

INTERIM FINANCIAL REPORT

For the six months ended
31 December 2015



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Macmahon Holdings Limited & its Controlled Entities

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Appendix 4D

Results for Announcement to the Market

For the six months ended 31 December 2015

Name of entity

MACMAHON HOLDINGS LIMITED

ACN

007 634 406

Compared with six months ended 31 December 2014

<i>All figures expressed in Australian dollars unless otherwise stated</i>				\$m
Revenue from continuing operations (\$m)	down	(55%)	to	174.1
Profit from continuing operations after income tax (\$m)	up	103%	to	3.2
Profit from discontinued operations after income tax (\$m)	down	(94%)	to	0.1
Profit for the period attributable to equity holders of the company (\$m)	up	103%	to	3.3
				cents
Basic earnings per share (cents)	up	103%	to	0.3
Dividends		Amount per security	Franked amount per security %	
Interim dividend declared		nil	n/a	
		31-Dec-15	31-Dec-14	
Net tangible assets per ordinary share		\$0.18	\$0.26	

For a brief explanation of the figures reported above refer to pages 4 to 25 of this Interim Financial Report.

Condensed consolidated interim financial report For the six months ended 31 December 2015

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Macmahon Holdings Limited & its Controlled Entities

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DIRECTORS' REPORT

The Directors present their report together with the condensed consolidated interim financial statements of Macmahon Holdings Limited and its controlled entities ("consolidated entity") for the six months ended 31 December 2015 including the review report thereon.

DIRECTORS

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

J A Walker	(Chairman, Non-executive) (Executive Chairman for the period 22 January 2015 to 13 July 2015)
S J van Dyk	(Chief Executive Officer and Managing Director) (commencing 13 July 2015)
C R G Everist	(Non-executive)
E Skira	(Non-executive)
V A Vella	(Non-executive)

KEY FINANCIAL INDICATORS

For the six months ended 31 December:

<i>A\$ million except where stated</i>	Dec-15	Dec-14
Total revenue (including joint ventures) from continuing operations	174.1	384.9
EBITDA from continuing operations before significant items	23.2	55.9
EBIT from continuing operations before significant items	8.2	21.0
Net finance costs	(2.4)	(7.5)
Tax expense	(0.5)	(3.8)
Profit after tax from continuing operations before significant items	5.3	9.7
Profit after tax from discontinued operations	0.1	1.6
Significant items: impairment, inventory write down & onerous lease (net of tax)	(2.1)	(123.8)
Profit / (loss) for the period attributable to equity holders of the Company	3.3	(112.5)
Reported basic earnings / (loss) per share (cents)	0.3	(8.9)
Reported basic earnings / (loss) per share (cents) – continuing operations	0.3	(9.0)
Dividends declared per share (cents)	nil	nil
Mining order book as at 31 December	1,573	1,325

Note: Numbers in the table may not add due to rounding. This table includes the presentation of sub-totals and line items which represent non IFRS financial information. The Directors consider this presentation to provide useful information to readers.

OPERATING RESULTS

The consolidated entity's net profit after tax for the half year was \$3.3 million (2014: loss of \$112.5 million). Excluding significant items, the Company reported a net profit after tax of \$5.4 million (2014: profit of \$11.3 million).

PRINCIPAL ACTIVITIES

Macmahon is an international contracting company offering the complete package of mining services to clients in Australasia and Africa. Headquartered in Perth, the Company has extensive knowledge and experience in both Surface and Underground Mining and Construction and Infrastructure Services.

DIVISIONAL ACTIVITIES

Macmahon's divisional activities include Surface and Underground Mining, Engineering and Fabrication, and Construction and Infrastructure Services.

Surface Mining

Macmahon specialises in providing clients with innovative mining solutions. Services offered by the Company's surface mining division include (but are not limited to) mine planning and analysis, drill and blast, bulk and selective mining, crushing and screening, materials handling, water management, plant operation and maintenance.

