

 **MACMAHON**

15/16
ANNUAL REPORT



Quiet Determination

CHAIRMAN'S REVIEW	2
OPERATIONAL AND FINANCIAL REVIEW	
OPERATIONAL	4
FINANCIAL	6
BUSINESS STRATEGY	8
RISK MANAGEMENT	10
CORPORATE RESPONSIBILITY	
SAFETY	12
PEOPLE	13
ENVIRONMENT	14
THE BOARD	15
THE EXECUTIVE TEAM	16
DIRECTORS' REPORT	17
REMUNERATION REPORT	21
FINANCIAL REPORT	30



Demonstrating resilience through the cycle

2016 has seen a continuation of the challenging market conditions that have characterised the resources services sector for the past few years. In this operating environment we have continued to pursue our goals with tenacity and determination whilst at the same time adjusting our business model to meet the challenges before us and to best position the Company for the future.



Chairman's Review

2016 has seen a continuation of the challenging market conditions that have characterised the resources services sector for the past few years. In this difficult operating environment we have continued to pursue our goals with tenacity and determination whilst at the same time adjusting our business model to meet the challenges before us and to best position the Company for the future.

Whilst in recent months we have observed a small uplift in some commodity prices, confidence levels across the broader market remained subdued throughout most of the year, resulting in a limited number of greenfield tender opportunities for Macmahon. In regards to brownfield projects, the Company did participate in numerous tender opportunities as mining companies continued to pursue further cost savings and productivity gains.

Pleasingly, prior to Christmas, Macmahon was successful in securing two new projects in Australia and another new project in Indonesia (in joint venture with a local partner). These surface mining contract awards clearly demonstrated our ability to provide value added solutions to our clients at a time when they are needed most. Importantly, the Company's ongoing focus on safety, and our commitment to working closely with our clients to provide a safe and productive workplace, was a critical component in securing this new work.

During the year the Board continued to focus on our core objectives – being to constantly refine our business model, further reduce our operating costs and maintain our healthy balance sheet.

We also maintained a strong focus on capital management and in October 2015 commenced a buy-back program of 10% of the Company's fully paid ordinary shares over a twelve month period. The Board is of the view that the average share price during the period did not reflect the fair value of the Company, particularly in light of the Company's current cash reserves and therefore considered the share buy-back a sound use of available capital.

FINANCIAL PERFORMANCE

Whilst our current financial position remains sound, the Company recorded a net profit after tax of only \$1.7 million for the 2016 financial year. This result reflects performance issues at our Nigerian operations, losses incurred at Telfer due primarily to start-up costs, complicated site conditions and additional maintenance rectification costs for client supplied equipment, as well as a lack of new work in our underground business following the completion of our development contract at Olympic Dam in the first half. These issues have been a core priority for the Board and Management Team and we are working diligently to address them.

The Board has determined that no dividend will be declared for the year ending 30 June 2016, as we believe the current share buy-back is the most effective way to return capital to our shareholders. This initiative expires in October 2016. The Board remains committed to returning value to shareholders and will continue to consider various capital management initiatives in the year ahead.



PEOPLE

Whilst the past 12 months have been challenging for our people we have worked hard to do 'more with less' and I have been extremely impressed with the level of professionalism and dedication shown by our workforce at large. I am very proud of what we have been able to achieve, particularly in regards to the safe start-up of our new projects over the Christmas and New Year period and I think it reflects the determination of our people to succeed and the pride they have in the work they do.

Moving forward, our focus will be on ensuring that we have the right level of resourcing to successfully execute our current workload. This will mean maintaining tight control over our overheads whilst also ensuring that we have the appropriate level of capability and expertise throughout the organisation to deliver on our contractual obligations.

Our leadership team has a clear objective to deliver improved returns to shareholders through enhanced operational performance and I am confident that we will address the issues currently impacting the business and successfully deliver on this objective.

Nigerian kidnapping incident

On 22 June 2016, five Macmahon employees and two sub-contractors were abducted by armed gunmen whilst travelling to our project office near Calabar, Nigeria.

Thankfully, after a significant effort by the Macmahon Crisis Management Team, Nigerian authorities as well as government authorities in Australia, New Zealand and South Africa, we were successful in achieving the safe release of all seven men.

I am incredibly proud of the professionalism shown by our team who worked around the clock in locations around the world to achieve this great result. I would also like to commend the men involved for their bravery and particularly thank their families for working so closely with us during what was an extremely difficult and stressful time.

I would like to acknowledge the many companies, both here in Australia and in Africa who called to offer their assistance. The level of support from so many sources was humbling, and demonstrates the mateship amongst Australia's miners operating around the globe.

Tragically during this incident one of our sub-contractors, Matthew Odok, was fatally injured. Our thoughts and prayers are with his family, work colleagues and friends.

STRATEGY AND OUTLOOK

As I said in my introduction market conditions remain challenging, however the mining industry has started to show signs of improvement and I would expect to see this trend flow through to the mining services sector in the near future.

In relation to Macmahon in particular, over the near term we expect our profitability to be impacted by the issues mentioned above in Nigeria and at Telfer. However, on a positive note, volumes at Tropicana are expected to expand and discussions are currently underway with our client regarding a potential future scope increase. Furthermore, there is continued upside opportunity from the disposal of surplus assets and inventory currently sitting on our balance sheet.

Our strategy during this period is to remain focused on our existing projects and ensure that we deliver on our contractual obligations in a safe and efficient manner. Revenue for FY17 is expected to be in the range of \$350 - \$370 million with more than \$320 million already contracted. Importantly, our current order book runs for another 5 years and as such, we are well positioned financially, to see this downturn through to more buoyant times.

Whilst successfully delivering our existing projects is paramount, securing new work is still a priority, however we are remaining disciplined in regards to the margins we are willing to accept when tendering new work.

Pleasingly, the Company is currently tendering a number of tenders, both in Australia and overseas. This work is spread across a range of commodities including coal, copper, gold, and lithium.

GOVERNANCE AND THE BOARD


The Board remains committed to maintaining the highest standards of governance, compliance, business ethics and safety performance. We believe that good corporate governance is critical to the long term sustainability of any organisation.

With this in mind we have continued to monitor and review our corporate governance and reporting practices to ensure alignment with the latest ASX principles and recommendations. In addition to this report, our corporate governance statement can be found on our website, and we encourage all shareholders to read it.

SHAREHOLDERS AND SUPPLIERS

Finally, I wish to acknowledge and thank our shareholders and our suppliers for their ongoing support during the year. This has been a challenging period for Macmahon and the sector more broadly and I thank you for your patience and trust in the Company.

We remain firmly committed to returning Macmahon to sustainable profitability and to achieving the returns that our shareholders deserve.



Jim Walker

CHAIRMAN

Operational Review

Macmahon offers the complete package of mining services to clients in Australia, New Zealand, South East Asia and Africa. Headquartered in Perth, Western Australia, the Company has extensive knowledge and experience in both surface and underground mining as well as engineering design and fabrication, and maintenance services.



SURFACE MINING

Macmahon offers a full range of surface mining services, including [but not limited to] mine planning, drill and blast, bulk and selective mining, crushing and screening, materials handling, resource infrastructure development and plant operation and maintenance.

Project activity

- Macmahon is currently providing a full range of mining services at the Tropicana Gold Mine in Western Australia for Anglo Gold Ashanti and Independence Group. Operations continued to perform well during the year with the introduction of new operating methodologies which resulted in the achievement of industry best productivity and efficiency benchmarks and record production levels towards the end of the reporting period. Excitingly, there are further opportunities to improve performance and the collective site teams are focused on materialising these opportunities. Importantly, the Company's unique relationship remains very strong and is highly valued by Macmahon. This relationship has been a key factor in identifying and unlocking the improvements required to continually reduce base operating costs and extend the mine life. The contract is based on a Life of Mine principle and discussions are currently underway regarding the transition to a significant increase in scope should the Long Island study achieve a positive outcome early next year.
- In November 2015 the Company was awarded a contract by St Ives Gold Mining Company Pty Ltd, to provide plant and personnel for large scale open cut mining operations to the St Ives Gold Mine near Kambalda in Western Australia. The fleet has been sourced from Macmahon's idle equipment inventory, and is being used to deliver additional capacity to the St Ives Gold Mine. Since the original contract announcement, Macmahon has been awarded an extension for a further 24 months, highlighting the Company's ongoing performance and relationship with the client. The extension has included adjustments to the original contract structure based on learnings during the initial phase and appropriate incentives to enhance production on site.
- Also in November 2015 the Company was awarded a contract by Newcrest Mining Limited to undertake contract mining services at its Telfer operation. Under this contract, Macmahon is providing the full scope of open pit mining and bulk earthworks related services, including drill and blast, mining of waste materials, equipment hire and subcontractor management.
- During the period Macmahon continued to fulfil its 3 year contract with Rio Tinto to manage its tailings dam operations at the Argyle Diamond Mine in Western Australia.

UNDERGROUND MINING

Macmahon has a strong track record of providing high quality underground development and production services. The Company's underground capability also includes the full suite of ground support services [rock bolting, cable bolting and shotcreting] as well as ventilation and access services including shaft sinking, raise drilling and shaft lining.

Project activity

- Macmahon's Mining Services business is currently providing a range of services [including drilling, shotcreting, raise drilling, shaft sinking and engineering design] to a number of projects including the Mount Wright Gold Mine in Queensland for Carpentaria Gold and the Ballarat Gold Project in Victoria for Castlemaine Gold Fields.
- Macmahon is also providing raise drilling services at BHP Billiton's Olympic Dam Mine in South Australia. Macmahon has been active at this site for more than 10 years with the current scope of works contracted to 2018.
- Separately, the Company is also undertaking cablebolting activities at Newcrest Mining's Cadia Project in New South Wales where it has maintained a presence since 2008.
- During the period Macmahon continued to provide care and maintenance services at the Ranger Mine in the Northern Territory for Energy Resources of Australia.

