Vella ceased as a Non-Executive Director in October 2018 and was re-appointed as a Non-Executive Director in June 2019.

2 Mr. Horne ceased as a Non-Executive Director in June 2019. Closing details are at date of cessation as KMP.

3 Mr. Walker ceased as a Non-Executive Director in June 2019. Closing details are at date of cessation as KMP.

4 Rights refers to share rights for Non-Executive Directors and performance rights for Executives.

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GENERAL INFORMATION

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

Macmahon Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity.

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 August 2019.

An accounting policy, critical accounting estimate, assumption or judgement specific to a note is disclosed within the note itself.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

15 Hudswell Road, Perth Airport, Western Australia 6105



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2019 \$'000	2018 \$'000
Revenue from continuing operations	2	1,102,984	710,263
Other income	3	11,797	4,621
Expenses			
Materials and consumables used		(414,930)	(290,110)
Employee benefits expense		(337,234)	(204,782)
Depreciation and amortisation expense	4	(106,249)	(77,728)
Equipment and other operating lease expenses		(90,346)	(47,540)
Subcontractor costs		(53,518)	(39,380)
Litigation settlements and related legal fees	21	(7,318)	-
Share based payments expense	28	(2,634)	(260)
Other expenses	4	(41,952)	(16,045)
Operating profit		60,600	39,039
Net finance costs	4	(10,672)	(2,426)
Share of profit of equity-accounted investees, net of tax	25	3,905	2,207
Profit before income tax expense from continuing operations		53,833	38,820
Income tax expense	5	(7,727)	(7,519)
Profit after income tax expense from continuing operations		46,106	31,301
(Loss) / profit after income tax expense from discontinued operations		(14)	1,930
Profit after income tax expense for the year		46,092	33,231
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation		4,093	13,028
Other comprehensive income for the year, net of tax		4,093	13,028
Total comprehensive profit for the year		50,185	46,259
Total comprehensive profit / (loss) for the year is attributable to:			
Continuing operations		50,199	44,329
Discontinued operations		(14)	1,930
		50,185	46,259

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2019 Cents	2018 Cents
Earnings per share for profit from continuing operations attributable to the owners of Macmahon Holdings Limited			
Basic earnings per share	6	2.19	1.53
Diluted earnings per share	6	2.12	1.52
Earnings per share for (loss) / profit from discontinued operations attributable to the owners of Macmahon Holdings Limited			
Basic (loss) / earnings per share	6	(0.00)	0.09
Diluted (loss) / earnings per share	6	(0.00)	0.09
Earnings per share for profit attributable to the owners of Macmahon Holdings Limited			
Basic earnings per share	6	2.19	1.62
Diluted earnings per share	6	2.12	1.61

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

STATEMENT OF FINANCIAL POSITION

	Note	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	113,165	109,622
Trade and other receivables	9	181,480	152,263
Inventories	10	45,818	41,984
Lease receivable	11	2,057	700
Income tax receivable	5	5,030	4,157
Assets classified as held for sale	15	2,159	2,868
Total current assets		349,709	311,594
Non-current assets			
Investments accounted for using the equity method	25	10,954	9,273
Trade and other receivables	9	19,289	4,628
Property, plant and equipment	15	399,607	380,140
Intangible assets and goodwill	16	10,245	5,808
Lease receivable	11	23,258	9,792
Deferred tax asset	5	11,843	2,114
Total non-current assets		475,196	411,755
Total assets		824,905	723,349
LIABILITIES			
Current liabilities			
Trade and other payables	12	168,606	174,293
Borrowings	18	29,553	21,212
Income tax payable	5	3,947	2,007
Employee benefits	13	26,158	18,209
Provisions	14	12,385	11,572
Total current liabilities		240,649	227,293
Non-current liabilities			
Trade and other payables	12	-	745
Borrowings	18	136,295	85,060
Employee benefits	13	343	417
Total non-current liabilities		136,638	86,222
Total liabilities		377,287	313,515
NET ASSETS		447,618	409,834
EQUITY			
Issued capital	19	563,118	563,118
Reserves	20	(2,004)	3,842
Net accumulated losses		(113,496)	(157,126)
TOTAL EQUITY		447,618	409,834

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

STATEMENT OF CHANGES IN EQUITY

Consolidated	Issued Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Retained Profits \$'000	Total Equity \$'000
Balance at 1 July 2018	563,118	3,842	(189,930)	32,804	409,834
Adjustment on initial application of AASB 9 (net of tax):					
Loss allowance on the Group trade receivables	-	-	(1,409)	-	(1,409)
Loss allowance on the trade and other receivables of the equity-accounted investment	-	-	(1,057)	-	(1,057)
Adjusted balance at 1 July 2018	563,118	3,842	(192,396)	32,804	407,368
Profit after income tax expense for the year	-	-	-	46,092	46,092
Other comprehensive income for the year, net of tax	-	4,093	-	-	4,093
Total comprehensive income for the year	-	4,093	-	46,092	50,185
<i>Transactions with owners in their capacity as owners:</i>					
Treasury shares allocated on vesting of performance rights	-	(4)	-	4	-
Reclassification of cash-settled share- based payments to equity	-	148	-	-	148
Share-based payments (note 28)	-	2,634	-	-	2,634
Share buy-back (note 20)	-	(12,717)	-	-	(12,717)
Balance at 30 June 2019	563,118	(2,004)	(192,396)	78,900	447,618

Consolidated	Issued Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Retained Profits \$'000	Total Equity \$'000
Balance at 1 July 2017	384,794	(9,873)	(189,930)	-	184,991
Profit after income tax expense for the year	-	-	-	33,231	33,231
Other comprehensive income for the year, net of tax	-	13,028	-	-	13,028
Total comprehensive income for the year	-	13,028	-	33,231	46,259
<i>Transactions with owners in their capacity as owners:</i>					
Transfer of expired performance rights	-	(168)	-	168	-
Treasury shares allocated on vesting of performance rights	-	595	-	(595)	-
Shares issued	178,324	-	-	-	178,324
Share-based payments (note 28)	-	260	-	-	260
Balance at 30 June 2018	563,118	3,842	(189,930)	32,804	409,834

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

STATEMENT OF CASH FLOWS

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		1,016,435	689,464
Payments to suppliers		(893,053)	(590,950)
Net receipts from joint venture entities		1,004	3,390
Payment for settlement of class action	21	(7,560)	-
Dividends received from equity-accounted investments	25	1,518	-
Interest received		698	545
Interest and other finance costs paid		(11,370)	(2,969)
Income taxes (paid) / received		(15,165)	6,274
Net cash from operating activities	7	92,507	105,754
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		2,421	3,095
Payments for property, plant and equipment	15	(51,830)	(41,317)
Payment for intangibles (software)	16	(4,836)	(2,783)
Acquisition of subsidiary (net of cash acquired)		-	(1,571)
Net cash used in investing activities		(54,245)	(42,576)
Cash flows from financing activities			
Purchase of own shares	20	(12,717)	-
AMNT transaction costs		-	(4,207)
Repayment of borrowings		-	(4,581)
Repayment of hire purchase and finance lease liabilities	18	(22,891)	(7,762)
Net cash used in financing activities		(35,608)	(16,550)
Net increase in cash and cash equivalents		2,654	46,628
Cash and cash equivalents at the beginning of the financial year		109,622	62,925
Effects of exchange rate changes on cash and cash equivalents		889	69
Cash and cash equivalents at the end of the financial year	8	113,165	109,622

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

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Notes to the Financial Statements

A Results

1 Operating segments

Identification of reportable operating segments

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

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

The following describes the operations of each reportable segment.

Mining

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

Joint ventures

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

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

For clarity and reconciliation to the statement of profit and loss, discontinued operations are separately disclosed.

	Mining \$'000	Discontinued Operations \$'000	Unallocated \$'000	Total \$'000
Consolidated – 2019				
Revenue				
External revenues	1,102,984	-	-	1,102,984
Total revenue	1,102,984	-	-	1,102,984
Earnings before interest, tax, depreciation and amortisation (and other significant items)	174,659	(14)	6,736	181,381
Interest income	-	-	698	698
Finance costs	(11,370)	-	-	(11,370)
Depreciation and amortisation	(106,249)	-	-	(106,249)
Acquisition costs	-	-	(689)	(689)
Litigation settlements and related legal fees	-	-	(7,318)	(7,318)
Share based payments expense	-	-	(2,634)	(2,634)
Profit / (loss) before income tax expense	57,040	(14)	(3,207)	53,819
Income tax expense				(7,727)
Profit after income tax expense				46,092
Assets				
Segment assets	690,155	-	134,750	824,905
Total assets				824,905
Liabilities				
Segment liabilities	372,104	-	5,183	377,287
Total liabilities				377,287
Capital expenditure (including intangible assets)	124,510	-	-	124,510

1 Operating segments continued

Consolidated – 2018	Mining \$'000	Discontinued Operations \$'000	Unallocated \$'000	Total \$'000
Revenue				
External revenues	710,263	-	-	710,263
Total revenue	710,263	-	-	710,263
Earnings before interest, tax, depreciation and amortisation (and other significant items)	115,447	1,928	3,787	121,162
Interest income	292	2	251	545
Finance costs	(2,969)	-	-	(2,969)
Depreciation and amortisation	(77,728)	-	-	(77,728)
Share based payments expense	-	-	(260)	(260)
Profit before income tax expense	35,042	1,930	3,778	40,750
Income tax expense				(7,519)
Profit after income tax expense				33,231
Assets				
Segment assets	598,681	132	124,536	723,349
Total assets				723,349
Liabilities				
Segment liabilities	307,829	116	5,570	313,515
Total liabilities				313,515
CAPITAL EXPENDITURE	315,083	-	-	315,083

	Sales to External Customers		Geographical Non-Current Assets	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Australia	700,159	545,439	297,753	236,918
Indonesia	388,926	160,175	165,330	172,715
Other	13,899	4,649	12,113	2,122
	1,102,984	710,263	475,196	411,755

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

Major customer

Approximately 35% (2018: 22%) of the consolidated entity's revenue is attributable to sale transactions with the largest customer (refer note 26).