With more than 50 years' experience, Macmahon has operated across a broad range of commodities including coal, iron ore, gold, copper, nickel, uranium, manganese, limestone and phosphates. Internationally, Macmahon is currently operating in South East Asia and Africa and is actively pursuing new opportunities to further expand its footprint in these regions.

Project activity

- Macmahon is currently providing services in Western Australia at the Tropicana Gold Mine for Anglo Gold Ashanti / Independence Group and at the Argyle Diamond Mine for Rio Tinto.
- During the period, the Company was also awarded a contract by Newcrest to undertake contract mining services at its Telfer operation in Western Australia.
- Macmahon also secured a contract with Goldfields to supply equipment to its St Ives operation, also in Western Australia.
- Internationally, Macmahon is currently providing a range of mining activities for Lafarge Holcim in Malaysia, Indonesia and Nigeria.
- During the period the Company secured a new contract in Indonesia with PT Agincourt Resources. Under the contract Macmahon, in Joint Venture with a local partner, will provide mining services at the Martabe gold mine, in the North Sumatra province of Indonesia.
- During the period the Company's Nigerian operations did not perform to expectations resulting in a review of the Calabar and Ewekoro projects. Accordingly, corrective actions will be implemented to rectify issues at Calabar. Furthermore, the Ewekoro contract, will not be renewed and Macmahon will conclude operations in June 2016.

Underground Mining

Macmahon is one of Australia's most experienced underground mining contractors. Specialising in high quality underground and production services, Macmahon's underground service offering includes the ground support services (rock bolting, cable bolting and shotcreting) as well as the full suite of ventilation and access services including shaft sinking, raise drilling and shaft lining.

Project activity

- Macmahon is currently providing a range of raise drilling services, utilising two of its largest raise drilling machines, at BHP Billiton's Olympic Dam Mine in South Australia.
- Additionally, the Company's Underground Mining Services business is currently providing services (including drilling, shotcreting, raise drilling, shaft sinking, cablebolting and engineering design) to a number of projects including the Mount Wright Gold Mine in Queensland for Carpentaria Gold, Ballarat Gold Project in Victoria for Castlemaine Gold Fields and Newcrest Mining's Cadia Project in New South Wales.
- Macmahon is also utilising a new Canadian designed drill rig at Xstrata's George Fisher Mine in North Queensland. This rig is the first of its kind in Macmahon's underground fleet and offers great flexibility in relation to mobility, drill length and drill diameter.

Projects completed

- During the period Macmahon completed its development contract with BHP Billiton at Olympic Dam.
- The Company also completed its contract at Lanfranchi for Panoramic Resources.

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Engineering and Fabrication

Macmahon's engineering and fabrication business unit services internal and external clients in mechanical, structural and civil projects. The Company's engineering and fabrication capability enables it to execute projects from conceptual design through to final acceptance testing.

The engineering division's strength is in underground mine infrastructure including the design, supply & construction of pump stations, conveyor haulage, crusher stations and winding installations.

The dedicated fabrication workshop in Lonsdale, South Australia, is a dual fabrication and fitting facility. This yields a multi-purpose jobbing workshop for supplying specialised structural & mechanical fabrications up to 10 tonne per component and plant maintenance for Macmahon's surface and underground mobile fleet.

Construction and Infrastructure Services

Macmahon's Construction and Infrastructure Services division evolved to meet the needs of clients in the following core areas:

- Earthworks and Site Preparation
- Water Infrastructure
- Roads
- Concrete Works
- Ancillary Infrastructure
- Rail Works

As a fully accredited constructor, Macmahon's focus is on delivering value driven outcomes to clients through the application of innovative solutions and safe and effective work practices. The Construction division also ensures that the Company's contracted maintenance commitments for projects previously delivered to clients are fulfilled.

BUSINESS REVIEW

Safety Performance

The overall safety performance continued to improve with no Lost Time Injuries (LTIs) since September and most of the Company's projects remaining LTI free for the reporting period.

At 31 December 2015, the rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) was 4.42, a 30 per cent improvement from 31 December 2014 (6.33). This is the second year of significant improvement, following a ~40% decrease in the TRIFR from 2013 to 2014.