Projects completed

- In September 2015, Macmahon successfully completed its underground development contract at BHP Billiton's Olympic Dam Mine in South Australia.
- In March 2016, Macmahon also completed its underground mining service contract at Olympic Dam.
- In April 2016 the Company's 'Big-Rig' Herrenknecht RBR900 raisedrill also completed its project at Olympic Dam. It has now been mobilised to a new project in Western Australia where it will commence operations early in the new financial year.
- Macmahon's Mining Services business successfully completed operations at the Lanfranchi and Savannah Mines in Western Australia for Panoramic Resources.
- During the period the Company also completed its drilling contract at George Fisher utilising a new Canadian designed drill rig. This rig was the first of its kind in Macmahon's underground fleet and was able to deliver greater flexibility in relation to mobility, drill length and drill diameter.

Other achievements

Almost two years to the day since setting a world record for underground production drilling, Macmahon has again set a new record with the same machine at the same mine – this time for the highest number of metres drilled in a single shift.

The new record of 564m drilled in a single shift was set at Carpentaria Gold's Mount Wright mine at Ravenswood, the same mine where Macmahon set the June 2014 record for production drilling by a single rig – recording a staggering 20,272m in just one month.

INTERNATIONAL OPERATIONS

Macmahon has a 25+ year track record of successfully operating overseas.

The Company's operations span a number of locations including Indonesia, Malaysia and Nigeria. Macmahon provides a range of mining services in these locations.

Due to heightened security concerns, Macmahon is currently reviewing whether it should continue its business in Nigeria. If Macmahon decides to withdraw from Nigeria, possible Foreign Currency Translation Reserve (FCTR) losses will be reclassified to the Profit and Loss statement. The current FCTR loss is \$6.4 million.

Project activity – South East Asia

- In November 2015 the Company was awarded a contract by PT Agincourt Resources to provide mining services at the Martabe gold mine, in the North Sumatran province of Indonesia. The contract is being delivered by Macmahon in a 50:50 joint venture with a leading Indonesian contractor with the award being made following a competitive tendering process involving several mining contractors from Australia and Indonesia. Since its start up over the Christmas period, this project has exceeded production targets and the relationship with the client and the community has continued to strengthen.
- Separately, Macmahon continues to provide a range of mining services for LafargeHolcim at operations in Malaysia and Indonesia and these operations have performed as expected.

Project activity – Africa

Ewekoro

- In April 2016, Macmahon concluded its contract with LafargeHolcim at the Ewekoro mine in Nigeria. Disappointingly, in the lead up to the cessation of activities, the Company endured a period of industrial action, which in turn had a negative impact on performance towards the end of this project. The project also incurred higher than expected demobilisation costs.

Calabar

- Operations at Calabar incurred losses during the year due to low volumes and high equipment rental and maintenance costs. Financial performance in FY17 is at risk if these issues persist.

Financial Review

PROFIT AND LOSS

Income

The Company reported total revenue of \$347.4 million. Revenue was lower than the 2015 financial year, largely due to the completion of the Waihi, Eaglefield, Tavan Tolgoi and the Christmas Creek 2 projects. Additionally the underground development contract at Olympic Dam ended in October 2015, and the Olympic Dam mining service contract ended in March 2016, however, this was partially offset by revenues from new contracts that commenced during the year at St Ives in December 2015 and Telfer in February 2016.

The Company reported a consolidated profit after tax of \$1.7 million for the 2016 financial year. This compares favourably to the loss after income tax for 2015 of \$217.9 million. This year's net profit includes a significant one off item, being an additional provision against onerous lease of \$1.4 million after tax. Excluding the significant one off item, the Company reported an underlying Net Profit After Tax of \$3.1 which is lower than the \$10 million underlying profit in 2015 and is mainly attributable to the lower volume of work, the conclusion of a major underground contract, ongoing performance issues in Nigeria and issues at Telfer. Significant items in the prior year represented impairment of property, plant and equipment and goodwill, and a write-down of inventory.



Expenditure

Recurring expenditure from continuing operations (consisting of materials, sub-contractors, operating leases and personnel costs) was \$305.9 million. This was lower than the prior year and was mainly as a result of the lower revenue.

Depreciation of property, plant and equipment from continuing operations for the 2016 financial year was \$33.1 million and decreased in line with revenue. The vast majority of the Company's plant and equipment is depreciated on cumulative hours worked.

Net finance costs of \$2.4 million, was lower than the 2015 financial year. The decrease was as a result of the repayment of the Company's Syndicated Debt Facility and lower debt levels during the year.

Tax Expense

The Group reported a tax expense of \$0.4 million for continuing operations. The effective tax rate for continuing operations is slightly lower than 30% primarily due to profit being earned in foreign jurisdictions.

Other Comprehensive Income

Included in Other Comprehensive Income is an amount of \$9.3 million being a foreign currency translation loss that is currently reflected as part of Reserves on the balance sheet. A substantial portion of this loss relates to the Nigerian operations and reflects the material devaluation of the Nigerian Naira in June 2016. The portion of foreign currency translation reserve loss (\$6.4 million at 30 June 2016) applicable to Nigeria will be reclassified to the profit and loss at the time of cessation of operations in Nigeria.

Dividend and Capital Management

The Board has determined that a dividend will not be declared for the year ending 30 June 2016, as it believes the current share buy-back is the most effective way to return capital to shareholders.

The initiative, which commenced in October 2015, will see the Company buy back, on market, up to 10% of its fully paid ordinary shares. The share buy-back falls within the "10/12" limit permitted under the Corporations Act and forms part of the Company's ongoing capital management, at times when the Company's shares trade at a significant discount to their net tangible asset value. The Board remains committed to returning value to shareholders and will continue to consider various capital management initiatives in the year ahead.

BALANCE SHEET

Financing

The Company's balance sheet is in a strong position, with a cash balance of \$56.7 million at year end against a total debt of \$0.2 million. This resulted in a net cash position of \$56.5 million.

On 31 July 2015, the Company repaid the Syndicated Debt Facility in full. The Company has a general purpose corporate facility of \$30 million which expires in November 2016. This facility has no drawn debt and is currently used for bank guarantees. The Company is in the process of renegotiating the facility to extend it by at least another one year on improved terms.

Working Capital

Current trade and other receivables were \$59.6 million at 30 June 2016 [\$66.8 million in 2015] while current trade and other payables were \$61.4 million at 30 June 2016 [\$89.1 million in 2015]. The reduction in payables was largely due to a lower level of creditors from reduced volume of work. Inventory reduced from \$50.9 million in 2015 to \$37.3 million in line with the reduced volume of work.

Non-current Assets

As at 30 June 2016, the value of the Company's property, plant and equipment totalled \$124.6 million, compared to \$141.5 million in the prior year. The reduction in property plant and equipment was driven largely by depreciation and asset sales.

Despite the closure of several projects, the Company has redeployed some of its surplus equipment to existing projects and as a result maintains a manageable level of idle equipment. Management recognises the importance of discipline with regards to its capital expenditure and will seek to transition idle fleet when appropriate either via deployment to new projects or disposal.

During the year the Company established a joint venture in Indonesia for the Martabe Project and accordingly invested \$5.6 million in that business.

Cash Flow

Net operating cash during the year totalled \$9.1 million compared to \$53.8 million in 2015. EBITDA cash conversion was negatively impacted by a reduction in provisions relating to project closures during the year as well as the higher net working capital in 2016.

The Company realised \$17.6 million from sales of surplus and idle assets. Offsetting this inflow the Company incurred capital expenditure of \$23.5 million, mainly on existing projects, and invested \$5.6 million in the Martabe joint venture.

Net cash outflows from financing activities in the 2016 financial year totalled \$177.0 million comprising repayment of borrowings and associated costs of \$171.6 million and share buy back of \$5.4 million.

Business Strategy

Macmahon's core objective is to secure and deliver work safely, profitably and consistently in order to deliver sustainable returns to shareholders.

To achieve this objective the Company remains focused on securing new work by capitalising on its reputation as a highly experienced contractor with proven mining capabilities.

Additionally, in an effort to achieve a greater competitive advantage in what has become a highly congested mining services market, Macmahon is currently investigating a range of options to:

- 1) broaden its current capability through developing enhanced technology solutions,
- 2) improve existing systems and processes to drive productivity and efficiency gains,
- 3) develop a culture of innovation and flexibility by investing further in human capital.

These initiatives, combined with the current business unit strategies outlined below, are currently in the process of being developed to ensure that Macmahon can continue to offer differentiated, value driven solutions to clients well into the future.

Business Unit Strategic Areas of Focus

The safety of our people is our number one priority and is at the core of the following areas of focus:

- Macmahon's core domestic Surface Mining business strategy revolves primarily around operational excellence, customer focus and project selection, ensuring that the business increases its contract retention and tender win rates while maintaining discipline on the use of its balance sheet and resources,
- In its Underground Mining business, Macmahon's strategic focus is on bolstering its client engagement activities and developing a competitive advantage through the implementation of a range of new technologies and cost effective mining techniques, and
- Internationally, Macmahon's strategy is to capitalise on its foothold in South East Asia, whilst continuing to assess opportunities with blue chip clients in locations where the Company deems there is an acceptable level of risk.

The Macmahon Way

The Macmahon Business System is the cornerstone for how we undertake our work and ensure that we achieve strategic business objectives. Our systems are an essential element of our business and serves to meet customer requirements, keep our people safe, reduce business risk, improve profitability and demonstrate responsible management to our stakeholders. We believe that we can minimise risk and improve performance by having clear and comprehensive documented processes which guide the behaviour of our leaders and employees.

With the restructure of the business, we recognised the need to ensure that our systems are updated to reflect these changes. During the year we reviewed our business processes to ensure they are effective and deliver efficient outcomes for the business. We realise that further work is needed to continually improve our systems to meet a changing environment, to ensure the capture and retention of our specialised corporate and operational knowledge and to embed efficiencies in the way we work.