Operating segments

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

2 Revenue

	Consolidated	
	2019 \$'000	2018 \$'000
Revenue from contracts with customers	1,044,754	710,263
Revenue from contracts with customers - non-cash	58,230	-
Total revenue	1,102,984	710,263

Services revenue

Macmahon Group generates revenue from the provision of mining services, civil construction & rehabilitation services to mining companies in Australia and Indonesia. Revenue for services was recognised on the basis of the work completed over time and billed to customers as the services were delivered to customers. On adoption of AASB 15, the activities for each contract were assessed and have been determined to be one performance obligation as they are highly inter-related, fulfilled over time and the customer receives the benefit over time as the services are performed resulting in no change to the way the Group recognises revenue.

The amounts billed to customers are not secured and are typically due within 30-60 days from an invoice date.

The transaction price for each contract is based on agreed contractual rates to which the Group is entitled and may include a variable pricing element which is accounted for in accordance with the policy on variable consideration.

Variable consideration

Certain contracts with customers include a variable element which is subject to the Group meeting either certain cost targets or material movement KPI's. Variable consideration is recognised when it is highly probable that a significant reversal of revenue will not occur in a subsequent period.

For 2019 total variable consideration amounted to \$51.3 million of which at 30 June 2019 \$19.8 million was included in accrued revenue in note 9 and has subsequently been approved by customers.

Non-cash consideration

Where customers contribute materials to the Group to facilitate the fulfilment of the contract and the Group obtains control of the contributed materials, the cost of these materials have been included in revenue as non-cash consideration received from the customer and the expense is included in materials and consumables used.

3 Other income

	Consolidated	
	2019 \$'000	2018 \$'000
Net gain on disposal of property, plant and equipment	796	171
Net foreign exchange gain	7,600	2,576
Other	3,401	1,874
Other income	11,797	4,621

Other income

Other income includes management fees from joint venture partners of \$1.6 million (June 2018: \$0.8 million). Refer to note 26.

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

4 Expenses

Profit before income tax from continuing operations includes the following specific expenses:

	Consolidated	
	2019 \$'000	2018 \$'000
Depreciation		
Leasehold improvements	13	26
Plant and equipment	105,837	77,702
Amortisation		
Software amortisation	399	-
Total depreciation and amortisation expense	106,249	77,728

Employee benefits expense

Employee benefits expenses include the following superannuation expenses:

	Consolidated	
	2019 \$'000	2018 \$'000
Superannuation expense		
Defined contribution superannuation expense	17,643	12,435
Total superannuation expense	17,643	12,435

	Consolidated	
	2019 \$'000	2018 \$'000
Other expenses		
Freight expenses	13,291	785
Travel costs	5,685	1,730
Consulting services	3,644	3,372
Insurance	2,939	2,123
Acquisitions costs	689	-
Other expenses	15,704	8,035
	41,952	16,045

Net finance costs

Finance costs include interest on finance leases and are expensed in the period in which they are incurred. Borrowing costs capitalised are amortised over the term of the facility.

	Consolidated	
	2019 \$'000	2018 \$'000
Finance (income) and costs		
Interest income on financial assets (bank deposits)	(698)	(543)
Interest expense on financial liabilities carried at amortised cost	9,777	1,885
Other finance costs	1,593	1,084
	10,672	2,426

5 Tax

a) Income tax expense

	Consolidated	
	2019 \$'000	2018 \$'000
Income tax expense		
Current tax	18,937	8,780
Adjustment recognised for prior periods	(1,481)	(65)
Deferred tax - origination and reversal of temporary differences	(9,729)	(1,196)
Aggregate income tax expense	7,727	7,519
Income tax expense is attributable to:		
Profit from continuing operations	7,727	7,519
(Loss) / profit from discontinued operations	-	-
Aggregate income tax expense	7,727	7,519
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense from continuing operations	53,833	38,820
(Loss) / profit before income tax expense from discontinued operations	(14)	1,929
	53,819	40,749
Numerical reconciliation of income tax expense and tax at the statutory rate	53,819	40,749
Tax at the statutory tax rate of 30%	16,146	12,225
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
Share-based payments	790	78
Non-deductible expenses / (non-assessable income)	321	(219)
Foreign tax rate differential	(1,491)	(838)
Utilisation of foreign and domestic income tax losses not previously recognised	(262)	(949)
Current year temporary differences for which no deferred tax asset was recognised	-	400
Net temporary difference previously unrecognised	(6,272)	(3,418)
Current year losses for which no deferred tax asset was recognised	(24)	4
Other	-	301
	9,208	7,584
Adjustment recognised for prior periods	(1,481)	(65)
Income tax expense	7,727	7,519

b) Current assets and liabilities – income tax

	Consolidated	
	2019 \$'000	2018 \$'000
Income tax refund due - Australian Operations	5,030	4,157
Income tax payable due - overseas	(3,947)	(2,007)

5 Tax continued

c) Non-current assets – deferred tax

	Consolidated	
	2019 \$'000	2018 \$'000
Deferred tax asset comprises temporary differences attributable to:		
Inventories	(1,411)	(458)
Property, plant and equipment	(8,521)	(17,919)
Unbilled work	(18,732)	(17,017)
Employee benefits	16,320	16,439
Other creditors and accruals	18,381	14,950
Other items	533	846
Tax loss carry forward	5,273	5,273
	11,843	2,114
Unrecognised deferred tax asset		
Australian impairment and other deductible differences	42,887	45,056
	42,887	45,056

Income tax

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

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

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

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

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

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

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

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

5 Tax continued

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Macmahon Holdings Limited. Current income tax expense / benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

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

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

Nature of tax funding arrangements and tax sharing arrangements

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

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

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

Income tax

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

6 Earnings per share

	Consolidated	
	2019 \$'000	2018 \$'000
Profit after income tax from continuing operations attributable to the owners of Macmahon Holdings Limited	46,106	31,301
(Loss) / profit after income tax from discontinued operations attributable to the owners of Macmahon Holdings Limited	(14)	1,930
Profit after income tax attributable to the owners of Macmahon Holdings Limited	46,092	33,231
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	2,104,782,202	2,041,341,507
Adjustments for calculation of diluted earnings per share:		
Effect of performance rights on issue ¹	66,772,004	17,699,922
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,171,554,206	2,059,041,429
	Cents	Cents
Earnings per share for profit from continuing operations		
Basic earnings per share	2.19	1.53
Diluted earnings per share	2.12	1.52
Earnings per share for (loss) / profit from discontinued operations		
Basic (loss) / earnings per share	(0.00)	0.09
Diluted (loss) / earnings per share ¹	(0.00)	0.09
Earnings per share for profit attributable to owners of Macmahon Holdings Limited		
Basic earnings per share	2.19	1.62
Diluted earnings per share	2.12	1.61

1 At 30 June 2019, performance rights were excluded from the diluted earnings per share from discontinued operations calculation as their effect would have been anti-dilutive.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Notes to the Financial Statements

B Cash Flow Information

7 Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2019 \$'000	2018 \$'000
Profit after income tax expense for the year from continuing operations	46,106	31,301
Adjustments for:		
Depreciation and amortisation	106,249	77,728
Net gain on disposal of property, plant and equipment and other	(796)	(171)
Share of profit - equity-accounted investees	(3,905)	(2,207)
Share-based payments	2,634	260
Foreign exchange gains	(7,600)	(2,576)
Income tax expense	7,727	7,519
Change in operating assets and liabilities:		
Net cash received from jointly controlled entities	1,004	3,390
Increase in trade and other receivables	(41,519)	(93,765)
Increase in inventories	(3,834)	(9,898)
(Decrease) / increase in trade and other payables	(8,536)	85,400
Increase in employee benefits	8,638	2,630
Income taxes (paid) / received	(15,165)	6,274
Dividends received from equity accounted investments	1,518	-
Net cash from operating activities - continuing operations	92,521	105,885
Net cash from operating activities - discontinued operations	(14)	(131)
Net cash from operating activities	92,507	105,754

Notes to the Financial Statements

C Working Capital

8 Cash and cash equivalents

	Consolidated	
	2019 \$'000	2018 \$'000
Cash on hand	10	16
Cash at bank	113,155	109,606
	113,165	109,622

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

9 Trade and other receivables

	Consolidated	
	2019 \$'000	2018 \$'000
Current trade and other receivables		
Trade receivables	60,672	42,362
Less: Expected credit loss allowance (ECL)	(1,409)	(126)
	59,263	42,236
Accrued revenue	109,549	80,594
Other receivables	8,256	26,194
Prepayments	4,412	3,239
	181,480	152,263
Non-current trade and other receivables		
Other receivables	19,289	4,628

Trade and other receivables

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

Current other receivables include the reimbursement for the projects closure of \$4.1 million (2018: \$3.4 million) relating to the costs recognised as a part of the provision for project closure described in the note 14.

Non-current other receivables include VAT receivable of \$13.9 million (2018: \$15.7 million classified in current other receivables) relating to the AMNT asset acquisition. VAT receivable balance was classified in non-current receivables at 30 June 2019 as it is expected to be received in more than 12 months after the reporting period.

Accrued revenue

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

Receivables from related parties

For information on receivables from related parties refer to note 26.

Exposure to credit risk

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in note 17.

The accounting policies and the effect of initial application of AASB 15 and AASB 9 is described in note 32.

10 Inventories

	Consolidated	
	2019 \$'000	2018 \$'000
Inventory at cost	50,058	43,883
Less: Allowance for obsolescence	(4,240)	(2,454)
	45,818	41,429
Inventory at Net Realisable Value	-	555
	45,818	41,984

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

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

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

Allowance for obsolescence

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

11 Lease receivable

	Consolidated	
	2019 \$'000	2018 \$'000
Lease receivable - current	2,057	700
Lease receivable - non-current	23,258	9,792
	25,315	10,492

During the year, the Group acquired \$16.1 million of mining equipment for the Byerwen project which is subject to a put and call option with the client. The put and call feature results in the plant and equipment being recognised as a lease receivable rather than plant and equipment.

The lease receivable is initially recognised at the amount equal to the net investment in the lease which equals the present value of the minimum lease payments and any unguaranteed residual value. When payments are received, the principal portion is recognised against the lease receivable and the interest portion is recognised in profit or loss as lease income.

Minimum lease payments receivable at 30 June 2019 are:

	Minimum Lease Payments		Interest		Principal	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Not later than one year	3,755	1,512	1,698	812	2,057	700
Later than one year not later than 5 years	24,619	10,906	1,361	1,114	23,258	9,792
	28,374	12,418	3,059	1,926	25,315	10,492

The finance lease receivable is neither past due or impaired.