The Lost Time Injury Frequency Rate (LTIFR) as at 31 December 2015 is 1.23. Whilst this represents an increase from 31 December 2014 (0.84), it is important to note that this rate remains significantly lower than both the Western Australian Mining industry average of 2.2 and the Safe Work Australia average for metalliferous mining of 3.4.

The key safety initiatives and achievements for the period included:

- embedding of the HSEQ Management Committee to oversee group-wide delivery against the Company's HSEQ objectives;
- comprehensive review of the Macmahon safety strategy and policy objectives;
- completion of WHS Officer Training;
- re-certification of ISO accreditation for ISO 9001; ISO 14001; OHSAS 18001 and AS/NZS 4801;
- simplification of safety systems to focus on:
 - visible felt leadership to ensure workforce understand the expectations and are using the right systems and tools to do the job safely
 - stronger risk control focus via regular review of risk registers, layered audits and revised field risk assessment tools
- a number of internal audits of projects and functional areas to improve compliance with company standards and improve the quality of internal processes; and
- improved injury management and reduction in costs with the introduction of Injury Connect and stronger management of return to work programs with projects.

People Performance

At 31 December, the Company employed a workforce of 1,179 direct employees, down from 2,097 direct employees at 31 December 2014. This reduction in manning is largely due to a reduction in projects.

New Projects

As at 31 December 2015, recruitment for the Company's St Ives project had been completed whilst recruitment for the Martabe project was almost complete with most of the wages personnel having started on 3 January 2016. Recruitment for the Telfer project was also well underway with most of the staff roles now in place and a number of roles also placed into the Newcrest team as part of a transition to Macmahon operations.

Employee retention continued to improve with the Group turnover for wages personnel now at 12.3% compared with 23.8% at 31 December 2014 and staff turnover at 15.7% compared with 18.1% at 31 December 2014.

There was also a continued focus on the development of people during the period with 50 trainees at Tropicana undertaking a Certificate III in Surface Mining Extraction along with continued support for 41 apprentices to complete their training programs. Traineeships are expected to be offered to personnel at Telfer and St Ives in due course.

Key achievements for the period included:

- finalisation of the new organisational structure;
- supporting the Tropicana Alliance restructure; and
- preparation and implementation of recruitment, mobilisation, induction and training of personnel across new projects.

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Senior Management Changes

In July 2015 the Board appointed Sybrandt van Dyk to the role of Chief Executive Officer and Managing Director. Mr van Dyk had been with Macmahon since April 2014, when he was appointed as Chief Financial Officer. Prior to joining the Company, Mr van Dyk was at the WesTrac Group where he held a number of senior operational roles, including Chief Operating Officer, Chief Financial Officer and General Manager – Mining.

Filling the vacancy created by Mr van Dyk's promotion, the Company appointed José Martins as Chief Financial Officer in October 2015. Mr Martins joined Macmahon from Ausdrill Limited, where he most recently held the position of Chief Financial Officer.

OUTLOOK

Macmahon expects market conditions to remain challenging over the near term as the mining industry continues to focus on cost savings programs as well as the deferral of non-essential expenditure including capital works and exploration programs. Encouragingly however, during the past six months, Macmahon has seen an increase in the number of contracting opportunities coming to market.

Macmahon has recently been successful in securing a number of new contracts and is currently pursuing other opportunities both in Australia and overseas.

With Macmahon's improved balance sheet position, the Company's strategic focus for the forthcoming period is to:

- successfully execute all new projects (particularly during the start-up phase);
- maintain a low cost base, restrict capital expenditure and pursue ongoing cost improvements;
- continually improve operational and safety performance;
- pursue targeted opportunities in Australia and Overseas in areas where the Company currently operates – particularly in South East Asia; and
- set the foundation to improve shareholder value over the medium term.

Whilst securing new work is a clear priority, Macmahon is remaining disciplined in regards to tendering new work.