Our health and safety, environment and quality systems continue to be independently certified by the BSI Group (British Standards Institution) as meeting the requirements of: ISO 14001, (Environment); OHSAS 18001 and AS/NZS 4801 (Health and Safety); and ISO 9001 (Quality). Our systems have also been developed to meet the requirements of ISO 31000 (Risk Management).



OUR SERVICES



SURFACE MINING

- MINE PLANNING
- MINE MANAGEMENT
- DRILLING AND BLASTING
- MINING (BULK AND SELECTIVE)
- CRUSHING AND SCREENING
- FIXED PLANT MAINTENANCE
- CAMP AND MINE MANAGEMENT
- TRAIN LOADOUT MANAGEMENT
- OPERATE AND MAINTAIN CLIENT EQUIPMENT



UNDERGROUND MINING

- TOTAL MINE MANAGEMENT
- UNDERGROUND DEVELOPMENT
- UNDERGROUND PRODUCTION
- PORTAL ESTABLISHMENT
- RAISED DRILLING
- CABLE BOLTING
- SHOTCRETING
- REMOTE SHAFT LINING
- PRODUCTION DRILLING
- SHAFT SINKING



PLANT, MAINTENANCE AND ENGINEERING

- COMMISSIONING, SHUTDOWN AND MAINTENANCE MANAGEMENT
- OPERATION AND MAINTENANCE OF CLIENT-OWNED PLANT AND INFRASTRUCTURE
- WATER MANAGEMENT AND TAILINGS DAM MAINTENANCE SERVICES
- MODIFICATION TO EXISTING PLANT TO SUIT CLIENTS' NEEDS
- DESIGN, CONSTRUCT, COMMISSION AND MAINTAIN CRUSHING AND SCREENING PLANT
- FABRICATION, INSTALLATION AND MAINTENANCE OF STRUCTURAL, MECHANICAL, MINING AND ELECTRICAL PLANT AND EQUIPMENT FOR SURFACE AND UNDERGROUND CLIENTS
- SPECIALISED ENGINEERING - ORE FLOW SYSTEM MANAGEMENT
- 3D SCANNING AND MODELLING
- SPECIALISED SERVICE TEAM

AT A GLANCE

TOTAL
WORKFORCE OF
~1500



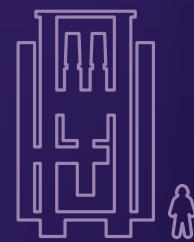
5.5
MILLION
MAN HOURS WORKED



OVER
100
EXCAVATORS AND LOADERS



OVER
150
DUMPTRUCKS

WORLD'S MOST
POWERFUL
RAISED DRILL

OPERATING
ACROSS
THREE
CONTINENTS



WORLD
CLASS
MAINTENANCE FACILITIES



Over
50
DRILL RIGS



Risk Management

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

Macmahon's risk management framework is embedded within existing processes and is aligned to the Company's strategic business objectives. 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 affect the achievement of these objectives.

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 monitored and managed and considered by investors before investing in the Company.

Health, Safety and Environment ("HSE") Risk

The mining industry involves a high degree of operational risk and whilst Macmahon believes it takes reasonable precautions to manage safety and environmental risks, there can be no assurance that the Company will avoid significant costs, liability and penalties or criminal prosecution. This risk is mitigated by progressively improving on already high safety performance standards across the business. Central to this is the Company's Safety Risk Management processes and Lifesaving Rules which are well embedded and embraced across our business.

Security Risk

Some of Macmahon's projects are in areas where there is a heightened security risk.

For overseas projects Macmahon has in place a number of security risk processes, including specialist travel and in-country risk advisory systems to ensure all travellers and expatriate workers are kept updated on security and travel risks for any country they may be travelling to. In country risk is managed via site security and journey management plans.

Project Delivery Risk

The execution and delivery of projects involves judgment regarding the planning, development and operation of complex operating facilities and equipment. Some parts of Macmahon's business are involved in large-scale, complex projects that may occur over extended time periods. As a result, the Company's operations, cash flows and liquidity could be affected if Macmahon miscalculates the resources or time needed to complete a project, if it fails to meet contractual obligations, or if it encounters delays or unspecified conditions.

Competition Risk

The market in which Macmahon operates is highly competitive, which may result in downward pressure on prices and margins. If Macmahon is unable to compete effectively in its markets, it runs the risk of losing market share.

Demand Risk

Macmahon derives revenue predominately from the mining and resources market. In this market, the timing of or failure to obtain contracts, delays in awards of contracts, cancellations, delays in completion, changes in economic conditions, volatile cyclical nature of commodity prices and demand for our customers' goods and services means that the demand for Macmahon's goods and services can be cyclical and may sometimes vary markedly over relatively short periods. Accordingly, any change to these markets or key customers could impact Macmahon's financial performance.

Order Book Risk

Generally in the mining industry, most contracts can be terminated for convenience by the customer at short notice and without penalty with the customer paying for all work completed to date, unused material and in most cases demobilisation from the site and redundancies. As a result, there can be no assurance that work in hand will be realised as revenue in any future period. In Macmahon's business, this risk is increased by the high percentage of its revenue that is derived from a single project. Macmahon is selective in the contracts that it enters into and always seeks to extend contracts where possible in an effort to maximise its return on capital.

Contract Pricing Risk

Macmahon has mixed exposure of contract types. However, if the Company materially underestimates the cost of providing services, equipment, or plant, there is a risk of a negative impact on Macmahon's financial performance.

Contractual Risk

Macmahon operates under contracts that are generally complex and require skill to administer correctly. From time to time, the Company is involved in disputes with clients about contractual entitlements. If the Company fails to provide the necessary documentation to substantiate claims or is otherwise unsuccessful in negotiating a reasonable settlement, Macmahon's financial performance could be affected.

Legal Claims and Proceedings Risk

Macmahon may be subject to various claims or legal proceedings which arise in the ordinary course of business. These claims may seek, amongst others things, compensation for alleged personal injury, workers compensation, breach of work place practices, breach of contract or statutory duty, property damage, liquidated damages and contractual claims. The outcomes of these disputes can be difficult to predict. An adverse determination on such claims or proceedings may harm our reputation and in certain instances where our insurance coverage is inadequate, may cause a material negative impact on any one year's financial performance.

Liquidity Risk

The risk of Macmahon not being able to meet its financial obligations as they fall due is managed by maintaining adequate cash reserves and available borrowing facilities. Errors or unforeseen changes in actual and forecast cash flows that then create a mismatch against the maturity profiles of financial assets and liabilities could have a detrimental effect on a company's liquidity. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Partner Risk

Macmahon, in some cases, may undertake services through and participate in joint ventures or partnering/alliance arrangements. The success of these partnering activities depends on the 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.

Interest rate risk

The risks associated with fluctuating interest rates, specifically on the Company's variable rate borrowings is managed under the Company's approved Treasury Policy in which interest rate exposures on committed capital finance borrowings are hedged in order to attain 100% fixed rates (by volume). The hedging instruments approved by the Board of Directors for this purpose, are interest rate swaps and interest rate caps and floors. Further information is contained in note 17 of the financial statements.

Currency fluctuation

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

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



Safety

Macmahon’s commitment to health, safety, the environment, quality and the community is unwavering and our improved health and safety record for 2016 demonstrates that the Company’s strategy and site based actions are working effectively to achieve the Company’s overall objective of Zero Harm.

This comes from a strong belief that workplace injuries and illnesses are preventable and every job can be done safely. It also comes from a commitment to make health and safety an essential element to the successful delivery of all our projects.

Macmahon Values

We recognise that our people are our greatest asset and accordingly, the safety of our people is always our number one priority. To ensure that our people return home safe and well at the end of every working day, Macmahon empowers its people to live the company’s values. These values set the guiding principles for our behaviour and actions in the work place.



Working safely

Macmahon’s health and safety is achieved through three vital elements:

- A culture of accountability for one’s own health and safety and that of others;
- Leaders who are passionate about safety and believe that workplace injuries and illnesses are preventable; and
- Robust health and safety systems and practices that workers understand and believe in.

When delivering projects, Macmahon seeks to work closely with its clients in order to establish and manage safe systems of work. During the 2016 financial year the Company was pleased to successfully complete the start-up of the Telfer, St Ives and Martabe operations with no lost time injuries. As part of the successful commencement programs associated with each of these projects, Macmahon worked collaboratively with each of its respective clients, to ensure that safety remained our number one priority across all sites.

Measuring safety performance is also a fundamental part of the Macmahon safety management system. The Macmahon performance evaluation process enables us to measure, evaluate and communicate performance using indicators which are based on accurate, relevant, reliable, measureable and verifiable information.

In the 2016 financial year, Macmahon recorded a total of five Lost Time Injuries, for the second consecutive year, with the Lost Time Injury Frequency Rate [LTIFR] remaining relatively unchanged and continued improvement to the Total Recordable Injury Frequency Rate [TRIFR] compared to 2015. In addition to the improved TRIFR, the incident severity rate also improved during the year, with the severity of injuries dropping considerably.

The key health and safety achievements over the last 12 months include:

- The lowest TRIFR in the last five years;
- Successful start-up of three major projects without a lost time injury;
- Kanthan operating 11 years LTI free;
- Shotcreting Division operating 9 years LTI free;
- WAC Workshop operating 8 years LTI free;
- Underground Drilling Division operating 7 years LTI free;
- Lhok Nga operating 7 years LTI free; and
- Maintenance of ISO Certification to ISO18001 and AS/NZS 4801.

In 2017, our strategic focus will remain on leadership and culture, whilst ensuring that our safe systems of work are maintained across all of our international and local operations, in an ever changing work environment.

We are committed to continuous improvement and believe through the following initiatives and the maintenance of current practices, that we will meet this commitment. To achieve our strategy, Macmahon have allocated resources to a number of areas and key projects.

- Focus on risk: to ensure risks are effectively identified and managed at every level of the organisation;
- Focus on safe acts: targeting the quality use of our key safety processes and tools;
- Enhanced communication: ensuring our employees and contractors are well informed on key health and safety topics and issues;
- Reward and recognition: building a culture of positive safety performance;
- Leadership training: coaching and training our leaders to build critical safety, risk management and engagement skills; and
- Streamlined systems: simplified key information and access to key policies, procedures and HSEQ documentation.