12 Trade and other payables

	Consolidated	
	2019 \$'000	2018 \$'000
Current trade and other payables		
Trade payables	57,920	68,260
Accrued expenses	87,494	97,452
Other payables	23,192	8,581
	168,606	174,293
Non-current other payables		
Contingent consideration	-	745
	168,606	175,038

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 to 60 days of recognition based on the credit terms.

Accrued wages and salaries between the last pay date and 30 June 2019 of \$3.9 million (2018: \$2.3 million) are included within the accrued expenses balance.

Refer to note 17 for further information on financial instruments.

13 Employee benefits

	Consolidated	
	2019 \$'000	2018 \$'000
Current liabilities - employee benefits		
Annual leave	15,438	11,466
Long service leave	4,916	3,632
Other employee benefits	5,804	3,111
	26,158	18,209
Non-current liabilities - employee benefits		
Long service leave	343	417
	343	417

Wages and salaries, annual leave and sick leave

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

Long service leave

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

Other employee benefits

Other employee benefits include short term incentive plan and other short term benefits.

Defined contribution superannuation expense

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

Termination benefits

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

Superannuation plan

The Trust Company Ltd is the Trustee of the Macmahon Employees Superannuation Fund ("the Fund") and is responsible for all areas of compliance with regard to the Fund. All members of the now closed defined benefit section were previously invited to transfer their entitlement to the accumulation section of the Fund. At 30 June 2019, 1 member (2018: 1 member) remained in the defined benefit section.

14 Provisions

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

	Project Closure \$'000	Client Plant Maintenance \$'000	Other \$'000	Total \$'000
Carrying amount at the start of the year	6,561	225	4,786	11,572
Additional provisions recognised	2,235	858	-	3,093
Provisions released during the year	-	-	-	-
Provisions utilised during the year	(76)	-	(2,204)	(2,280)
Carrying amount at the end of the year	8,720	1,083	2,582	12,385

Provisions

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

The consolidated entity accrues for its contracted obligation to replace major components and tyres for client owned equipment, which it operates under its mining service contracts. The provision represents the wear and tear of components and tyres up to the balance date. As components and tyres are replaced, these items are charged against that provision. The provision is utilised completely by the end of the contract term.

Provision for project closure

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

Client plant maintenance provision

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

Other

Other provisions reflect miscellaneous contract related claim provisions and require a degree of estimation and judgement.

Onerous Contracts

Operating Contracts

In June Macmahon entered into facilitated negotiations with Newcrest regarding mine plan and work programme changes at the Telfer gold project. Although these discussions did not achieve an acceptable outcome for Macmahon by 6 August 2019 (refer ASX announcement), the parties subsequently resumed discussions and have progressed sufficiently for Macmahon to form the view that an acceptable agreement, increasing certain contract rates across the life of the contract will be reached in the near future. As a result Macmahon has determined that the contract is not considered onerous based on estimated positive cash flows forecast over the remaining contract term.

Whilst Directors are confident of finalising the above arrangements, in the event that agreement is not reached the contract will likely make future losses and be onerous. Macmahon has previously announced to the ASX that should the contract rates not be increased or some other form of contract amendment be achieved an estimated provision for onerous contract in the range of \$25 million to \$35 million would be required.

Notes to the Financial Statements

D Fixed Assets

15 Property, plant and equipment

	Consolidated	
	2019 \$'000	2018 \$'000
Leasehold improvements - at cost	3,183	3,183
Less: Accumulated depreciation	(3,183)	(3,170)
	-	13
Plant and equipment - at cost	885,030	778,833
Less: Accumulated depreciation and impairment losses	(485,423)	(398,706)
	399,607	380,127
	399,607	380,140

Reconciliations

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

Consolidated	Leasehold Improvements \$'000	Plant & Equipment \$'000	Total \$'000
Balance at 30 June 2017	39	122,640	122,679
Additions	-	312,300	312,300
Acquisition through a business combination	-	10,675	10,675
Classified as held for sale	-	(801)	(801)
Disposals	-	(603)	(603)
Exchange differences	-	13,075	13,075
Reclassification to and from assets classified as held for sale and transfers	-	543	543
Depreciation expense	(26)	(77,702)	(77,728)
Balance at 30 June 2018	13	380,127	380,140
Additions	-	119,674	119,674
Transferred from held for sale	-	291	291
Disposals	-	(2,998)	(2,998)
Exchange differences	-	8,350	8,350
Depreciation expense	(13)	(105,837)	(105,850)
Balance at 30 June 2019	-	399,607	399,607

15 Property, plant and equipment continued

Profit on disposal of property, plant and equipment from continuing operations was \$0.8 million (2018: \$0.2 million). Included above is non-operating plant and equipment of \$27.9 million (2018: \$10.3 million) which is not allocated to operating sites or contracts at 30 June 2019.

Included above is \$32.2 million (2018: \$48.7 million) of work in progress and \$164.4 million (2018: \$106.3 million) of assets under finance lease.

Property, plant and equipment secured under finance leases

Refer to note 18 for further information on property, plant and equipment secured under finance leases.

Security

Freehold land, buildings, leasehold improvements and plant and equipment are subject to a registered charge to secure banking facilities (refer to note 18).

Assets classified as held for sale

Assets classified as held for sale include surplus mining plant and equipment which the company is actively marketing for sale amounting to \$2.2 million (2018: \$2.9 million).

Property, plant and equipment

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

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

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

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

Depreciation and amortisation

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

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

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

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

- Leasehold improvements: period of the lease
- Plant and equipment: 3-12 years

15 Property, plant and equipment continued

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

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

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

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

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

Subsequent costs

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

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

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

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised. Non-current assets classified as held for sale are not depreciated. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

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

Estimation of useful lives of assets

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

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

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

16 Intangible assets and goodwill

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

Consolidated	Goodwill \$'000	Software \$'000	Total \$'000
Cost			
Balance at 1 July 2017	-	-	-
Acquisition through a business combination	3,025	-	3,025
Additions	-	2,783	2,783
Balance at 30 June 2018	3,025	2,783	5,808
Additions	-	4,836	4,836
Balance at 30 June 2019	3,025	7,619	10,644
Accumulated amortisation			
Balance at 1 July 2017	-	-	-
Amortisation	-	-	-
Balance at 30 June 2018	-	-	-
Amortisation	-	(399)	(399)
Balance at 30 June 2019	-	(399)	(399)
Carrying amount at 30 June 2018	3,025	2,783	5,808
Carrying amount at 30 June 2019	3,025	7,220	10,245

Intangible assets

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

Goodwill

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

Software

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

Capitalised software development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. The amortisation is included in depreciation and amortisation expenses. The expected useful life of software is 5 years.

Impairment of non-financial assets

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

Notes to the Financial Statements

E Risk

17 Financial Risk Management

	Consolidated	
	2019 \$'000	2018 \$'000
Financial Assets		
Cash and cash equivalents	113,165	109,622
Trade and other receivables	178,326	134,576
Lease receivables	25,315	10,492
Total financial assets	316,806	254,690
Financial liabilities		
Trade and other payables	160,941	172,904
Borrowings	165,848	106,272
Total financial liabilities	326,789	279,176

Trade and other receivables excludes prepayments of \$4.4 million (2018: \$3.2 million), contract closure reimbursement \$4.1 million (2018: \$3.4 million) and GST receivable of \$13.9 million (2018: \$15.7 million).

Trade and other payables excludes GST and other tax payable of \$7.7 million (2018: \$1.4 million).

Financial assets and liabilities are measured at amortised cost.

Financial instruments not measured at fair value

Fair value of cash and cash equivalents, receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value of lease receivables and lease liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, and are set out below:

Consolidated	2019		2018	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial Assets				
Lease receivables	25,315	25,130	10,492	10,496
Financial liabilities				
Lease liability	(165,848)	(167,445)	(106,272)	(106,088)

Financial risk management objectives

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

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities.

The consolidated entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

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

17 Financial Risk Management continued

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

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

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

Market risk

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

Currency risk

The consolidated entity is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than respective functional currencies of entities within the consolidated Group, which are primarily the Australian Dollar (AUD), but also the US Dollar (USD), Indonesian Rupiah (IDR), Great British Pounds (GBP), Malaysian Ringgit (MYR), South African Rand (ZAR), Singapore Dollar (SGD) and Ghanaian Cedi (GHS). The consolidated entity is also exposed to foreign currency risk on plant and equipment purchases that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily US Dollar (USD) and Indonesian Rupiah (IDR).

The contracts for mining services and purchases are primarily denominated in the functional currency of the Group entities to minimise the foreign exchange currency risk.

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

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

Australian Dollars	Average exchange rates		Reporting date exchange rates	
	2019	2018	2019	2018
USD	0.7161	0.7749	0.7013	0.7391
IDR	10,345	10,540	9,917	10,612
MYR	2.9526	3.1589	2.9048	2.9837
GBP	0.5527	0.5748	0.5533	0.5634
GHS	3.5211	3.4294	3.6900	3.3446
SGD	0.9771	1.0396	0.9492	1.0078
ZAR*	10.1130	*	9.9225	*

* The Group commenced operations in South Africa in the second half of FY19.

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

Consolidated	Financial assets		Financial liabilities	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
USD	10,832	3,241	-	-
IDR ¹	70,311	46,626	(33,756)	(36,902)
MYR	5,362	2,463	(3,084)	-
GBP	4,713	5,885	-	-
Other	210	330	-	-
	91,428	58,545	(36,840)	(36,902)

¹ Macmahon is paid in IDR for services performed in Indonesia, however the amount of these IDR payments adjusted according to movements in the IDR:USD exchange rate.

17 Financial Risk Management continued

The following analysis demonstrates the increase / (decrease) to profit or loss and equity at the reporting date, assuming a 10 percent strengthening and a 10 percent weakening of the Australian dollar against the following currencies. This analysis also assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

	AUD strengthened by 10%		AUD weakened by 10%	
	Effect on profit before tax \$'000	Effect on equity \$'000	Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated – 2019				
USD	(985)	-	1,204	-
IDR	(3,323)	-	4,062	-
MYR	(207)	-	253	-
GBP	(428)	-	524	-
Other	(19)	-	23	-
	(4,962)	-	6,066	-
	AUD strengthened by 10%		AUD weakened by 10%	
	Effect on profit before tax \$'000	Effect on equity \$'000	Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated – 2018				
USD	(295)	-	360	-
IDR	(884)	-	1,080	-
MYR	(224)	-	274	-
GBP	(535)	-	654	-
Other	(30)	-	37	-
	(1,968)	-	2,405	-

Price risk

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

Interest rate risk

Interest rate risk on variable rate borrowings is managed under the consolidated entity's approved Treasury Policy. Under this policy, interest rate exposures are managed through entering fixed rate finances for equipment purchases.