Currently, the Board and the Executive Management Team are focused on ensuring the successful commencement of each of the Company's new projects. This effort will be crucial in the coming months given that the Company's financial performance in the second half of 2016 is expected to be impacted by project start-up costs, performance of Nigerian operations and conclusion of most of its Olympic Dam operations.

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FINANCIAL OVERVIEW

Mining Business

\$ million	Dec-15	Dec-14
Segment revenue	174.1	384.9
Segment profit before tax - before significant items	10.4	12.1
Profit before tax margin - before significant items	5.97%	3.10%
Significant items before tax	0.0	(124.4)
Profit / (loss) before tax - after significant items	10.4	(112.3)
Order book	1,573	1,325

Note: This table includes the presentation of sub-totals and line items which represent non IFRS financial information. The Directors consider this presentation to provide useful information to readers.

The Mining Business reported half year revenue of \$174.1 million, down from \$384.9 million in the prior corresponding period. The decrease in revenue was a result of the slow-down of the resources sector with a number of projects coming to an end and a lack of new work commencing during the period.

Profit before tax - before significant items, decreased to \$10.4 million, down from \$12.1 million in the prior corresponding period. Profit before tax margins improved mainly due to lower interest costs incurred during the period.

Significant items in the prior period represented impairment of property, plant and equipment and goodwill, and a write-down of inventory. For further details refer to note 6 of the interim financial statements.

Finance Costs

Net finance costs decreased to \$2.4 million, from \$7.5 million in the prior corresponding period due to lower debt levels across the period.

Tax

The Company's income tax expense for continuing operations was \$0.5 million, compared to a \$2.8 million benefit for the prior corresponding half year period.

The effective tax rate for continuing operations for the half year was 14.5 per cent, compared to the prior half year's tax rate of 2.4 per cent. The effective tax rate for the current period was higher than the prior period as the prior period included significant impairment losses.

The effective tax rate of 14.5 per cent is mainly due to the tax payable on overseas operations at the foreign tax rate. No Australian tax expense is incurred as current period profit has been offset by prior year unrecognised tax assets brought to account in current period. Excluding these adjustments, the effective tax rate for the current period for continuing operations would be 32.8 per cent.

Debt

As at 31 December 2015, cash on hand totalled \$68.7 million (2014: \$124.7 million).

On 31 July 2015, the Company repaid all outstanding debt under the Syndicated Facility Agreement resulting in a net cash position at 31 December 2015 of \$66.7 million.

At 31 December 2015 the Company has a Multi-Option Facility of \$30 million. Finance leases totalling \$2.0 million are also in place.

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Depreciation

Depreciation of property, plant and equipment from continuing operations at 31 December 2015 was \$15.0 million (2014: \$35.0 million). This represented a decrease of 57.1 per cent from the prior corresponding period following the closure of several projects. The vast majority of the Company's plant and equipment is depreciated on cumulative hours worked.

Working Capital

Current trade and other receivables were \$52.4 million at 31 December 2015 compared to \$66.8 million at 30 June 2015.

Current trade and other payables reduced to \$55.2 million at 31 December 2015, compared to \$89.1 million at 30 June 2015. This was largely due to a lower level of creditors resulting from reduced volume of work.

Inventory reduced from \$50.9 million at 30 June 2015 to \$32.3 million at 31 December 2015 in line with the reduction in work levels.

Non-current Assets

At 31 December 2015, the book value of the Company's property, plant and equipment totalled \$132.8 million, a decrease of 6.14 per cent compared to 30 June 2015.

During the period the Company established a joint venture in Indonesia for the Martabe project and accordingly invested \$3.6 million in that business.

Capital Expenditure

The Company continued to transition equipment across projects where possible before purchasing new equipment. Capital expenditure remained similar to the prior corresponding period at \$10.2 million and relates mostly to major component replacements.

Cash Flow

Cash generated from operating activities was an inflow of \$11.7 million, compared to an inflow of \$18.7 million in the prior corresponding period. EBITDA cash conversion was negatively impacted primarily by a reduction in provisions relating to project closures during the half.