People

Macmahon maintains that its people are the core to building a better business. This year the focus has been on maximising the potential of our existing workforce; working closely with our clients to keep their operations efficient and productive; and ensuring we are able to compete effectively for new work. This has been enabled by simpler human resource systems, quality training and development programs and strong support for our line managers in people management and engagement.

New Projects

This year has seen Macmahon win three projects in close succession which resulted in a rapid ramp up of recruitment, mobilisation and induction activities.

Prior to being awarded these projects there was much preparatory work that went into ensuring Macmahon was the right contractor for the job and could deliver on its commitments, including:

- Martabe - Indonesian appropriate HR policies, procedures, position descriptions and processes for recruitment and training were drafted in both Bahasa and English.
- Telfer - Macmahon sought approval for a section 318 exemption under the Fair Work Act which meant we were able to employ any transitioning Newcrest employees under our own Enterprise Agreement terms and conditions.

Upon being awarded the contracts Macmahon successfully recruited 85 employees for St Ives, 487 for Martabe and 208 for Telfer in time for commencement of those projects.

Working with our clients

During the year Macmahon continued to work closely with Anglo Gold Ashanti at its Tropicana Gold Mine to further leverage synergies between the two organisations. As a result, improved structures now exist within HSEQ, Administration, Mine Planning and Engineering and these functions are now integrated between the two companies.

Training and development

Macmahon seeks to provide rewarding employment, training and development opportunities to all its employees. The aim of training and development is to provide the workforce with the necessary skills and knowledge to maximise their potential and to perform work safely in accordance with specified industry and Company standards for all divisions of the Macmahon business.

Macmahon training and assessment resources have been contextualised and reflect Macmahon's policies and procedures, equipment and regulatory requirements. The training activities encompass training and assessing competent operations of mobile plant through to Macmahon's safety systems such as Take 5s and JSEA's, and are compliant with all safety and environmental standards and requirements on site.

With a focus on personal development as well as on safety, Macmahon's training programs successfully integrate Macmahon's core values of Safety, Teamwork, Prosperity, Integrity and Environment.

Macmahon's Enterprise Registered Training Organisation [ERTO] is embedded within Macmahon's group training team and as a result Macmahon's learning outcomes are nationally recognised. The Company's training programs successfully align components of day-to-day mining operations with the national unit criteria to enable the Macmahon employees to be trained within a nationally accredited qualification framework.



Traineeships

The Macmahon Traineeship Program offers site-based employees the opportunity to gain the nationally recognised RII30113 Certificate III in Surface Extraction Operations. 21 employees successfully completed the traineeship this year with an additional 40 employees currently enrolled. The training team is currently focussing on extending this training initiative to our most recently awarded projects.

Apprenticeships

Macmahon's Apprenticeship Program continued its success with 17 apprentices completing their tradesmen certification in a range of trades including HD fitter, boilermaker, auto electrician and electricians. A further 22 apprentices are still on the program, ensuring Macmahon continues to be one of Western Australia's largest employers of apprentices.

Pilot leadership program

In partnership with South Metropolitan TAFE, Macmahon has implemented a pilot training program which is aimed at the current and future leaders of our business. Upon successful completion candidates will be awarded with the nationally recognised RII50113 Diploma of Surface Operations Management, opening the pathway towards the Western Australian Quarry Manager's Certificate of Competency.

MacTrain

MacTrain is the online training portal used throughout Macmahon that allows employees and contractors to complete online inductions and training programs that are specific to their site and job role. It covers topics such as Macmahon Underground Induction, Macmahon Corporate Induction, Code of Conduct, EEO Awareness, Personal Protective Equipment (PPE), Manual Handling Awareness, Fire Awareness, Fatigue Awareness, Environmental and Heritage Awareness and Extreme Working Conditions.

During the year the Group Training Team created two new learning modules in-house. These are the Telfer Online Induction and Mac 5 training.

Key People achievements over the last 12 months include:

- Successful start-up of three projects, including 780 new employees recruited and mobilised;
- Successful s318 Order application for Telfer operations;
- 1350 employees and contractors undertook online training, completing a total of 9400 learning modules;
- Macmahon ERTD issued 690 Units of Competency to 138 staff members. 17 apprentices completed their trades certification.

Environment

Our environmental policy, values and commitment reflects the integrated way in which we work at each of our locations. These support and advance our strategic agenda and ensure that we maintain a shared sense of purpose and alignment to how we operate.

We continue to improve our understanding of the sources, scope and extent of our resource use, environmental emissions and impacts. Our overarching goal for environmental management is to avoid or, where this is not possible minimise our impacts, while contributing to lasting benefits across the areas where we operate.

During the year, we continued to implement environmental management strategies and plans to ensure the very highest levels of compliance, to minimise environmental impacts and to reduce energy consumption and greenhouse gas emissions. We were able to maintain our industry leading level of compliance across all the areas where we operate. We had no environmental fines, breaches or major environmental incidents during this period which contributes to our unblemished record of compliance within the mining sector.

The Board



Jim Walker
NON-EXECUTIVE DIRECTOR,
CHAIRMAN

Mr Walker has over 40 years of experience in the resources sector, most recently as Managing Director and Chief Executive Officer of WesTrac Group, where he led the Company's rapid development in industrial and mining services locally and in China.

Prior to this, Mr Walker held various roles with other Australian Caterpillar dealers.



Giles Everist
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Mr Everist brings a strong commercial background and extensive experience in the contracting and resources sectors at both the Board and executive management level.

Mr Everist completed his Bachelor of Sciences (Honours) in Mechanical Engineering at the University of Edinburgh and is also a Chartered Accountant.



Eva Skira
INDEPENDENT
NON-EXECUTIVE DIRECTOR

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

She has served on a number of boards in business, government and the not-for-profit sectors across a range of industries.



Vyrl Vella
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.



Sy van Dyk
MANAGING DIRECTOR

Mr van Dyk was appointed as CEO and Managing Director in July 2015.

Mr van Dyk joined Macmahon as Chief Financial Officer in April 2014 and has more than 25 years' finance experience primarily within the resources sector. He holds a Bachelor of Commerce (Hons) and is a Chartered Accountant.

Prior to joining Macmahon, Mr van Dyk was with the WesTrac Group for 13 years where he held a number of senior operational roles, including Chief Operating Officer Western Australia and more recently Chief Financial Officer.

The Executive Team



Sy van Dyk

CHIEF EXECUTIVE OFFICER

Mr van Dyk was appointed as CEO and Managing Director in July 2015.

Mr van Dyk joined Macmahon as Chief Financial Officer in April 2014 and has more than 25 years' finance experience primarily within the resources sector. He holds a Bachelor of Commerce (Hons) and is a Chartered Accountant.

Prior to joining Macmahon, Mr van Dyk was with the WesTrac Group for 13 years where he held a number of senior operational roles, including Chief Operating Officer Western Australia and more recently Chief Financial Officer.



José Martins

CHIEF FINANCIAL OFFICER

Mr Martins was appointed as Chief Financial Officer in December 2015. He has more than 30 years finance experience primarily within the resources sector. He holds a Bachelor of Accountancy (with Distinction) and is a Chartered Accountant.

Prior to joining Macmahon, Mr Martins held the position of Chief Financial Officer for the Ausdrill Group.



Michael Finnegan

GENERAL MANAGER
SURFACE WEST AND
SOUTH EAST ASIA

Mr Finnegan holds a Bachelor of Engineering (Mining) with 20 years' experience in the mining industry. The last 10 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.



Greg Miller

GENERAL MANAGER
UNDERGROUND

Mr Miller holds a Bachelor of Engineering (Mining) and has over 15 years' experience in underground mining in Australia, more than nine of those years in senior management roles.

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



Mark Hatfield

GENERAL MANAGER
PLANT AND 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.



Brenton Perry

GENERAL MANAGER
CONSTRUCTION

Mr Perry holds a Bachelor of Engineering (Civil) and a Master of Business Administration. He has 24 years experience in construction and surface mining contracting.

Mr Perry commenced with Macmahon in 1993 and has previously held Project Manager roles on a variety of projects throughout Australia.

Mr Perry has held business unit management roles for the last 4 years.



Greg Gettingby

GENERAL COUNSEL

Mr Gettingby holds a Bachelor of Arts and a Bachelor of Laws and has more than 15 years' experience in the contracting industry.

Mr Gettingby joined Macmahon in 2002 and was appointed to the position of Group General Counsel/ Company Secretary in 2011. He previously held commercial management and legal roles with the Company.

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



David van den Berg

CHIEF TECHNOLOGY AND
INNOVATION OFFICER

Mr van den Berg was appointed as Chief Technology and Innovation Officer in August 2016. He brings an extensive technology and commercial background to Macmahon through his 23 years' experience across the mining, management consulting and technology sectors.

Mr van den Berg commenced with Macmahon in 2008, as Chief Information Officer. Prior to Macmahon, Mr van den Berg held senior management and technology positions in both Australia and the UK, including BHP Billiton, PriceWaterhouseCoopers and CitiGroup.



Roger Hughes

GENERAL MANAGER
HSEQ AND
HUMAN RESOURCES

Mr Hughes holds a Bachelor of Commerce and a double major in Human Resources and Industrial Relations.

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

Prior to joining Macmahon, Mr Hughes worked for 20 years in numerous senior human resources, industrial relations and strategy roles, including senior management positions with BHP Billiton and FMG. Roger has significant contractor management experience and his BHP Billiton training includes the DuPont Safety Leadership program and ICAM.

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 2016.

DIRECTORS

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

J A Walker [Chairman, Non-executive] [Executive Chairman for the period 22 January 2015 to 13 July 2015]

C R G Everist [Non-executive]

E Skira [Non-executive]

S J van Dyk [Chief Executive Officer and Managing Director commencing 13 July 2015]

V A Vella [Non-executive]

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity consisted of the provision of contract mining services. There were no significant changes in the nature of the activities of the consolidated entity during the financial year under review.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

The profit for the consolidated entity after providing for income tax amounted to \$1.7 million (June 2015: loss of \$217.9 million).