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

	Consolidated	
	2019 \$'000	2018 \$'000
Variable financial assets	113,165	109,622
Net exposure to cash flow interest rate risk	113,165	109,622

17 Financial Risk Management continued

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the increase / (decrease) to profit or loss and equity at the reporting date, assuming a change in interest rates of 100 basis points. This analysis also assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	100 basis points increase		100 basis points decrease	
	Effect on profit before tax \$'000	Effect on equity \$'000	Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated – 2019				
Variable rate instruments	1,132	-	(1,132)	-
	1,132	-	(1,132)	-
	100 basis points increase		100 basis points decrease	
	Effect on profit before tax \$'000	Effect on equity \$'000	Effect on profit before tax \$'000	Effect on equity \$'000
Consolidated – 2018				
Variable rate instruments	1,096	-	(1,096)	-
	1,096	-	(1,096)	-

Credit risk

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

Cash and cash equivalents

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

Lease receivables

The credit risk associated with lease receivables is mitigated because the lease receivables are secured over the lease plant and equipment.

Guarantees

The consolidated entity's policy is to provide financial guarantees only to or for subsidiaries. Details of outstanding guarantees are provided in note 21.

Trade and other receivables

The consolidated entity's exposure to credit risk is influenced mainly by the characteristics of each individual customer. The demographics of the consolidated entity's customer base, including the default risk of the industries and countries in which customers operate, has less influence on credit risk. Approximately 35% (2018: 31%) of the consolidated entity's revenue is attributable to sale transactions with a single customer. Geographically, the concentration of credit risk is in Australia.

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

17 Financial Risk Management continued

Exposure to credit risk

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

	Consolidated	
	2019 \$'000	2018 \$'000
Cash and cash equivalents	113,165	109,622
Receivables and accrued revenue	178,326	134,576
Total credit risk exposure	291,491	244,198

Trade and other receivables excludes prepayments of \$4.4 million (2018: \$3.2 million), contract closure reimbursement \$4.1 million (2018: \$3.4 million) and GST receivable of \$13.9 million (2018: \$15.7 million).

	Consolidated	
	2019 \$'000	2018 \$'000
Trade and other receivables		
Mining customers	175,022	128,817
Other	4,713	5,885
Total trade and other receivables	179,735	134,702
Less: Expected credit loss allowance	(1,409)	(126)
Total credit risk exposure by customer	178,326	134,576

At 30 June 2019, the exposure to credit risk for trade receivables and contract assets by geographic region was as follows:

	Consolidated	
	2019 \$'000	2018 \$'000
Australia	122,910	98,480
Indonesia	49,951	28,953
Other	6,874	7,269
	179,735	134,702

The consolidated entity's most significant trade receivable, a mining customer, accounts for \$47.6 million of the trade receivables carrying amount at 30 June 2019 (2018: \$25.9 million).

Expected credit loss allowance

	Consolidated			
	Trade Receivables 2019 \$'000	Allowance 2019 \$'000	Trade Receivables 2018 \$'000	Allowance 2018 \$'000
Current (not past due)	46,060	-	35,524	-
Past due 0-30 days	9,467	-	4,730	-
Past due 31-60 days	2,590	-	841	-
Over 90 days overdue	2,555	(1,409)	1,267	(126)
	60,672	(1,409)	42,362	(126)

17 Financial Risk Management continued

The consolidated entity establishes an expected credit loss allowance that represents its estimate of expected losses in respect of trade and other receivables. At 30 June 2019 the consolidated entity's collective impairment on its trade receivables was \$1.4 million (2018: \$0.1 million).

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due of the customer approval date except the balances recovered or confirmed to be paid after the reporting period.

ECLs are a probability weighted estimate (based on the Group's historical experience) measured as the present value of all cash shortfalls on default financial assets taking into account both quantitative and qualitative information and analysis.

Movements in the expected credit loss allowance is as follows:

	Consolidated	
	2019 \$'000	2018 \$'000
Opening balance	126	216
Adjustment on initial application of AASB 9	1,409	-
Adjusted opening balance	1,535	216
Receivables expensed as uncollectable during the year	(126)	(76)
Impairment loss reversed in profit or loss	-	(14)
	1,409	126

Liquidity risk

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

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

Information about changes in term facilities during the year is disclosed in note 18.

As at 30 June 2019, the undrawn amount on the term facility was \$29.6 million (2018: \$17.5 million). The facility was utilised for bank guarantees and credit cards of \$20.4 million (2018: \$7.5 million). Outstanding individual lease agreements drawn under past facilities remain in place until their expiry date. In addition, the consolidated entity has a \$50 million (2018: \$20.0 million) insurance bond facility with \$35.9 million (2018: \$5.6 million) available at year end.

17 Financial Risk Management continued

Remaining contractual maturities

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

Consolidated – 2019	1 Year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives					
Trade payables and accrued expenses	(145,414)	-	-	-	(145,414)
Other payables	(23,192)	-	-	-	(23,192)
Lease liability	(39,645)	(39,057)	(115,965)	-	(194,667)
Total non-derivatives	(208,251)	(39,057)	(115,965)	-	(363,273)

Consolidated – 2018	1 Year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives					
Trade payables and accrued expenses	(165,712)	-	-	-	(165,712)
Other payables	(8,581)	-	-	-	(8,581)
Lease liability	(27,421)	(20,543)	(60,243)	(19,613)	(127,820)
Total non-derivatives	(201,714)	(20,543)	(60,243)	(19,613)	(302,113)

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

Operational risk

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

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

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

Notes to the Financial Statements

F Debt and Equity

18 Borrowings

	Currency	Interest Rate Range	Calendar Year of Maturity	Consolidated	
				2019 \$'000	2018 \$'000
Current lease liability	AUD	4.1% - 7.7%	2020 - 2024	29,553	21,212
Non-current lease liability	AUD	4.1% - 7.7%	2020 - 2024	136,295	85,060
				165,848	106,272

The movement in lease liabilities is set out below:

	Consolidated	
	2019 \$'000	2018 \$'000
Balance at 1 July 2018	106,272	8,848
New finance leases	84,024	105,186
Finance leases returned	(1,546)	-
Repayment of finance lease liabilities	(22,891)	(7,762)
Interest accrued	9,777	1,885
Interest paid	(9,777)	(1,885)
Exchange differences	(11)	-
Balance at 30 June 2019	165,848	106,272

Refer to note 17 for further information on financial instruments.

Term facilities

During the year the Group's multi-option facility was extended to October 2020 and the limit increased from \$25 million to \$50 million. The facility was partially drawn at 30 June 2019 for bank guarantees amounting to \$19.9 million (2018: \$7.5 million) and credit card guarantees of \$0.5 million.

Operating lease facility

As at 30 June 2019, the undrawn amount of domestic lease facilities was \$66.8 million (30 June 2018: \$26.7 million was undrawn).

Assets pledged as security

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

Finance lease liabilities are payable as follows:

	Minimum Lease Payments		Interest		Principal	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Finance Lease Liabilities						
Less than one year	39,645	27,421	10,092	6,209	29,553	21,212
Between one and 5 years	155,022	80,786	18,727	15,098	136,295	65,688
More than 5 years	-	19,613	-	241	-	19,372
	194,667	127,820	28,819	21,548	165,848	106,272

The term facility and the operating lease facility are subject to covenants. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance with the agreement. No covenants are breached at 30 June 2019.

Borrowings

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

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

19 Equity – issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Ordinary shares – fully paid	2,154,985,818	2,154,985,818	563,118	563,118
Less: treasury shares	(66,455,927)	(11,699,448)	(17,755)	(5,186)
Ordinary shares	2,088,529,891	2,143,286,370	545,363	557,932

	The Company No. Ordinary Shares	
	2019	2018
On issue at 1 July	2,154,985,818	1,200,920,894
Issued	-	954,064,924
On issue 30 June - fully paid	2,154,985,818	2,154,985,818

Ordinary shares

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

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

Capital risk management

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

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The consolidated entity monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total equity. Net debt is calculated as 'total borrowings' less 'cash and cash equivalents' as shown in the statement of financial position. Total equity is as shown in the statement of financial position. At 30 June 2019 the consolidated entity was in a net debt position.

The consolidated entity's policy is to keep the ratio below 30%. The consolidated entity's gearing ratios are set out below:

	Consolidated	
	2019 \$'000	2018 \$'000
Total borrowings	165,848	106,272
Less: cash and cash equivalents	(113,165)	(109,622)
Net debt / (cash)	52,683	(3,350)
Total equity	447,618	409,834
Gearing Ratio	11.77%	(0.82%)

Issued capital

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

Shares purchased on market by the consolidated entity are recognised at fair value, less transaction costs and reduce issued capital.

20 Equity – Reserves

	Consolidated	
	2019 \$'000	2018 \$'000
Reserve for own shares (net of tax)	(17,755)	(5,186)
Foreign currency reserve (net of tax)	12,481	8,388
Share based payments	3,270	640
	(2,004)	3,842

Reserve for own shares

The reserve for the Company's own shares comprises the cost (net of tax) of the Company's shares held by the trustee of the consolidated entity's equity compensation plans which were purchased on-market in anticipation of vesting of share-based payment awards under the equity compensation plans. During the year 55,453,154 shares were purchased (2018: nil). As at 30 June 2019, there are 66,455,927 (2018: 11,699,448) unallocated Macmahon shares held in trust.

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on the net investments in foreign operations. The foreign currency translation reserve is reclassified to the profit and loss either on sale or cessation of the underlying foreign operation.

Share based payments reserve

The share based payments reserve is used to record the value of share-based payments and performance rights to employees, including KMP, as part of their remuneration, as well as non-employees.