Events subsequent to reporting date

The Directors are not aware of any other matter or circumstance arising since 31 December 2015 not otherwise dealt with within the condensed consolidated financial statements that has significantly affected or may significantly affect the operations of the consolidated entity and the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

Capital management

During the period the Company commenced an on-market share buy-back of up to 10% of its fully paid ordinary shares. This initiative is being undertaken as part of the Company's ongoing capital management, at a time when the Company's shares are trading at a significant discount to their net tangible asset value. The share buy-back falls within the '10/12 limit' permitted under the Corporations Act.

Dividends

The Directors have determined that no interim dividend will be declared.

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

The lead auditor's independence declaration is set out on page 13 and forms part of the Directors' Report for the six months ended 31 December 2015.

Macmahon Holdings Limited & its Controlled Entities

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Rounding of amounts

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 [varied by class order 05/641], dated 10 July 1998 and in accordance with that Class Order amounts in the Directors' Report and the Interim Financial Report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors.



Sy van Dyk

Chief Executive Officer

19 February 2016

Perth



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

To: the directors of Macmahon Holdings Limited

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

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

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Denise McComish'.

Denise McComish
Partner

Perth

19 February 2016



Independent auditor's review report to the members of Macmahon Holdings Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Macmahon Holdings Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Denise McComish'.

Denise McComish
Partner

Perth

19 February 2016

Macmahon Holdings Limited & its Controlled Entities

31 December 2015 Interim Financial Report

Directors' declaration

In the opinion of the directors of Macmahon Holdings Limited;

1. The condensed consolidated interim financial statements and notes of the consolidated entity set out on pages 17 to 25 are in accordance with the Corporations Act 2001 including:
 - a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance for the six months ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that Macmahon Holdings Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Sy van Dyk

Chief Executive Officer

19 February 2016

Perth

Macmahon Holdings Limited & its Controlled Entities

31 December 2015 Interim Financial Report

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December

In thousands of AUD

	Note	2015	2014
Revenue from continuing operations		174,112	384,324
Other income		4,363	11,638
		178,475	395,962
Expenses			
Materials and consumables used		(72,700)	(116,569)
Employee benefits expense		(61,477)	(179,233)
Subcontractor costs		(3,753)	(18,600)
Depreciation and amortisation expenses		(15,006)	(34,966)
Equipment and office expenses under operating leases		(9,182)	(14,716)
Other expenses		(8,139)	(10,921)
Net finance costs		(2,376)	(7,537)
		5,842	13,420
Impairment of property, plant, and equipment and goodwill		-	(111,043)
Writedown of inventory		-	(15,701)
Onerous provision raised		(2,058)	(3,514)
Profit / (loss) before income tax from continuing operations		3,784	(116,838)
Income tax (expense) / benefit	6	(548)	2,811
Profit / (loss) after income tax from continuing operations		3,236	(114,027)
Profit from discontinued operations (net of tax)		102	1,574
Profit / (loss) after income tax for the year attributable to equity holders of Macmahon Holdings Limited		3,338	(112,453)
Other comprehensive Income			
Items that are or may be reclassified subsequently to profit and loss			
Net change in fair value of cash flow hedges reclassified to profit or loss (net of tax)		(251)	1,129
Foreign currency translation		(966)	3,653
Effective portion of changes in fair value of cash flow hedges (net of tax)		-	(3,216)
Other comprehensive income for the year, net of tax		(1,217)	1,566
Total comprehensive income / (loss) for the year attributable to equity holders of Macmahon Holdings Limited		2,121	(110,887)
Total comprehensive income / (loss) for the year attributable to:			
Continuing operations		2,019	(112,461)
Discontinued operations		102	1,574
		2,121	(110,887)
Earnings / (loss) per share			
Basic earnings / (loss) per share (cents)		0.27	(8.91)
Diluted earnings / (loss) per share (cents)		0.26	(8.91)
Earnings / (loss) per share - continuing operations			
Basic earnings / (loss) per share (cents)		0.26	(9.04)
Diluted earnings / (loss) per share (cents)		0.25	(9.04)

The notes on pages 21 to 25 are an integral part of these condensed consolidated interim financial statements.