A review of and information about the operations of the consolidated entity during the financial year and of the results of those operations is contained on pages 4 to 7, which forms part of this Directors' report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year except for the company repaying all its outstanding debt under the Syndicated Facility Agreement on 31 July 2015.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Due to heightened security concerns, Macmahon is currently reviewing whether it should continue its business in Nigeria. If Macmahon decides to withdraw from Nigeria, possible Foreign Currency Translation Reserve (FCTR) losses will be reclassified to the Profit and Loss statement. The FCTR loss at 30 June 2016 was \$6.4 million.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the consolidated entity in future financial years and the expected results of those

operations have been included generally within the financial report and on pages 1 to 14.

ENVIRONMENTAL REGULATION

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

Information on Directors

Mr. James Walker

Title:

Independent Non-executive Chairman (since 14 July 2015), Executive Chairman (22 January 2015 to 13 July 2015)

Qualifications:

GAICD, FAIM

Experience and expertise:

Mr Walker joined the Board as a Non-executive Director in October 2013 and was appointed Chairman in March 2014. From January 2015 until July 2015 Mr Walker assumed the role of Executive Chairman while the Board sought a replacement Chief Executive Officer.

Mr Walker has over 40 years of experience in the resources sector, most recently as Managing Director and Chief Executive Officer of WesTrac Pty Ltd, where he led the company's rapid development in industrial and mining services locally and in China. Prior to this, Mr Walker held various roles with other Australian Caterpillar dealers. Mr Walker is a graduate member of the Australian Institute of Company Directors (AICD) and a Fellow of the Australian Institute of Management (AIM WA), holding the position of President WA (2008 - 2010) and National President - Australia (2010 - 2013).

Other current directorships:

Mr Walker is currently a Non-executive Director of Austin Engineering Limited (appointed May 2016), Programmed Group Limited (appointed November 2013), Seeing Machines (appointed May 2014) and RACWA Holdings Pty Ltd (appointed November 2013).

Former directorships (last 3 years):

Mr Walker was a director of Seven Group Holdings Ltd, National Hire Group Limited, Skilled Group Limited and Coates Group Holdings Pty Ltd.

Special responsibilities:

Mr Walker is currently a member of the Board's Audit & Risk Committee and the Board's Remuneration & Nomination Committee.

Interests in shares:

300,000

Interests in options/performance rights:

None

DIRECTORS' REPORT

Mr. Sy van Dyk

Title:

Chief Executive Officer and Managing Director

Qualifications:

BComm (Hons), CA

Experience and expertise:

Mr van Dyk joined the Board as Managing Director in July 2015. Mr van Dyk has a strong commercial background and with more than 25 years' finance experience primarily within the resources sector.

Mr van Dyk holds a Bachelor of Commerce (Honors) from the University of South Africa and is also a Chartered Accountant. Prior to his appointment as Chief Executive Officer, he held the position of Chief Financial Officer. Prior to joining Macmahon, Mr van Dyk held a number of senior operational roles, including Chief Operating Officer Western Australia at WesTrac.

Other current directorships:

None

Former directorships (last 3 years):

None

Interests in shares:

1,400,000

Interests in options/performance rights:

2,500,000

Mr. Giles Everist

Title:

Independent Non-executive Director

Qualifications:

BSc (Hons), CA, GAICD

Experience and expertise:

Mr Everist joined the Board as a Non-executive Director in June 2013. Mr Everist has a strong commercial background and extensive experience in the contracting and resources sectors at both the Board and executive management level. Mr Everist completed his Bachelor of Sciences (Honors) in Mechanical Engineering at the University of Edinburgh and is also a Chartered Accountant. He was previously the Chief Financial Officer and Company Secretary at Monadelphous Group and has also held senior roles at Fluor Australia, Hamersley Iron and Rio Tinto London.

Other current directorships:

Mr Everist is a director of Decmil Group and Austal Group Ltd and Norwood Systems Limited

Former directorships (last 3 years):

LogiCamms Ltd

Special responsibilities:

Mr Everist is currently a member of the Board's Audit & Risk Committee and the Board's Remuneration & Nomination Committee.

Interests in shares:

100,000

Interests in options/performance rights:

None

Ms. Eva Skira

Title:

Independent Non-executive Director

Qualifications:

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

Experience and expertise:

Ms. Skira joined the Board as a Non-executive Director in September 2011. Ms. Skira has a background in banking, capital markets, stockbroking and financial markets, previously holding executive positions at Commonwealth Bank in the Corporate Banking/Capital Markets divisions and later with stockbroker Barclays de Zoete Wedd. She has served on a number of boards in business, government and the not-for-profit sectors across a range of industries. Ms. Skira completed her BA (1st Class Honors, Economic History) at the University of New South Wales, and obtained her Masters of Business Administration (Dux and Distinction) at the IMD business school, Switzerland.

Other current directorships:

Ms. Skira is currently the Chairman of both the Water Corporation WA and Trustees of St John of God Health Care Inc., and a director of RCR Tomlinson.

Former directorships (last 3 years):

None

Special responsibilities:

Ms. Skira is currently the Chair of the Board's Audit & Risk Committee and a member of the Board's Remuneration & Nomination Committee.

Interests in shares:

None

Interests in options/performance rights:

None

Mr. Vyril Vella

Title:

Non-independent Non-executive Director

Qualifications:

BSc, BE [Hons], M.Eng.Sc, FIEAust, FAICD

Experience and expertise:

Mr Vella joined the Board as a Non-independent Non-executive Director in November 2007. Mr Vella has over 40 years' experience in the civil engineering, building, property and construction industries. During Mr Vella's 34 years with the Leighton Group he held various positions including General Manager NSW, Director of Leighton Contractors Pty Ltd, Founding Director of Welded Mesh Pty Ltd, Managing Director of Leighton Properties and Associate Director of Leighton Holdings. Mr Vella was a consultant to Leighton Holdings, where he advised on investment in the residential market, general property issues and major construction and infrastructure projects.

Other current directorships:

None

Former directorships (last 3 years):

Mr Vella was a Non-executive Director of Devine Limited from April 2007 until April 2014.

Special responsibilities:

Mr Vella is currently Chairman of the Board's Remuneration & Nomination Committee and a member of the Board's Audit & Risk Committee.

Interests in shares:

1,357,842

Interests in options/performance rights:

None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary

Mr Gettingby holds a Bachelor of Arts and a Bachelor of Laws and has more than 15 years' experience in the contracting industry.

Mr Gettingby joined Macmahon in 2002 and was appointed to the position of Group General Counsel/Company Secretary in 2011. He previously held commercial management and legal roles with the Company.

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

CORPORATE GOVERNANCE

Macmahon's Corporate Governance Statement can be viewed in the Corporate Governance section of the Macmahon website at: <http://www.macmahon.com.au/corporate-governance.html>

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 2016, and the number of meeting attended by each Director were:

	FULL BOARD MEETINGS		SPECIAL BOARD MEETINGS ⁴		AUDIT & RISK COMMITTEE MEETINGS		REMUNERATION & NOMINATION COMMITTEE MEETINGS		OTHER COMMITTEE MEETINGS	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
J A Walker ¹	10	10	11	13	2	3	3	3	1	1
C R G Everist ²	10	10	13	13	3	3	3	3	1	1
E Skira ²	9	10	12	13	3	3	3	3	1	1
V A Vella ³	10	10	9	13	3	3	3	3	1	1
S J van Dyk'	10	10	12	13	3	3	3	3	1	1

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

1. James Walker was appointed Executive Chairman on 22 January 2015
2. Giles Everist and Eva Skira joined the Remuneration & Nomination Committee 1 May 2015
3. Vyril Vella Joined the Audit and Risk Committee 22 January 2015
4. Special meetings were held on short notice during the financial year to deal with business matters.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The audited remuneration report is set out on pages 22 to 28 and forms part of this Director's 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.

SECURITIES PURCHASED ON MARKET

The following securities were purchased on market during the financial year for the share buy back.

NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE
51,212,092	10.7c

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 29.

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.

On behalf of the Directors



Sy van Dyk
Chief Executive Officer

22 August 2016
Perth

REMUNERATION REPORT

INTRODUCTION FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

Dear Shareholder,

On behalf of the Board, I present the Remuneration Report for the financial year ended 30 June 2016 ("FY16"). Following the structural changes to the Company and Executive Team last year, the Board and Management have been focusing on reducing costs and rebuilding the order book.

With this in mind the Board has taken a conservative approach to remuneration, choosing to support Management's proposal to not issue any short or long term incentives for the FY16 period. Labour costs across our operations has also been a critical focus area, including restructuring of existing operations, reviews of employee entitlements and the successful implementation and re-negotiation of industrial agreements that are designed to keep our Company competitive in the current market.

With these initiatives underway, our efforts are now on the long term strategy to rebuild Macmahon. To achieve this, we will reinstate both a short-term and long-term incentive in the FY17 period. These incentives are designed to encourage positive performance in key measures of the Company's success including safety, innovation, business growth, and profitability.

FY 16 REMUNERATION OUTCOMES

With cost reduction as the focus for FY16, the key remuneration outcomes in FY16 were:

1. The Chairman of the Board, who had held the role of Executive Chairman from 22 January 2015 with no additional remuneration, ceased these duties as of 13 July 2015 with the appointment of the new CEO.
2. The Board welcomed the appointment of Mr Sybrandt van Dyk as the CEO and Managing Director as of 13 July 2015. The salary package negotiated with Mr van Dyk was significantly less than that applicable to the former CEO.
3. The remuneration for the Executive KMP was significantly reduced in FY16 in comparison to FY15, with reduced fixed remuneration contracts for both the new CEO and CFO roles and a much smaller Executive KMP group as a result of the organisational changes made in March 2015.
4. While it was proposed in the last Annual Report, the Company did not issue either a short-term incentive ["STI"] or Long Term Incentive ["LTI"] plan for the FY16 period.
5. The only performance rights to vest under the Company's previous LTI plans were time based performance rights issued in 2012. This resulted in 404,997 performance rights vesting for twenty two senior personnel. No member of the current Executive KMP were participants.
6. A nine day fortnight was applied to the Executive KMP with a consequential 10% reduction in their total fixed remuneration. This will remain in place until business conditions improve.