Movements in reserves

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

Consolidated	Reserve for own shares \$'000	Foreign currency \$'000	Share based payments \$'000	Total \$'000
Balance at 30 June 2017	(5,781)	(4,640)	548	(9,873)
Foreign currency translation	-	13,028	-	13,028
Treasury shares allocated on vesting of performance rights	595	-	-	595
Share based payments expense	-	-	260	260
Transfer of expired performance rights	-	-	(168)	(168)
Balance at 30 June 2018	(5,186)	8,388	640	3,842
Treasury shares purchased for compensation plans	(12,717)	-	-	(12,717)
Foreign currency translation	-	4,093	-	4,093
Treasury shares allocated on vesting of performance rights	148	-	(152)	(4)
Share based payments expense	-	-	2,634	2,634
Reclassification of cash-settled share-based payments to equity	-	-	148	148
Balance at 30 June 2019	(17,755)	12,481	3,270	(2,004)

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year (2018: nil). Dividends are recognised when declared during the financial year and are no longer at the discretion of the Company.

Subsequent to 30 June 2019 the Board has elected to reinstate dividends to shareholders by approving the payment of a final dividend of 0.5 cents per share for FY19.

Notes to the Financial Statements

G Unrecognised Items

21 Contingent liabilities

The following identifiable contingencies exist at 30 June 2019:

	Consolidated	
	2019 \$'000	2018 \$'000
Bank guarantees	20,488	7,545
Insurance performance bonds	14,125	14,355
	34,613	21,900

Bank guarantees and insurance bonds are issued to contract counterparties in the normal course of business as security for the performance by Macmahon of various contractual obligations. Macmahon is also called upon to give guarantees and indemnities direct to contract counterparties in relation to the performance of contractual and financial obligations. The value of these guarantees and indemnities is indeterminable.

Other contingent liabilities

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

On 9 November 2015, Macmahon was served with a shareholder class action filed in the Federal Court of Australia by ACA Lawyers. The action was filed on behalf of shareholders who acquired Macmahon securities between 2 May 2012 and 19 September 2012 and relates to disclosures by Macmahon in 2012 regarding the previously completed Hope Downs 4 contract. On 4 October 2018 Macmahon reached an agreement to settle the class action by paying \$6.7 million in full and final settlement of the proceedings, inclusive of interest and the applicant's legal costs. Macmahon continues to deny any wrong doing and the settlement is not an admission of any liability, nor a finding against the company or any individuals. The impact of the settlement and related legal fees (net of provision previously recognised) is recognised as a one-off charge to the income statement.

22 Commitments

	Consolidated	
	2019 \$'000	2018 \$'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	59,555	174,945
	59,555	174,945
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	6,068	12,515
One to five years	12,400	3,680
More than five years	6,894	-
	25,362	16,195

Operating lease facility

The consolidated entity leases a number of offices and industrial workshop facilities. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Some leases provide for additional payments that are based on changes in a local price index or CPI. The consolidated entity does not have an option to purchase the leased assets at the expiry of their lease period.

Operating leases - equipment

The consolidated entity entered into a number of lease and hire agreements for mining equipment.

The leases typically run for a term of 3 to 5 years.

Leases

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

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

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability. Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease. Major component expenditure on operating leased equipment is capitalised to plant and equipment and amortised over the shorter of the remaining lease term or the useful life of the component.

23 Events after the reporting period

GBF acquisition

On 2 August 2019 Macmahon acquired 100% of GF Holdings (WA) Pty Ltd and its subsidiaries ("GBF Group"), an underground mining contractor based in Western Australia. On completion \$14.9 million cash was paid to the vendor, \$5.9 million non-assumed debt repaid and \$4 million cash retained in escrow.

Due to the complexity and recent date of the acquisition the purchase price allocation has not been completed and further information will be disclosed in the 31 December 2019 half year report. Refer to ASX announcement dated 2 August 2019.

Subsequent to 30 June 2019 the Board has elected to reinstate dividends to shareholders by approving the payment of a final dividend of 0.5 cents per share for FY19.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Notes to the Financial Statements

H Other Information / Group Structure

24 Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy:

Incorporated subsidiaries	Principal place of business / country of incorporation	Ownership interest	
		2019 %	2018 %
Macmahon Contractors Pty Ltd	Australia	100%	100%
Macmahon Mining Services Pty Ltd	Australia	100%	100%
Doorn-Dijl Yoordaning Mining and Construction Pty Ltd	Australia	100%	100%
Macmahon Underground Pty Ltd	Australia	100%	100%
Macmahon Contracting International Pte Ltd	Singapore	100%	100%
PT Macmahon Indonesia	Indonesia	100%	100%
Macmahon Constructors Sdn Bhd	Malaysia	100%	100%
TMM Group Pty Ltd	Australia	100%	100%
TMM Group (Consult) Pty Ltd	Australia	100%	100%
TMM Group (IP) Pty Ltd	Australia	100%	100%
TMM Group (Operations) Pty Ltd	Australia	100%	100%
Windsor Earthmoving Contractors Pty Ltd	Australia	100%	100%
Lycullin Equipment Hire Pty Ltd	Australia	100%	100%
Macmahon Contractors (WA) Pty Ltd*	Australia	100%	100%
Macmahon (Southern) Pty Ltd	Australia	100%	100%
Macmahon Africa Pty Ltd*	Australia	100%	100%
Macmahon Malaysia Pty Ltd*	Australia	100%	100%
Macmahon Contractors (NZ) Ltd*	New Zealand	0%	100%
Macmahon Sdn Bhd*	Malaysia	100%	100%
PT Macmahon Contractors Indonesia*	Indonesia	100%	100%
Macmahon Singapore Pte Ltd*	Singapore	100%	100%
Progressive Services Mongolia Pte Ltd*	Singapore	100%	100%
Reactionary Services LLC*	Mongolia	100%	100%
Macmahon Contractors Nigeria Ltd*	Nigeria	100%	100%
Macmahon Contractors Ghana Limited*	Ghana	100%	100%
Macmahon Botswana (Pty) Ltd*	Botswana	100%	100%
Interest in trusts			
Macmahon Holdings Limited Employee Share Ownership Plans Trust	Australia	100%	100%
Macmahon Underground Unit Trust	Australia	100%	100%

* Entities were deregistered or inactive during the year.

25 Interests in joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the consolidated entity are set out below:

Name	Principal Activities	Ownership Interest	
		2019 %	2018 %
PT Macmahon Mining Services	Mining services	50%	50%

Investments accounted for using the equity method

	Consolidated	
	2019 \$'000	2018 \$'000
Net investment in PT Macmahon Mining Services (quasi-equity loan)	3,722	3,531
Share of profit of equity-accounted investees, net of tax	7,232	5,742
	10,954	9,273

	Consolidated	
	2019 \$'000	2018 \$'000
Balance at 1 July	9,273	6,891
Adjustment on initial application of AASB 9 (net of tax)	(1,057)	-
Adjusted Balance at 1 July	8,216	6,891
Share of profit of equity-accounted investees, net of tax	3,905	2,207
Dividends distributed	(1,518)	-
Exchange differences	351	175
Balance at 30 June 2019	10,954	9,273

PT Macmahon Mining Services is a joint venture in which the Group has joint control and a 50% ownership interest. The company is involved in contract mining services in Indonesia and is not publicly listed.

PT Macmahon Mining Services is structured as a separate vehicle and the Group has a residual interest in the net assets of the entity. Accordingly, the Group has classified its interest in PT Macmahon Mining Services as a joint venture. In accordance with the agreement between the shareholders of PT Macmahon Mining Services, the Group and the other investor in the joint venture have agreed to ensure the joint venture has sufficient funds to perform its contract to provide mining services at the Martabe project. The commitment has not been recognised in these consolidated financial statements.

The following table summarises the financial information of the Group's joint ventures as included in their own financial statements, adjusted for fair value adjustments and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in joint ventures. The Group does not eliminate realised profit or loss transactions with equity investees.

25 Interests in joint ventures continued

Summary financial information for equity accounted investees, unadjusted for percentage ownership held by the consolidated entity (100%):

	Consolidated	
	2019 \$'000	2018 \$'000
Summarised statement of financial position		
Cash	8,389	6,628
Other current assets (excluding cash)	19,138	20,142
Total current assets	27,527	26,770
Total non-current assets	13,753	13,621
Total assets	41,280	40,391
Current payables	(11,722)	(11,574)
Current borrowings - external	(3,624)	(1,431)
Total current liabilities	(15,346)	(13,005)
Non-current borrowings - external	(2,347)	(7,480)
Other non-current financial liabilities	(1,680)	(1,361)
Total non-current liabilities	(4,027)	(8,841)
Total liabilities	(19,373)	(21,846)
Net assets (100%)	21,907	18,545
Group's share of net assets (50%)	10,954	9,273
Summarised statement of profit or loss and other comprehensive income		
Revenue	79,767	59,079
Finance costs	(750)	(901)
Depreciation	(6,635)	(4,997)
Other expenses	(61,892)	(47,782)
Profit before income tax	10,490	5,399
Tax	(2,681)	(986)
Net profit after tax (100%)	7,809	4,413
Share of profit of equity-accounted investees, net of tax (50%)	3,905	2,207
Dividends received by the group	1,518	-

To support the activities of the joint venture, the consolidated entity and the other investors in the joint venture have agreed to make additional contribution in proportion to the interest to make up any losses, if required. The jointly controlled entities do not have any capital commitments.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are accounted for using the equity method.

Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income.

26 Related party transactions

Parent entity

Macmahon Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 24.

Joint ventures

Interests in joint ventures are set out in note 25.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report in the Directors' report.

Transactions with related parties - joint venture

The following transactions occurred with related parties:

	Consolidated	
	2019 \$'000	2018 \$'000
Transactions recognised in profit and loss		
Recharges to joint venture	1,436	1,359
Recharges from joint venture	(441)	-
Management fee charged to joint venture	1,550	846
Purchases and sales of assets		
Sales of equipment to joint venture	1,007	-
Purchases of equipment from joint venture	(635)	-

Receivable from and payable to related parties:

	Consolidated	
	2019 \$'000	2018 \$'000
(Payable) / receivable from joint venture	(124)	196

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

	Consolidated	
	2019 \$'000	2018 \$'000
Revenue recognised from shareholder	382,271	153,529
Purchases made from shareholder	(165,236)	(70,622)

Receivable from and payable to shareholder (AMNT):

	Consolidated	
	2019 \$'000	2018 \$'000
Receivable from shareholder	47,539	25,637
Payable to shareholder	-	(11,106)

During the year the 50% equity accounted PT Macmahon Mining Services Joint Venture received revenue of \$2.2 million (2018: \$1.0 million) from AMNT. The amount owing from AMNT to the Joint Venture as at 30 June 2019 was \$0.6 million (2018: nil).