Macmahon Holdings Limited & its Controlled Entities

31 December 2015 Interim Financial Report

Condensed consolidated statement of financial position

As at

In thousands of AUD

	Note	31-Dec-15	30-Jun-15
Assets			
Current assets			
Cash and cash equivalents		68,704	236,892
Trade and other receivables		52,462	66,842
Inventories		32,289	50,908
Derivative financial instruments		-	359
Income tax receivable		14,734	14,671
		168,189	369,672
Assets classified as held for sale		9,793	12,900
Total current assets		177,982	382,572
Non-current assets			
Investments accounted for using the equity method		3,681	171
Property, plant and equipment	7	133,236	141,479
Intangibles		-	21
Deferred tax		-	66
Total non-current assets		136,917	141,737
Total assets		314,899	524,309
Liabilities			
Current liabilities			
Trade and other payables		55,182	89,056
Borrowings	8	1,957	162,405
Derivative financial instruments		-	8,206
Income tax payable		-	1,854
Employee benefits		13,624	16,804
Provisions		17,710	19,830
		88,473	298,155
Liabilities directly associated with assets classified as held for sale		2,390	3,163
Total current liabilities		90,863	301,318
Non-current liabilities			
Borrowings	8	-	280
Employee benefits		901	901
Total non-current liabilities		901	1,181
Total liabilities		91,764	302,499
Net assets		223,135	221,810
Equity			
Issued Capital	9	390,238	391,390
Reserves		(2,685)	(1,468)
Accumulated losses		(164,418)	(168,112)
Total equity		223,135	221,810

The notes on pages 21 to 25 are an integral part of these condensed consolidated interim financial statements.

Macmahon Holdings Limited & its Controlled Entities

31 December 2014 Interim Financial Report

Condensed consolidated statement of changes in equity

For the six months ended 31 December

In thousands of AUD

	Share capital	Reserves	Accumulated Losses	Total equity
Balance at 1 July 2015	391,390	(1,468)	(168,112)	221,810
Profit for the period	-	-	3,338	3,338
Other comprehensive income for the period (net of tax)	-	(1,217)	-	(1,217)
Total comprehensive income for the period (net of tax)	-	(1,217)	3,338	2,121
Transactions with owners, recorded directly in equity:				
<i>Contributions by and distributions to owners</i>				
Share buy-back (note 9)	(1,152)	-	-	(1,152)
Share-based payment transactions	-	-	356	356
Total transactions with owners	(1,152)	-	356	(796)
Balance at 31 December 2015	390,238	(2,685)	(164,418)	223,135

	Share capital	Reserves	Accumulated Losses	Total equity
Balance at 1 July 2014	391,390	(9,069)	49,846	432,167
Loss for the period	-	-	(112,453)	(112,453)
Other comprehensive income for the period (net of tax)	-	1,566	-	1,566
Total comprehensive income for the period (net of tax)	-	1,566	(112,453)	(110,887)
Transactions with owners, recorded directly in equity:				
<i>Contributions by and distributions to owners</i>				
Share-based payment transactions	-	-	1,026	1,026
Total transactions with owners	-	-	1,026	1,026
Balance at 31 December 2014	391,390	(7,503)	(61,581)	322,306

The notes on pages 21 to 25 are an integral part of these condensed consolidated interim financial statements.