REMUNERATION STRATEGY

The Board's remuneration strategy for FY17 is to use the STI to focus on key short-term objectives including safety, project optimisation, order book and profitability and use the LTI to focus on absolute shareholder returns. This strategy has resulted in a slight change in the STI plan structure, which is designed to provide clear links to the Company's strategic objectives and a strengthening of hurdles to ensure reward is only for above budget performance.

The LTI Plan has also been simplified to create a direct link for both participants and shareholders between Executive remuneration and shareholder returns over the longer term. This has been achieved by making the Company's total returns to shareholders over a three year period the only performance hurdle for vesting of the LTI. This is seen as a far more effective strategy to reward the Executive Team in the current economic climate, and appropriate for a company that sits outside the ASX300.

The Board believes the Company's revised remuneration framework will ensure that the Executive Team and key senior personnel are incentivised to grow the business and achieve positive capital returns for shareholders over the short and medium term.

RESPONSE TO VOTE AGAINST 2015 REMUNERATION REPORT

At the 2015 Annual General Meeting, Macmahon received votes against the Remuneration Report representing greater than 25% of the votes cast by persons entitled to vote. In accordance with the Corporations Act 2001, this resulted in Macmahon receiving a "First Strike" against its 2015 Remuneration Report. In these circumstances, the Act requires Macmahon to include in this year's Remuneration Report, an explanation of the Board's proposed action in response to that First Strike or, alternatively, if the Board does not propose any action, the Board's reason for such inaction.

Macmahon's response to the First Strike was to arrange for the Chairman and Senior Management to meet with investors (who collectively hold approximately 50% of the Company's share register) to discuss and to understand the main reasons why Macmahon received the vote against the 2015 Remuneration Report. In summary, no common theme emerged from these discussions.

Subsequent to the 2015 Annual General Meeting, the Macmahon Board and the Macmahon Remuneration Committee engaged Ernst & Young to advise on the remuneration structure of its Executive remuneration. Macmahon Management also engaged with key investors to discuss the remuneration strategy.

Macmahon has not made any material amendments to its overall remuneration structure, with the only change being to the performance hurdle used in the LTI Plan. The Macmahon Board remains confident that the Macmahon remuneration policy and the level and structure of its Executive remuneration are suitable for the company and its shareholders. We therefore seek your support for this Report at the Company's Annual General Meeting in November 2016.

Vyril Vella

Chairman of the Remuneration & Nomination Committee

Note: References to years relate to financial years (eg. '2016' means the year ended 30 June 2016).

REMUNERATION REPORT - AUDITED

REMUNERATION REPORT - AUDITED

This Remuneration Report forms part of the Directors' Report for 2016 and outlines the remuneration strategy and arrangements for the Company's Directors and Executives (together "Key Management Personnel" or "KMP") in accordance with section 300A of the Corporations Act. This report has been audited by the Company's external auditor.

REMUNERATION REPORT CONTENTS

SECTION	SUBJECT	PAGE
1.0 Remuneration Overview	1.1 Key Management Personnel	22
	1.2 Remuneration Strategy	23
	1.3 Remuneration Governance	23
	1.4 Group Performance Affecting FY16 Outcomes	24
2.0 Executive Remuneration Framework and Outcomes	2.1 Target Remuneration Mix	24
	2.2 Remuneration Payment Cycle	24
	2.3 Total Fixed Remuneration	25
	2.4 Short Term Incentive Plan	25
	2.5 Long Term Incentive Plan	25
3.0 Executive Remuneration	3.1 Managing Director and CEO Remuneration	26
	3.2 Executive Remuneration	26
	3.3 Executive KMP Contracts	26
4.0 Non-Executive Director's Fees		28

1. REMUNERATION OVERVIEW

1.1 Key Management Personnel

The Company's KMP include all Directors and Executives of the Company and its controlled entities who have the authority and responsibility for planning, directing and controlling the activities of the Company. The KMP are listed below.

PERSON	POSITION	PERIOD IN POSITION DURING THE YEAR
Non-Executive Directors		
J A Walker	Non-Executive Chairman	Returned to the role of Non-Executive Chairman 13 July 2015
C R G Everist	Non-Executive Director	Full year
E D R Skira	Non-Executive Director	Full year
V A Vella	Non-Executive Director	Full year
Executive Director		
J A Walker	Executive Chairman	Appointed to the role of Executive Chairman on 23 January 2015 until 13 July 2015
S J van Dyk	Managing Director and Chief Executive Officer	Appointed as CEO and Managing Director on 13 July 2015
Executives		
S J van Dyk	Chief Financial Officer	Appointed as Chief Financial Officer up until 13 July 2015
J E Martins	Chief Financial Officer	Appointed Chief Financial Officer 7 December 2015

REMUNERATION REPORT - AUDITED

1.2 Remuneration Strategy

The Company's overall remuneration objective is to compensate employees in a way that is cost effective and appropriate for current industry conditions, but also sufficient to attract and retain the calibre of personnel needed to effectively execute the Company's strategy.

Business Strategy

Our overarching objective is to secure and deliver work safely, profitably and consistently in order to deliver sustainable returns to shareholders.

Our strategy centres on strengthening the Company's operations in its base market of Australia and diversifying into geographies that offer strong market growth based on Macmahon's existing expertise and international experience.

Remuneration Strategy

The Board's remuneration strategy is based on three pillars:

- Attracting and retaining quality personnel through market competitive fixed remuneration principles;
- Reward key senior personnel for delivering on the Company's key short-term objectives as a means of setting the foundations for a stronger company; and
- Rewarding the Executive for delivering longer term absolute shareholder returns.

Remuneration Framework

ATTRACT & RETAIN TALENT	DRIVE BUSINESS PERFORMANCE	GROW SHAREHOLDER RETURNS
TOTAL FIXED REMUNERATION (TFR)	SHORT-TERM INCENTIVE (STI)	LONG-TERM INCENTIVE (LTI)
<ul style="list-style-type: none"> • TFR is targeted at the 62.5th percentile compared to peer companies • Peer companies are those with broadly similar revenue, market capitalisation and are in related industries • TFR is reviewed annually 	<ul style="list-style-type: none"> • Payment gateway is 100% of approved budgeted net profit • Payment based on achievement of Key Performance Indicators [KPI] linked to business strategy and project objectives, including: <ul style="list-style-type: none"> - Safety - Business Growth - Financial - Innovation • Two year deferral of 25% of the STI for Executives with a clawback provision 	<ul style="list-style-type: none"> • Performance assessed over 3 years • Value will only be realised to the extent that Total Shareholder Return targets are achieved or exceeded • Grants of performance rights are based on the participants' ability to influence returns to Shareholders

1.3 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 & 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 Chief Executive Officer ("CEO"), and other Executives. The CEO, in consultation with the Board, sets remuneration arrangements for other Executives. No Executive is directly involved in deciding their own remuneration (including the CEO).

Further details of the role and function of the Committee are set out in the Charter for the Remuneration & Nomination Committee on the Company's website at <http://www.macmahon.com.au>.

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

During the 2016 financial year, the Remuneration Committee engaged Ernst & Young to specifically review and make recommendations on the elements of the Company's LTI plan and the performance conditions. EY was paid \$12,618 for the review and recommendations relating to the LTI plan.

EY also provided analysis and advice to management on LTI options during the FY16 period. This advice did not include remuneration recommendations as defined by Division 1 of Part 1.2 of Chapter 1 of the Corporations Act 2011. EY was paid \$3,090 for this analysis and advice.

The protocols for EY providing the remuneration recommendations prohibited EY from providing advice or recommendations to members of the KMP before the recommendations were given to the Remuneration Committee. EY had permission to provide advice to KMP after subsequent approval from the Remuneration Committee Chairman. These arrangements were implemented to ensure that EY would be able to carry out its work, including information capture and formation of its recommendations, free from undue influence by members of the Executive about whom they relate.

The Board is satisfied that the remuneration recommendations were made by EY free from undue influence by members of the Executive about whom they relate. The Board undertook its own inquiries and review of the processes followed by EY during the course of the engagement and is satisfied that its remunerations recommendations were made free from undue influence.

REMUNERATION REPORT - AUDITED

1.4 Group Performance Affecting FY16 Outcomes

As required under the Corporations Act 2001, the five year performance of the Company has been set out in the table below. These form the key Company performance measures that have been included in incentive plans for relevant Executives. Whilst there was no STI or LTI issued for FY16, the Committee believes these KPIs are aligned to shareholder wealth and returns to investors, and will continue to be used as guides for KMP performance.

	FY16	FY15	FY14	FY13	FY12
Reported net profit/[loss] attributable to equity holders of the parent [\$m]	1.7	(217.9)	30.4	(29.5)	56.1
Reported return on equity [ROE] (%)	0.8	(67.5)	7.3	(7.8)	16.5
Reported basic earnings per share [EPS] [cents]	0.14	(17.34)	2.4	(3.0)	7.7
Order book [\$m]	1,507	1,150	2,573	3,230	3,139
New contracts and extensions [\$m]	624	68	387	1,846	2,997
Safety - Total recordable injury frequency rate [TRIFR]	2.59	5.44	8.5	7.7	7.7
Dividends declared [cents]	-	-	-	-	4.0
Share price at 30 June [cents]	8.8	6.6	10.0	13.0	57.5
Total Shareholder Return [TSR] (%)	33.3	(34.0)	(20.6)	(70.0)	3.8

2. EXECUTIVE REMUNERATION FRAMEWORK AND OUTCOMES

For the 2016 financial year, Macmahon continued the remuneration framework and structure that was established in FY13. However, the STI and LTI were suspended for 2016.