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

The transactions with a shareholder relate to the mining services at the Batu Hijau mine owned by AMNT.

AMNT (including its related entities) is a significant shareholder in Macmahon.

27 Key management personnel disclosures

Compensation

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

	Consolidated	
	2019 \$	2018 \$
Short-term employee benefits	2,479,020	2,607,926
Long-term employee benefits	91,296	70,831
Post-employment benefits	132,769	165,296
Leave benefits	-	3,949
Share-based payments	1,622,592	196,068
	4,325,677	3,044,070

28 Share-based payments

The consolidated entity has the following equity compensation plans in place to remunerate non-executives, executives and employees of the Group:

- Macmahon Executive Equity Plan ("EEP"),
- Senior Manager Long Term Incentive Plan ("LTIP") and
- Non-Executive Director Salary Sacrifice Plan ("SSP").

Executives and Senior Managers plans

Macmahon EEP and LTIP Plan

The LTIP and EEP provide Executives (including the CEO) and other senior personnel with the opportunity to receive fully paid shares in Macmahon for no consideration, subject to specified time restrictions, continuous employment and performance conditions being met. Each performance right will entitle participants to receive one fully paid ordinary share at the time of vesting. The LTIP and EEP are designed to assist with employee retention, and to incentivise employees to maximise returns and earnings for shareholders.

Participants are granted Performance Rights, which are contractual rights to receive fully paid shares in Macmahon, subject to the LTIP and EEP conditions being satisfied. The Board determines which Executives and other senior personnel are eligible to participate and the number of rights granted. Each right will entitle the participant to receive one fully paid ordinary Macmahon share on vesting.

28 Share-based payments continued

Performance rights granted under prior years EEP plans are set out below:

	EEP Performance Rights 2017	EEP Performance Rights 2018		
	Tranche 1 ¹	Tranche 1	Tranche 2	Tranche 3
Performance rights effective on	01/07/2016	1/7/17	1/7/17	1/1/18
Grant date	12/08/2016	18/8/17	29/11/17	2/3/18
Service period	3 years	3 years	3 years	2.5 years
Tranche and number of Performance Rights	12,659,501	13,669,315	482,075	1,070,093
Remaining number of rights at 30 June 2019	5,971,921	8,440,499	482,075	1,070,093
Fair value on grant date	\$0.075	\$0.085	\$0.130	\$0.125
Vesting performance condition				
Less than 17% CAGR in TSR	0%	0%	0%	0%
17% CAGR in TSR	50%	50%	50%	50%
25% or more CAGR in TSR	100%	100%	100%	100%
Between 17% and 25% CAGR in TSR	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%

1 On 1 July 2019 100% of remaining FY17 performance rights vested.

Performance rights granted during the current reporting year are set out below:

	LTIP Performance Rights 2019			EEP Performance Rights 2019	
	Tranche 1	Tranche 2	Tranche 3 ¹	Tranche 3 ¹	Tranche 1
Performance rights effective on	1/7/18	1/7/18	1/7/18	1/7/18	1/7/18
Grant date	1/7/18	1/7/18	1/7/18	1/7/18	5/10/18
Service period	2 years	3 years	4 years	5 years	3 years
Tranche and number of Performance Rights	16,162,394	16,162,394	16,162,394	16,162,392	8,660,803
Remaining number of rights at 30 June 2019	16,162,394	16,162,394	16,162,394	16,162,392	6,903,445
Fair value on grant date	\$0.094	\$0.090	\$0.090	\$0.090	\$0.138
Vesting performance condition					
Less than 17% CAGR in TSR	0%	0%	0%		0%
17% CAGR in TSR	50%	50%	50%		50%
25% or more CAGR in TSR	100%	100%	100%		100%
Between 17% and 25% CAGR in TSR	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%	Pro-rata between 50% and 100%		Pro-rata between 50% and 100%

1 50% of shares that vest as a result of Tranche 3 LTIP Performance rights is subject to a further retention period of 1 year.

Measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the 2019 LTIP and EEP using the Monte Carlo simulation:

	LTIP Performance Rights 2019			EEP Performance Rights 2019
	Tranche 1	Tranche 2	Tranche 3	Tranche 1
Fair value at grant date	\$0.094	\$0.090	\$0.090	\$0.138
Share price at grant date	\$0.215	\$0.215	\$0.215	\$0.265
Exercise Price	Nil	Nil	Nil	Nil
Expected volatility (weighted average volatility)	45.00%	45.00%	45.00%	45.00%
Option life (expected weighted average life)	2 years	3 years	4 years	3 years
Expected dividends	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	2.01%	2.08%	2.18%	2.03%

Expected volatility is estimated taking into account historic average share price volatility.

28 Share-based payments continued

Non-Executive Director Salary Sacrifice Plan

During the reporting year rights were granted to Non-Executive Directors under the Salary Sacrifice Plan.

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 following inputs were applied in the measurement of the fair values at grant date of NED share rights using the Black-Scholes option pricing model:

	NED Share Rights	
	Tranche 1	Tranche 2
Grant date	1/7/18	1/7/18
Service period	8 months	14 months
Vesting date	1/3/19	1/9/19
Tranche and number of share rights	696,675	696,673
Remaining number of share rights at 30 June 2019	-	492,929
Share price at grant date	\$0.215	\$0.215
Discount for lack of marketability	30.00%	30.00%
Implied FV of restricted shares	\$0.151	\$0.151
Exercise price	\$0.213	\$0.213
Risk-free rate	1.93%	1.92%
Volatility factor	45.00%	45.00%
Dividend yield	0.00%	0.00%
Implied discount to share price at grant date	97.00%	97.00%
Fair value at grant date	\$0.006	\$0.012

Information about performance rights and share options outstanding at year end

The following unvested unlisted performance rights were outstanding at year end:

	LTIP and EEP Performance Rights		NED Share Rights	
	2019	2018	2019	2018
Balance at start of the year	17,880,139	12,118,502	-	-
Granted during the year	73,310,377	15,221,483	1,393,348	-
Vested during the year	-	(1,343,100)	(696,675)	-
Expired during the year	-	(2,356,900)	-	-
Forfeited during the year	(3,672,909)	(5,759,846)	(203,744)	-
Balance at the end of year	87,517,607	17,880,139	492,929	-

Share-based payments recognised in profit or loss

The following amounts were recognised in profit or loss, in connection with the Company's equity compensation plans:

	Consolidated	
	2019 \$'000	2018 \$'000
LTIP performance rights	1,899	-
EEP performance rights	726	260
NED share rights	9	-
Total expense	2,634	260

28 Share-based payments continued

Share-based payment transactions

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

Share-based payments

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

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

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

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

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

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

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

If any performance rights have been forfeited for failure to complete a service period, the costs of the performance rights costs are trued up i.e., amounts previously expensed are no longer incurred and accordingly reversed in the current year. This policy is applied irrespective of whether the employee resigns voluntarily or is dismissed by the Company.

29 Remuneration of auditors

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

	Consolidated	
	2019 \$	2018 \$
Group auditors		
Audit services – KPMG		
Audit or review of the financial statements - Australia	336,712	264,300
Audit or review of the financial statements - Network firms	59,840	48,335
	396,552	312,635
Other services - KPMG		
Tax services - Australia	40,091	48,555
Tax services - Network firms	64,890	89,133
Other assurance services	184,632	76,839
	289,613	214,527
	686,165	527,162
Subsidiary auditors		
Audit services		
Audit of the financial statements - PWC Indonesia	92,798	76,904
Other services		
Tax services - PWC Indonesia	49,422	70,751
	142,220	147,655
	828,385	674,817

30 Deed of cross guarantee

Pursuant to ASIC Corporation (Wholly owned Companies) Instrument 2016/785 the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial statements, and Directors' report.

It is a condition of the Instrument that Macmahon Holdings Limited and each of the subsidiaries ("Extended Closed Group") below enter into a Deed of Cross Guarantee ("Deed"). The effect of the Deed is that the Company guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The following entities are party to a Deed of Cross Guarantee under which each company guarantees the debts of the others:

- Macmahon Contractors Pty Ltd
- Macmahon Underground Pty Ltd
- Macmahon Mining Services Pty Ltd
- TMM Group Pty Ltd
- TMM Group (Operations) Pty Ltd

TMM Group (Operations) Pty Ltd became a party to the deed during June 2019.

30 Deed of cross guarantee continued

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position, comprising the Company and its controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at the end of the financial year.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Consolidated	
	2019 \$'000	2018 \$'000
Revenue	693,498	514,112
Other income	33,894	10,198
Materials and consumables used	(150,436)	(197,753)
Employee benefits expense	(300,010)	(176,569)
Subcontractor costs	(45,551)	(34,449)
Depreciation and amortisation expense	(62,117)	(41,846)
Equipment and other operating lease expenses	(90,723)	(47,323)
Net finance costs	(7,526)	1,364
Other expenses	(83,008)	(66,098)
Loss before income tax expense	(11,979)	(38,364)
Income tax benefit	2,770	25,745
Loss after income tax expense	(9,209)	(12,619)
Other comprehensive income		
Foreign currency translation	-	-
Other comprehensive income / (loss) for the year, net of tax	-	-
Total comprehensive loss for the year	(9,209)	(12,619)

EQUITY - ACCUMULATED LOSSES

	Consolidated	
	2019 \$'000	2018 \$'000
Accumulated losses at the beginning of the financial year	(225,295)	(316,945)
Adjustment on initial application of AASB 9 (net of tax)	(1,409)	-
Adjusted accumulated losses at the beginning of the financial year	(226,704)	(316,945)
Profit / (loss) after income tax expense	(9,209)	(12,619)
Treasury shares purchased for compensation plans	-	(595)
Transfer of expired performance rights	4	168
Effect of removing subsidiaries no longer included in Extended Closed Group	-	96,323
Effect of adding TMM Group (Operations) Pty Ltd	15,365	-
Effect of adding TMM Group Pty Ltd	-	8,373
Accumulated losses at the end of the financial year	(220,544)	(225,295)