Macmahon Holdings Limited & its Controlled Entities

31 December 2015 Interim Financial Report

Condensed consolidated statement of cash flows

For the six months ended 31 December

In thousands of AUD

	Note	2015	2014
Cash flows from operating activities			
Receipts from customers		207,769	443,266
Payments to suppliers and employees		(196,190)	(425,630)
Net receipts from joint venture entities		134	1,084
Cash generated from / (used in) operating activities		11,713	18,720
Interest paid		(1,695)	(6,445)
Interest received		736	1,004
Income taxes (paid) / received		(2,398)	13,953
Net cash from / (used in) operating activities		8,356	27,232
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and assets held for sale	7	8,595	2,756
Payment for property, plant and equipment	7	(10,227)	(10,278)
Investment in joint venture		(3,558)	-
Net cash used in investing activities		(5,190)	(7,522)
Cash flows from financing activities			
Share buy-back	9	(1,152)	-
Repayment of borrowings	8	(159,000)	(1,507)
Settlement of derivatives		(9,205)	(4,807)
Repayment of finance lease / hire purchase liabilities		(1,726)	-
Net cash used in financing activities		(171,083)	(6,314)
Net (decrease) / increase in cash and cash equivalents		(167,917)	13,396
Effect of exchange rate changes on the balance of cash held in foreign currencies		(272)	1,918
Cash and cash equivalents at beginning of period		236,892	109,424
Cash and cash equivalents at end of period		68,704	124,738

The notes on pages 21 to 25 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Macmahon Holdings Limited (the "Company") is a for profit company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interests in jointly controlled entities.

The principal activities of the consolidated entity for the six months ended 31 December 2015 consisted of the provision of contract mining services (inclusive of infrastructure services).

The consolidated annual financial statements of the consolidated entity as at and for the year ended 30 June 2015 are available upon request at the Company's registered office at 15 Hudswell Road, PERTH AIRPORT, 6105, Western Australia or at www.macmahon.com.au.

2. Basis of preparation

These condensed consolidated interim financial statements for the half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the consolidated entity as at and for the year ended 30 June 2015.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2015.

3. Significant accounting policies

The accounting policies applied in these interim 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 2015.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Applicable standards that have been adopted for the half year ended 31 December 2015 are;

- AASB 2015-3: Withdrawal of AASB 1031 Materiality
- AASB 2015-4: Financial Reporting Requirements for Australian Groups with a foreign parent

The above have had no significant impact to the financial statements.

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

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2015.

Notes to the condensed consolidated interim financial statements

5. Operating segments

Identification of reportable operating segments

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

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

Operating segment information for the six months ended 31 December

Consolidated - 2015	Mining \$'000	Unallocated \$'000	Total \$'000
Revenue			
Total reportable segment revenue	174,112	392	174,504
Total revenue	174,112	392	174,504
Earnings before interest, tax, depreciation and amortisation	27,946	(4,619)	23,328
Interest income	40	697	736
Finance costs	(3,924)	810	(3,114)
Depreciation and amortisation	(13,675)	(1,331)	(15,006)
Onerous lease provision	-	(2,058)	(2,058)
Profit/(loss) before income tax expense	10,387	(6,501)	3,886
Income tax expense			(548)
Profit after income tax expense			3,338
Assets			
Segment assets	232,052	82,847	314,899
Total assets			314,899
Liabilities			
Segment liabilities	75,847	15,917	91,764
Total liabilities			91,764
Capital Expenditure	11,025	238	11,263

Macmahon Holdings Limited & its Controlled Entities

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Notes to the condensed consolidated interim financial statements

5. Operating segments (continued)

	Mining \$'000	Unallocated \$'000	Total \$'000
Consolidated - for the six months ended 31 December 2014			
Revenue			
Total reportable segment revenue	384,851	4,212	389,063
Total revenue	384,851	4,212	389,063
Earnings before interest, tax, depreciation and amortisation	52,559	5,902	58,461
Interest income	160	844	1,004
Finance costs	(7,090)	(1,648)	(8,738)
Depreciation and amortisation	(33,628)	(1,431)	(35,059)
Impairment of property, plant and equipment and goodwill	(108,736)	(2,307)	(111,043)
Writedown of inventory and onerous lease provision	(15,701)	(3,514)	(19,215)
Profit/(loss) before income tax expense	(112,436)	(2,154)	(114,590)
Income tax benefit			2,137
Loss after income tax expense			(112,453)
Consolidated - as at 30 June 2015			
Assets			
Segment assets	273,296	251,013	524,309
Total assets			524,309
Liabilities			
Segment liabilities	123,133	179,366	302,499
Total liabilities			302,499
Capital Expenditure	17,465	2,203	19,668