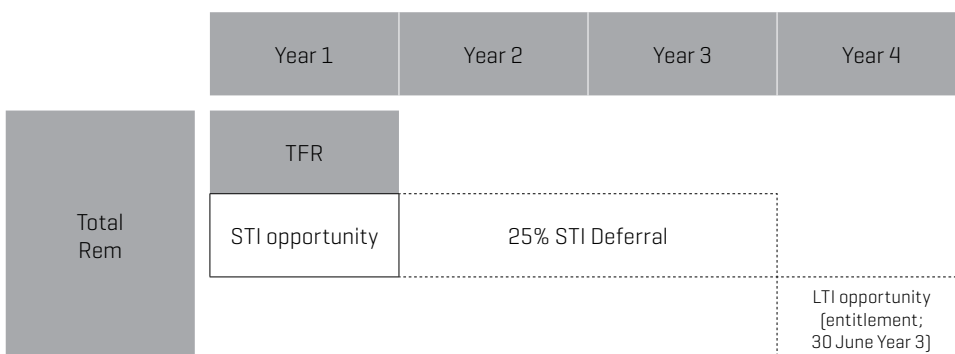
2.1 Target remuneration mix

There has been no change to the remuneration mix proposed for the Managing Director and CEO as set out in the 2015 Annual Report. Having being appointed in the FY16 period on significantly lower TFR, a strong focus on rewarding long term outcomes continues to be the approach proposed by the Board. The remuneration mix for the Executive KMP is set out in Diagram below.



2.2 Remuneration payment cycle

The diagram below outlines the timing and components of the KMP's remuneration packages. Each component is linked to the remuneration mix and, in the case of the STI and LTI, is dependent of achievement of performance outcomes.



REMUNERATION REPORT - AUDITED

2.3 Total Fixed Remuneration (TFR)

All Executive KMP and Senior Management receive a TFR package that is based on the size and scope of their role, knowledge and experience and market benchmarks for that role. TFR comprises base salary, any applicable role specific allowances, and superannuation.

Macmahon regularly reviews and benchmarks the base salaries and TFR of the KMP and Senior Management to ensure that the remuneration is appropriate and competitive with its market and industry peers. Benchmarking was completed during FY16 using industry surveys and reports.

Both the CEO and CFO roles were recruited in FY16 on significantly lower TFR than the roles previously provided. This was considered appropriate given the market conditions and the size of the organisation.

The KMP's TFR is outlined in the remuneration table on page 28 of this report.

2.4 Short-Term Incentive (STI) Plan

There was no STI plan issued for FY16 as part of the Company's focus on minimising costs. For FY17 the Company will issue a STI to all Executive KMP and Senior Management. As outlined in the remuneration strategy, this is designed to reward performance against key performance indicators (KPIs) that are considered to drive positive business outcomes.

The KPIs to be applied to the KMP for FY17 include:

- Net Profit After Tax (NPAT);
- Return on Equity (ROE);
- Value of Order Book; and
- Personal KPIs

Very specific financial and safety hurdles have been set to ensure that the STI focusses on rewarding above budget performance. The personal KPIs are set by the Board for the CEO and by the CEO for the Executive.

The key features of the STI Plan for FY17 are outlined below.

2.4.1 Eligibility

Eligibility is extended to KMP and Senior Management employees who have a significant influence on the business performance of the Company.

2.4.2 Structure

The Committee approved a number of changes to ensure the proposed FY17 STI focused the reward for performance on exceeding budget and minimum safety expectations. Based on the remuneration mix, the following payout levels against the Executive KMP's TFR will be included in the FY17 STI Plan for the Executive KMP:

	% OF TFR EARNED ON THRESHOLD ACHIEVEMENT (100% OF BUDGET)	% OF TFR EARNED ON TARGET ACHIEVEMENT (112.5% OF BUDGET)	% OF TFR EARNED ON STRETCH ACHIEVEMENT (125% OF BUDGET)
CEO	25%	50%	75%
CFO	25%	50%	75%

2.4.3 Deferral

The FY17 STI Plan provides for deferral of 25% of the KMP and participating Executive's STI achieved award for a period of two years. If an Executive leaves during this two year period, payment will be at the Board's discretion.

2.4.4 STI Gateway and Conditions

The FY17 plan has a requirement that 100% of the Company's budgeted NPAT is achieved before any STI payment can be made and is still subject to absolute Board discretion. The Board may exercise discretion to award an STI where the gateway has not been met. This is restricted to individuals at project level and only where there has been exceptional project performance.

If a fatality occurs, no STI will be paid, unless the Board, in its sole discretion, determine there are extenuating circumstances which warrant a payment.

STI is forfeited if an Executive resigns or is terminated before the payment date. In exceptional circumstances this may be reviewed by the Board.

2.5 Long Term Incentive Plan for Executives

There was no LTI Plan issued for FY16 given the Board wished to carefully consider the appropriate performance measure for Macmahon's current circumstances.

The FY17 LTI Plan seeks to drive the right results for shareholders over the longer term. Specifically, the Board believes the LTI needs to focus on absolute shareholder returns, in line with shareholders expectations of a company of Macmahon's size and the current industry challenges.

The FY17 Plan will offer performance rights with the opportunity to receive fully paid ordinary shares in the Company for no consideration. The number of performance rights granted will be determined by the Executive remuneration mix and is at the discretion of the Board. Performance rights will only vest if the minimum hurdles have been met as listed in section 2.5.3.

2.5.1 Eligibility

The FY17 LTI Plan is restricted to a small group of senior Executives as determined by the Board, including the CEO.

2.5.2 Structure

For the FY17 Plan, the performance rights will be tested against an absolute Total Shareholder Return (TSR) performance hurdle. The Board believes that having an absolute TSR measure provides a simpler measure of company performance, is more appropriate during a period of significant market volatility, and aligns the participants' incentives to absolute returns to shareholders.

The performance conditions are measured over a three year period. There is no time-based component of the Plan.

REMUNERATION REPORT - AUDITED

2.5.3 Performance Hurdles

The FY17 LTI Plan is based on the Company's absolute TSR performance. All of the performance rights will be eligible to vest, subject to achieving the target increase in Macmahon's Total Shareholder Return ("TSR") over the Performance Period, as a compound annual growth rate [CAGR].

MACMAHON'S ABSOLUTE TSR PERFORMANCE	PROPORTION OF TSR SHARE PERFORMANCE RIGHTS THAT ARE ELIGIBLE TO VEST
Less than 17% CAGR in TSR.	0%
17% CAGR in TSR	50%
Between 17% and 25% CAGR in TSR	50% plus a straight line increase in % award until Target TSR is achieved.
At 25% CAGR in TSR	100%

2.5.4 Vesting schedule

The Plan provides for 100% of performance rights to vest after three years if the Target performance hurdle is met and employment is continued.

2.5.5 Re-testing

There is no re-testing for LTI grants.

2.5.6 Restrictions on disposals

Vested plan shares held in trust are subject to disposal restrictions, in line with the Company's Trading in Shares Policy.

2.5.7 Dilution limits

Macmahon seeks to limit dilution of existing Shareholders. At 30 June 2016 the Company had 17,505,741, performance rights on issue, which was less than 1.5% of the number of ordinary shares. Macmahon currently purchases shares for all Executive performance rights on market and holds them in trust, and in these circumstances dilution is not applicable.

2.5.8 Dividends

Performance rights do not carry any rights to dividends or voting rights. Shares allocated upon vesting of performance rights rank equally with other ordinary shares on issue.

2.5.9 Change of control

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

2.5.10 Cessation of employment

If an Executive ceases employment before performance rights vest, rights to unvested Plan shares lapse immediately unless the Board in its absolute discretion determines otherwise.

3.0 EXECUTIVE REMUNERATION

3.1 Summary

3.1.1 Managing Director and CEO Remuneration

In FY16, Mr Sybrant van Dyk's remuneration package comprised the following components:

1. Nominal Total Fixed Remuneration (TFR) of \$650,000 per annum, inclusive of superannuation. As part of his participation in the nine day fortnight initiative this was reduced to \$585,000 for FY16.
2. There was no STI or LTI plan issued to Mr van Dyk for FY16.
3. Under the terms of the 2014 LTI Plan to which Mr van Dyk was invited, there were no rights due to vest in 2016. They are still held until 2017 when they will be subject to assessment against the performance hurdles.

3.1.2 CFO Remuneration

In FY16, Mr José Martins' remuneration package comprised the following components:

1. Nominal Total Fixed Remuneration (TFR) of \$458,000 per annum, inclusive of superannuation. As part of his participation in the nine day fortnight initiative this was reduced to \$412,200 per annum for FY16.
2. There was no STI or LTI plan issued to Mr Martins for FY16.

3.2 Executive Remuneration

3.2.1 Executive Salary Adjustments

The company continued to apply a 10% salary reduction to the KMP and a number of the Executive as part of the introduction of a nine day fortnight across the senior salaried workforce within the Corporate support functions. The nine day fortnight was introduced in June 2015 as an interim cost saving measure.

There were no pay increases during the year for the current KMP.

3.2.2 No hedging of performance rights

The Board has adopted the Macmahon Trading in Shares Policy which prohibits employees from entering into transactions that limit the economic risk of participating in unvested employee entitlements. Hedging of unvested equity will result in immediate forfeiture.

3.2.3 LTI performance rights

During the period the Company issued no performance rights to Executives or Senior Management.

During the period relevant performance hurdles were tested for previous LTI plans. The only performance rights to vest under the Company's previous LTI plans were time based performance rights issued under in 2012. This resulted in 404,997 performance rights vesting for twenty two senior personnel. No member of the current Executive KMP were participants. For all performance based plans no hurdles were met and therefore no associated performance rights vested.

As at 30 June 2016, Macmahon had 17,505,741 performance rights outstanding from all grants under past LTI plans.