30 Deed of cross guarantee continued

STATEMENT OF FINANCIAL POSITION

	Consolidated	
	2019 \$'000	2018 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	83,238	83,207
Trade and other receivables	121,794	91,441
Inventories	45,412	41,861
Lease receivable	2,057	700
Income tax	4,590	6,682
Assets of disposal groups classified as held for sale	2,159	2,868
	259,250	226,759
Non-current assets		
Trade and other receivables	68,774	41,390
Other financial assets	49,369	93,176
Property, plant and equipment	245,300	208,659
Intangibles	10,245	-
Lease receivable	23,258	9,792
	396,946	353,017
Total assets	656,196	579,776
LIABILITIES		
Current liabilities		
Trade and other payables	129,673	117,568
Borrowings	26,968	18,581
Income tax	-	-
Employee benefits	23,272	14,052
Provisions	12,696	11,237
	192,609	161,438
Non-current liabilities		
Borrowings	134,225	83,490
Deferred tax liabilities	930	1,038
Employee benefits	343	408
	135,498	84,936
Total liabilities	328,107	246,374
NET ASSETS	328,089	333,402
EQUITY		
Issued capital	563,118	563,118
Reserves	(14,485)	(4,421)
Accumulated losses	(220,544)	(225,295)
TOTAL EQUITY	328,089	333,402

31 Parent entity information

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Consolidated	
	2019 \$'000	2018 \$'000
Other income / (expenses)	2,265	(6,840)
Forgiveness of historic inter-group loans	-	(249,517)
Reversal of investment impairment provision	9,488	235,768
Profit / (loss) after income tax	11,753	(20,589)
Total comprehensive profit / (loss)	11,753	(20,589)

STATEMENT OF FINANCIAL POSITION

	Consolidated	
	2019 \$'000	2018 \$'000
Total current assets	2,158	2,373
Total assets	283,737	251,110
Total current liabilities	(33,367)	(1,418)
Total liabilities	(33,378)	(2,569)
Equity		
Issued capital	563,118	563,118
Share-based payments reserve	3,270	640
Reserve for own shares	(17,755)	(5,186)
Accumulated losses	(298,274)	(310,031)
Total equity	250,359	248,541

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of some of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in note 30.

Contingent liabilities

Refer to note 21 for information in relation to the shareholder class action.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity.

32 Other significant accounting policies

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

Application of new, revised or amending Accounting Standards and Interpretations

The Group has initially adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 July 2018. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except for separately presenting impairment losses on trade receivables.

A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

The accounting policies applied in these financial statements are the same as those applied in the consolidated entity's annual financial statements as at and for the year ended 30 June 2018, except for the new, revised or amended accounting standards below:

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The Group has adopted AASB 15 using the cumulative effect method. Accordingly comparative information has not been restated, it is presented as previously reported under AASB 118 Revenue.

The application of AASB 15 has had no material impact on the Group's Statement of financial position, statement of profit and loss and OCI or statement of cash flows and therefore no adjustments were made in the financial statements.

The accounting policy has been updated in note 2 to be reflective of the new standard.

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial instruments, including a new expected credit loss model for calculating impairment on financial assets and new general hedging accounting requirements.

Classification

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. However, it eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of AASB 9 did not have a significant impact on the way the Group classifies or recognises its financial liabilities.

The classification of financial assets under AASB 9 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and;
- its contractual terms give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding.

Cash and cash equivalents and trade and other receivables that were classified as loans and receivables under AASB 139 are now classified as at amortised cost.

Subsequent to initial recognition cash and cash equivalents and trade and other receivables remain at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

32 Other significant accounting policies continued

Impairment of financial assets

AASB 9 replaces the incurred loss model in AASB 139 with an expected credit loss (ECL) model. The Group has elected to measure loss allowances for trade and other receivables including contract assets at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due of the customer approval date.

ECLs are a probability weighted estimate (based on the Group's historical experience) measured as the present value of all cash shortfalls on default financial assets taking into account both quantitative and qualitative information and analysis.

An increase of \$1.4 million in the allowance for impairment over the Group trade and other receivables and \$1.1 million over the equity accounted investment trade and other receivables was recognised in the opening profits reserve at 1 July 2018 on transition to AASB 9.

New Accounting Standards and Interpretations not effective for the Group at 30 June 2019 or early adopted

A number of new standards are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

On 1 July 2019 the Group will adopt AASB 16 using the modified retrospective approach. The cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of profits reserve at 1 July 2019 with no restatement of comparative information. The Group estimates that it will recognise additional lease liabilities of \$19.2 million on 1 July 2019 with a corresponding increase in right of use assets.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle
- Amendments to IFRS 1, IFRS 9, IAS 19 and IAS 28
- IFRIC 23 Uncertainty over Income Tax Treatments.

Basis of preparation

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

For consistency with the current year's presentation, where required, comparative information has been reclassified.

The impact of this for the year ended 30 June 2018 has been to reclassify \$32.4 million to equipment and office expenses under operating leases and \$9.5 million to subcontractors costs from materials and consumables used and disaggregation of \$0.3 million of share based payments expense from employee benefits expense.

Historical cost convention

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

32 Other significant accounting policies continued

Critical accounting estimates

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

- Note 2. Revenue: estimate of variable consideration
- Note 5. Tax: recognition of deferred tax assets, availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised
- Note 14. Provisions: estimate of onerous contract provision

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Macmahon Holdings Limited ('parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Macmahon Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or the 'Group'.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets / liabilities acquired. Any goodwill that arises is tested annually for impairment. Any gain or bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Subsidiaries

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

Interest in equity accounted investees

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

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

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

Transactions eliminated on consolidation

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

32 Other significant accounting policies continued

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

Current and non-current classification

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

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

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

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

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

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

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

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

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

Discontinued operations

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

Rounding of amounts

The consolidated entity 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 that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes, and the remuneration report on pages 46 to 57 in the Directors' report, are in accordance with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 32 and throughout the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date and comply with Australian Accounting Standards and the Corporations Regulations 2001;
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee (pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785) described in note 30 to the financial statements.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



MS E SKIRA
Independent Non-Executive Chair
30 August 2019
Perth



Independent Auditor's Report





Independent Auditor's Report

To the shareholders of Macmahon Holdings Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Macmahon Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the **Group's** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with 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* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Assessment of potential onerous contract – Telfer
- Revenue Recognition.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Assessment of potential onerous contract – Telfer	
Refer to Note 14 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The assessment of a potential onerous contract for the Telfer Mining Services Contract (contract) is considered a key audit matter. This is due to the contract incurring losses to date and the estimation uncertainty in forecasting cash flows, leading to increased audit risk.</p> <p>The Group's assessment of the potential of the contract to be onerous is based on forecast cash flows over the anticipated remaining contract term.</p> <p>We focused on evaluating the Group's assessment of forecast cash flows, in particular contract operating costs and revenues, equipment expenditure and other potential costs associated with the contract.</p>	<p>Our procedures included:</p> <p>In relation to losses incurred to date we assessed the Group's analysis of the actual costs incurred, by:</p> <ul style="list-style-type: none"> • Reading monthly client reports. • Obtaining and reading correspondence between the Group and customer for evidence of performance issues and concerns. • Inquiring with operational team on contract performance. • Testing a statistical sample of costs incurred on the contract to underlying documentation. <p>In relation to the forecast cash flows over the remaining contract term we challenged the forecast for feasibility and consistency by:</p> <ul style="list-style-type: none"> • Comparing the forecasts to performance conditions included in the contract and subsequent variations. • Comparing estimates used in the cash flow to past events to assess its adequacy. • Enquiring about the process for identifying and compiling the cash inflows and outflows included in the forecasts. • Testing controls such as Group's assessment and approval of the forecasts. • Comparing forecast cash flows to recent actual performance. • Inspecting updated mine plans and production schedules to check for consistency against the forecast cash flows. • Inspecting latest contract variations and agreements with customer to check for consistency against the forecast cash flows. • Reading the following for evidence of issues or concerns relevant to the forecast period: <ul style="list-style-type: none"> – Correspondence between the Group and customer. – Minutes of the quarterly client meetings between the Group and customer. – The Group's monthly board minutes.



Revenue recognition (\$1.1 billion)	
Refer to Note 2 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The Group's revenue arises from rendering of mining services based on contracts with customers. Revenue recognised is based on contractual rates or on a cost reimbursement basis as performance obligations are met.</p> <p>We focussed on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> • Its significant value from a number of customers and related contracts; and • The adoption of the new accounting standard AASB 15 Revenue from Contracts with Customers (AASB 15) and its resultant impact on the financial statements. Given the group has a number of customer contracts across a number of components, we were required to assess the consistency of application of AASB 15 across the group's components. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Evaluating the Group's process and controls over revenue across its different contracts and components. • Evaluating the appropriateness of the Group's accounting policies for revenue recognition against accounting standard requirements. • Testing key controls such as the authorisation of monthly progress claims which involve assessment and approval from the Group and its customer. • Substantive testing by examining a statistical sample of invoices to underlying progress claims, customer approvals, contract terms and subsequent payments received for these invoices. • Substantive testing by examining of a statistical sample of unbilled revenue accruals to underlying progress claims, contract terms and where available, subsequent invoicing after customer approval and subsequent collections for these invoices. • For variable consideration recognised, evaluating the Group's evidence to meet the recognition requirements of highly probable and subsequent customer confirmation of these amounts. • Obtaining and evaluating the Group's assessment of the impact of AASB 15. Reading a sample of the Group's contracts to perform our own assessment of the Group's compliance with the requirements of AASB 15. • Evaluating the Group's disclosures against the requirements of the accounting standards including those relating to the adoption and transition to AASB 15. • We assessed the Group's disclosures of the quantitative and qualitative considerations in relation to the transitional adjustment, by comparing these disclosures to our understanding of the matter and the requirements of the accounting standards.