Geographical information

	Sales to external customers for the period ending		Geographical non-current assets as at	
	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	30 June 2015 \$'000
Australia	150,196	336,993	118,094	121,749
Other	24,308	52,070	18,823	19,988
	174,504	389,063	136,917	141,737

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

Notes to the condensed consolidated interim financial statements

6. Income tax expense

The Company's income tax expense for continuing operations was \$0.5 million, compared to a \$2.8 million benefit for the prior corresponding half year period.

The effective tax rate for continuing operations for the half year was 14.5 per cent expense, compared to the prior half year's tax rate of 2.4 per cent benefit. The effective tax rate for the current period was higher than the prior period as the prior period included significant impairment losses.

The effective tax rate of 14.5 per cent is mainly due to the tax payable on overseas operations at the foreign tax rate. No Australian tax expense is incurred as current period profit has been offset by prior year unrecognised tax assets brought to account in current period. Excluding these adjustments, the effective tax rate for the current period for continuing operations would be 32.8 per cent.

7. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2015, the consolidated entity acquired property, plant and equipment totaling \$10.2 million (six months ended 31 December 2014: \$10.3 million). No finance leases were acquired during the period (six months ended 31 December 2014: Nil).

Property, plant and equipment with a carrying value of \$7.0 million (including \$2.0 million assets held for sale) was disposed during the six months ended 31 December 2015 (six months ended 31 December 2014: \$2.9 million), resulting in a gain on disposal of \$1.6 million (six months ended 31 December 2014 loss on disposal: \$0.2 million) in the condensed consolidated statement of profit and loss.

Capital commitments

As at 31 December 2015, the consolidated entity had entered into contracts to purchase plant and equipment totaling \$0.8 million (as at 31 December 2014: \$28.0 million).

8. Borrowings

Following the sale of its Mongolian business in June 2015, the Company repaid all its outstanding debt under the Syndicated Facility Agreement on 31 July 2015 and closed out the corresponding interest rate swaps. In November 2015 the Company executed a \$30 million multi-option financing facility. The twelve month revolving facility which matures on 17 November 2016 can be used for general corporate purposes. The facility is drawn at 31 December 2015 for bank guarantees that amount to \$5.6 million. The consolidated entities 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 facility.

The table below summarises movements in borrowings (both current and non-current) during the six months ended 31 December 2015;

In thousands of AUD

	Currency	Carrying Amount
Balance at 1 July 2015	AUD	162,685
Repayments		
Repayment of Syndicated Facility Agreement	AUD	(159,000)
Repayment of finance lease liabilities	NGN	(1,728)
Balance at 31 December 2015	AUD	1,957

At 31 December 2015, the domestic operating lease facility was drawn to \$35.2 million (as at 30 June 2015: \$41.3 million).

Notes to the condensed consolidated interim financial statements

9. Share capital

	The Company	
	No. ordinary shares ('000)	
	2015	2014
On issue at 1 July	1,261,700	1,261,700
Repurchased and cancelled	(12,075)	-
On issue at 31 December	1,249,625	1,261,700

Share buy-back

On 6 October 2015, the Company announced its intention to commence an on-market share buy-back of up to ten per cent of its fully paid ordinary shares over a twelve month period. A total of 12,075,340 shares have been purchased for \$1,152,000 as at 31 December 2015.

10. Contingent liabilities

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.

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

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. The quantum of the claim has not been specified and relates to disclosures by Macmahon in 2012 regarding the now completed Hope Downs 4 contract.

The company denies any wrong doing and is defending the proceeding.

11. Subsequent events

The Directors are not aware of any other matter or circumstance arising since 31 December 2015 not otherwise dealt with within the condensed consolidated interim financial statements that has significantly affected or may significantly affect the operations of the consolidated entity and the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.