Other Information

Other Information is financial and non-financial information in Macmahon Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Macmahon Holdings Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

KPMG

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 46 to 57 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

Trevor Hart
Partner

Perth

30 August 2019

Summary of Consolidated Reports

Profit and loss (\$m)	2019	2018	2017	2016	2015	2014	2013
Revenue from continuing operations	1,103.0	710.3	359.6	312.2	660.2	1,015.9	1,165.5
Underlying EBITDA	181.4	119.2	31.8	42.5	97.0	171.0	172.0
Depreciation and amortisation	(106.2)	(77.7)	(33.5)	(28.8)	(59.6)	(101.7)	(85.6)
Underlying EBIT	75.1	41.5	(1.7)	13.8	37.4	69.3	86.4
Significant and non-recurring items and impairment	(10.6)	(0.3)	(3.4)	(2.1)	(233.8)	(2.0)	(1.8)
Reported EBIT	64.5	41.2	(5.1)	11.7	(196.4)	67.3	84.6
Net interest	(10.7)	(2.4)	(0.1)	(0.7)	(23.7)	(18.8)	(18.3)
Reported operating profit / (loss) before tax	53.8	38.8	(5.2)	11.0	(220.1)	48.5	66.3
Tax (expense) / benefit	(7.7)	(7.5)	(0.3)	(0.2)	(0.5)	(19.6)	(22.7)
Reported NPAT from continuing operations	46.1	31.3	(5.5)	10.8	(220.6)	28.9	43.6
Minority interest ("MI")	-	-	-	-	-	-	-
Reported NPAT attributable to Macmahon	46.1	31.3	(5.5)	10.8	(220.6)	28.9	43.6
Add: significant and non-recurring items (net of tax) ¹	10.6	0.3	3.4	2.1	233.8	2.0	1.3
Underlying NPAT attributable to Macmahon	56.7	31.6	(2.1)	12.9	13.2	30.9	44.9
Balance sheet (\$m)							
Plant and equipment	399.6	380.1	122.7	117.7	141.5	442.9	471.1
Total assets	824.9	723.3	295.0	300.1	524.3	823.7	944.5
Net assets	447.6	409.8	185.0	207.4	221.8	432.2	401.2
Equity attributable to Macmahon	447.6	409.8	185.0	207.4	221.8	432.2	401.2
Net debt / (net cash)	52.7	(3.4)	(54.1)	(56.5)	(74.2)	55.9	61.7
Cash flow (\$m)							
Underlying EBITDA	181.4	119.2	31.8	42.5	100.8	172.9	67.5
Net interest paid	(10.7)	(2.4)	(0.1)	(1.0)	(10.8)	(15.9)	(18.8)
Income tax (paid) / refund	(15.2)	6.3	-	(2.8)	(1.9)	(8.7)	(9.6)
Working capital, provisions and other non cash items decrease / (increase)	(62.9)	(17.3)	(1.5)	(29.7)	(34.3)	(70.4)	69.5
Net operating cash flow including JV	92.5	105.8	30.2	9.0	53.8	77.9	108.6
Investing and financing cash flows (net)	(89.8)	(59.1)	(23.1)	(188.6)	70.6	(122.3)	(91.6)
Effect of exchange rates on cash	0.9	0.0	(0.9)	(0.6)	3.1	0.3	1.5
Cash at beginning of financial year	109.6	62.9	56.7	236.9	109.4	153.5	134.9
Closing cash balance	113.2	109.6	62.9	56.7	236.9	109.4	153.4

¹ Significant and non-recurring items in:
 2019 includes litigation settlements and related legal fees, acquisition costs and share based payments expense;
 2018 includes share based payments expense;
 2017 includes the takeover defence costs;
 2016 relates to onerous lease provisions; and
 2015 relates to property, plant and equipment impairment, inventory write downs and onerous lease provisions.

* Due to rounding, numbers presented may not add.

People and Safety	2019	2018	2017	2016	2015	2014	2013
Number of employees	4,072	3,913	1,659	1,529	1,295	2,467	3,495
LTIFR	0.4	0.5	0.4	1.1	0.9	0.9	0.9
TRIFR	4.0	6.3	5.7	4.5	5.4	8.5	7.7
Order book							
Work in hand (\$bn) ³	4.5	5.4	5.0	1.5	1.2	2.6	3.2
New contracts and extension (\$bn) ²	0.2	1.2	3.9	0.6	0.1	0.4	1.8
Revenue growth (%)	55.3	97.5	15.2	(52.7)	(35.0)	(12.8)	(29.9)
Reported NPAT / Total revenue (%)	4.2	4.4	(1.5)	3.5	(33.4)	2.8	(3.7)
Underlying NPAT / Total revenue (%) ⁶	5.1	4.4	(0.6)	4.1	2.0	3.0	(3.7)
EBIT interest cover (x)	6.0	17.0	(33.8)	18.0	(8.3)	3.6	(4.6)
Reported basic EPS from continuing operations (cents)	2.19	1.53	(0.47)	0.87	(17.5)	2.30	4.37
Underlying basic EPS from continuing operations (cents) ⁶	2.69	1.55	(0.18)	1.03	1.05	2.46	4.50
Balance sheet ratios							
Gearing ratio	11.8	(0.8)	(29.2)	(27.2)	(33.5)	12.9	15.4
Enterprise gearing ratio ⁵	10.5	(0.8)	(41.3)	(37.5)	(50.3)	11.4	13.3
Reported ROC (%)	10.8	10.8	(2.2)	3.5	(35.7)	9.3	11.9
Underlying ROC (%) ⁶	12.6	10.9	(0.7)	4.1	6.8	9.6	12.2
Reported ROE (%)	10.7	10.5	(2.8)	5.0	(67.5)	6.9	11.5
Underlying ROE (%) ⁶	13.2	10.6	(1.1)	6.0	4.0	7.4	11.8
Reported ROA (%)	6.0	6.1	(1.9)	2.6	(32.7)	3.3	4.5
Underlying ROA (%) ⁶	7.3	6.2	(0.7)	3.1	2.0	3.5	4.6
NTA per share (\$)	0.20	0.19	0.15	0.17	0.18	0.34	0.32
Cash flow ratios (\$m)							
Net operating cash flow per share (cents)	4.3	4.9	2.5	0.7	4.3	6.2	8.6
Shareholders							
Shares on issue (m) @ 30 June	2,155.0	2,155.0	1,200.9	1,210.5	1,261.7	1,261.7	1,261.7
Share price @ 30 June (cents)	18.5	21.5	16.5	8.8	6.6	10.0	13.0
Dividend declared (cents) ⁴	0.05	-	-	-	-	-	-
Percentage franked (%)	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Market capitalisation (\$m)	398.7	463.3	198.2	106.5	83.3	126.2	164.0
Enterprise value (EV)	451.4	459.9	144.1	50.0	9.1	182.1	225.7
Price / NTA (x)	0.9	1.1	1.1	0.5	0.4	0.3	0.4

2 New contracts and extensions for 2017 includes the Batu Hijau contract.

3 The order book for 2017 includes the Batu Hijau contract. The order book for 2016 includes a proportional share of joint venture order books.

4 Subsequent to 30 June 2019 the Board has elected to reinstate dividends to shareholders by approving the payment of a final dividend of 0.5 cents per share for FY19.

5 Enterprise gearing ratio: net debt or (net cash) / equity plus net debt.

6 Adjusted for significant and non-recurring items.

ASX Additional Information

As at 16 August 2019

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDING SUMMARY

The following details of Shareholders of Macmahon Holdings Limited have been taken from the share register on 16 August 2019.

a) The twenty largest Shareholders held 85.18% of the ordinary shares.

b) There were 6,714 ordinary Shareholders as follows:

1-1,000	650
1,001-5,000	1,956
5,001-10,000	984
10,001-100,000	2,524
100,001 Over	600
TOTAL	6,714

SUBSTANTIAL SHAREHOLDERS

As at 16 August 2019, the register of substantial shareholders disclosed the following information:

Holders giving notice	Number of ordinary shares in which interest is held
Perpetual Corporate Trust Limited <Amman Mineral Contractors (Singapore) Pte Ltd A/C>	954,064,924

VOTING RIGHTS

The voting rights attaching to ordinary shares are set out below:

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

VOLUNTARY ESCROW SHARES

958,175,972 shares are held in voluntary escrow of which 954,064,924 are due to be released on 8 February 2020 (assuming the shares are not cancelled prior to this time) and 4,111,048 are due to be released on approximately 22 September 2021.

FEEDBACK

Macmahon would appreciate your feedback on this report. Your input will assist us to improve as a business and develop our report to further suit your needs. To respond, please:

Email

investors@macmahon.com.au

Mail

Investor Relations
PO Box 198
Cannington WA 6987

Visit

www.macmahon.com.au

CALENDAR OF EVENTS

- Annual General Meeting
November 2019
- Release of Half Year
Results – February 2020
- Release of Full Year
Results – August 2020

TWENTY LARGEST SHAREHOLDERS AS AT 16 AUGUST 2019

Rank	Name	Units	Percent
1	Perpetual Corporate Trust Limited <Amman Mineral Contractors (Singapore) Pte Ltd A/C>	954,064,924	44.27
2	J P Morgan Nominees Australia Pty Limited	353,060,257	16.38
3	HSBC Custody Nominees <Australia> Limited	101,948,110	4.73
4	Citicorp Nominees Pty Limited	95,331,055	4.42
5	Zero Nominees Pty Ltd	78,004,001	3.62
6	CPU Share Plans Pty Ltd <MAH LTR Unallocated A/C>	54,059,806	2.51
7	National Nominees Limited	39,549,358	1.84
8	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	28,557,977	1.33
9	BNP Paribas Noms Pty Ltd <DRP>	21,086,676	0.98
10	BNP Paribas Noms (NZ) Ltd <DRP>	19,102,736	0.89
11	HSBC Custody Nominees <Australia> Limited - A/C 2	13,549,043	0.63
12	AMP Life Limited	11,807,572	0.55
13	CPU Share Plans Pty Limited <MAH EEP Unallocated A/C>	11,679,683	0.54
14	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	10,958,400	0.51
15	Mr Christopher Ian Wallin + Ms Fiona Kay Mcloughlin + Mrs Sylvia Fay Bhatia <Chris Wallin Super Fund A/C>	10,737,643	0.50
16	HSBC Custody Nominees <Australia> Limited-Gsco ECA	8,193,308	0.38
17	HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	6,226,600	0.29
18	BPM Capital Limited	6,000,000	0.28
19	Mr Amarjit Singh + Mrs Jaswant Kaur	5,900,000	0.27
20	Mr Paulus Gerardus Brouwer + Mr Remy Paulus Brouwer <Windy Spur S/F Account>	5,600,000	0.26
Totals: Top 20 Holders Of Ordinary Shares (Total)		1,835,417,149	85.18
Total Remaining Holders Balance		319,568,669	14.82





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