REMUNERATION REPORT - AUDITED

3.2.4 Options and Rights**3.2.4.1 Rights over equity instruments granted as compensation**

There were no rights granted during the financial year 2016

3.2.4.2 Details of equity incentives affecting current and future remuneration

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

NAME	GRANT DATE	NUMBER GRANTED	NUMBER VESTED IN FY16	NUMBER FORFEITED IN FY16	HELD AT 30 JUNE 2016	FINANCIAL YEAR IN WHICH THE GRANT VESTS, SUBJECT TO MEETING PERFORMANCE HURDLES
						FY17
S J van Dyk	7-Aug-14	2,500,000	-	-	2,500,000	2,500,000

All performance rights held at 30 June 2016 have not vested and are neither exercisable or unexercisable.

3.2.5 Shareholdings

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

	BALANCE AT THE START OF THE YEAR	PURCHASES	SOLD	BALANCE AT END OF THE YEAR*
Directors				
J A Walker	300,000	-	-	300,000
G Everist	500,000	-	400,000	100,000
E D R Skira	-	-	-	-
V A Vella	1,357,842	-	-	1,357,842
Executives				
S J van Dyk	1,400,000	-	-	1,400,000
Total	3,557,842	-	400,000	3,157,842

3.3 Executive KMP contracts**3.3.1 Employment contract**

All Executives have an employment contract with Macmahon that is ongoing and has no fixed end date. The employment details of the CEO and each Executive are outlined in this section.

3.3.2 Annual performance review

Regular performance reviews are undertaken with each member of the Executive, whereby discussions are held on performance, KPI achievement and development needs. This is an important human resource practice in the ongoing development of our people to recognise their achievements and focus on continual improvement of performance.

3.3.3 Executive service contracts

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

EXECUTIVE	APPOINTMENT TO KMP	NOTICE PERIOD FOR CONTRACT CESSATION
S J van Dyk Chief Executive Officer	Promoted to CEO 13 July 2015. The contract is ongoing and has no fixed term.	The CEO contract can be terminated by either party with 6 months' notice or payment in lieu.
J E Martins Chief Financial Officer	Appointed to KMP 7 December 2015 as CFO. The contract is ongoing and has no fixed term.	The CFO contract can be terminated by either party with 3 months' notice or payment in lieu.

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

REMUNERATION REPORT - AUDITED

4. NON-EXECUTIVE DIRECTORS' FEES

The structure of remuneration for Non-Executive Directors is distinct from that applicable to Executives. Fees for Non-Executive Directors are fixed and are not linked to the financial performance of the Company. Fees reflect Board and Committee responsibilities.

Board fees are lower for 2016 than in 2015.

There are no additional fees paid to Chairpersons of Board subcommittees.

FEE APPLICABLE IN 2016	FEE \$
Chairman	178,200
Non-Executive Directors	97,605

The maximum aggregate amount that can be paid to Non-Executive Directors (the fee pool) is currently \$1,100,000 per annum, including superannuation, which includes an allowance for an increase in the number of Directors if required. There has been no increase in the fee pool amount since its approval lay shareholders at the 2008 Annual General Meeting. Actual Directors' fees for the reporting period were \$471,015. No retirement benefits other than superannuation were paid to Non-Executive Directors.

Please refer to Page 72 for KMP Remuneration

KMP Remuneration

Year	Short-term			Total short-term	Leave Payout	Other long-term benefits	Postemployment		Share-based payment	Performance related	Non-performance related	Compensation consisting of options and rights	Total compensation	
	Salary	Committee fees	Non-monetary benefits				Superannuation	Termination payments						Options and rights
Directors Non-executive														
J A Walker ¹	2016	162,740	-	-	162,740	-	-	15,460	-	-	-	100	-	178,200
(Chairman)	2015	178,153	-	-	178,153	-	-	16,924	-	-	-	100	-	195,078
C R G Everist	2016	89,100	8,505	-	97,605	-	-	-	-	-	-	100	-	97,605
	2015	97,350	9,293	-	106,643	-	-	-	-	-	-	100	-	106,643
E D R Skira	2016	80,632	8,505	-	89,137	-	-	8,468	-	-	-	100	-	97,605
	2015	88,904	15,884	-	104,788	-	-	9,955	-	-	-	100	-	114,743
V A Vella	2016	80,632	8,505	-	89,137	-	-	8,468	-	-	-	100	-	97,605
	2015	88,904	13,000	-	101,904	-	-	9,681	-	-	-	100	-	111,585
Total compensation for Non-executive directors	2016	413,104	25,515	-	438,619	-	-	32,396	-	-	-	100	-	471,015
	2015	453,311	38,177	-	491,488	-	-	36,560	-	-	-	100	-	528,049
Executives														
S J van Dyk ²	2016	556,770	-	4,668	561,438	-	51,971	30,417	-	76,042	11	89	11	719,868
Chief Executive Officer	2015	514,229	-	5,878	520,107	-	26,481	29,931	-	76,042	12	88	12	652,562
J E Martins ³	2016	202,863	-	1,770	204,633	-	18,783	18,290	-	-	-	100	-	241,706
Chief Financial Officer	2015	-	-	-	-	-	-	-	-	-	-	-	-	-
R A Carroll ⁴	2016	-	-	-	-	-	-	-	-	-	-	-	-	-
Chief Executive Officer	2015	627,083	-	4,661	631,744	498,850	(554,004)	14,583	549,999	(539,934)	(90)	190	(90)	601,238
Total compensation executive personnel	2016	759,633	-	6,438	766,071	-	70,754	48,707	-	76,042	8	92	8	961,574
	2015	1,141,312	-	10,539	1,151,851	498,850	(527,523)	44,514	549,999	(463,892)	(37)	137	(37)	1,253,800
Total compensation: Directors and Executives ⁵	2016	1,172,737	25,515	6,438	1,204,690	-	70,754	81,103	-	76,042	5	95	5	1,432,589
	2015	1,594,623	38,177	10,539	1,643,340	498,850	(527,523)	81,075	549,999	(463,892)	(26)	126	(26)	1,781,849
Total compensation: Directors and Executives including all previous KMP ⁵	2015	3,058,625	38,177	29,217	3,126,020	1,187,793	(1,263,475)	206,160	1,220,998	(473,729)	(12)	112	(12)	4,003,767

1 J A Walker returned to Chairman role on 14 July 2015, was Executive Chairman from 22 January 2015 - 13 July 2015 with no increase in remuneration

2 S J Van Dyk was CFO throughout 2015 until appointed as CEO on 13 July 2015

3 J E Martins commenced as CFO on 07 December 2015

4 R A Carroll ceased employment on 22 January 2015

5 Significant reduction in KMP occurred in March 2015

AUDITOR'S INDEPENDENCE DECLARATION



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

To: the directors of Macmahon Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 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.

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

KPMG

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

Denise McComish
Partner

Perth

22 August 2016

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

Liability limited by a scheme approved under Professional Standards Legislation.

FINANCIAL REPORT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	31
STATEMENT OF FINANCIAL POSITION	32
STATEMENT OF CHANGES IN EQUITY	33
STATEMENT OF CASH FLOWS	34
NOTES TO THE FINANCIAL STATEMENTS	35
DIRECTORS' DECLARATION	84
INDEPENDENT AUDIT REPORT	85
SUMMARY OF CONSOLIDATED RESULTS	87
ASX ADDITIONAL INFORMATION	89
GLOSSARY	91

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. Its registered office and principal place of business are:

Registered office & Principal place of business

15 Hudswell Road
PERTH AIRPORT
Western Australia, 6105

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 22 August 2016.

Where an accounting policy, critical accounting estimate, assumption or judgement, is specific to a note these are described within the note to which they relate.



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

		16	15
	NOTE	\$'000	\$'000
CONSOLIDATED			
Revenue from continuing operations		347,400	660,194
Other income	2	10,925	40,230
Expenses			
Materials and consumables used	3	[152,178]	[217,617]
Employee benefits expense	3	[129,036]	[288,559]
Subcontractor costs	3	[7,883]	[24,211]
Depreciation and amortisation expense	3	[33,134]	[59,620]
Equipment and office expenses under operating leases	3	[16,762]	[23,967]
Other expenses		[13,988]	[49,155]
Net finance costs	3	[2,363]	[23,726]
Share of profit of equity-accounted investees, net of tax	25	609	146
		3,590	13,715
Impairment of property, plant and equipment and goodwill	3	-	[201,998]
Writedown of inventory	3	-	[27,328]
Onerous lease provisions raised	3	[2,058]	[4,493]
Profit/(Loss) before income tax expense from continuing operations		1,532	[220,104]
Income tax expense	4	[434]	[463]
Profit/(Loss) after income tax expense from continuing operations		1,098	[220,567]
Profit after income tax expense from discontinued operations		628	2,647
Profit/(Loss) after income tax expense for the year		1,726	[217,920]
Other comprehensive loss			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax		-	[3,888]
Foreign currency translation	20	[9,272]	4,330
Reclassification of foreign currency reserve on sale of foreign operation		-	[1,047]
Cash flow hedges - reclassified to profit or loss		[251]	8,206
Other comprehensive (loss)/income for the year, net of tax		[9,523]	7,601
Total comprehensive loss for the year		[7,797]	[210,319]
Total comprehensive loss for the year is attributable to:			
Continuing operations		[8,425]	[212,966]
Discontinued operations		628	2,647
		[7,797]	[210,319]
		CENTS	CENTS
Earnings per share for profit/(loss) from continuing operations attributable to the owners of Macmahon Holdings Limited			
Basic earnings/(loss) per share	5	0.09	[17.55]
Diluted earnings/(loss) per share	5	0.09	[17.55]
Earnings per share for profit from discontinued operations attributable to the owners of Macmahon Holdings Limited			
Basic earnings per share	5	0.05	0.21
Diluted earnings per share	5	0.05	0.21
Earnings per share for profit/(loss) profit attributable to the owners of Macmahon Holdings Limited			
Basic earnings/(loss) per share	5	0.14	[17.34]
Diluted earnings/(loss) per share	5	0.14	[17.34]

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		16	CONSOLIDATED 15
	NOTE	\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	6	56,699	236,892
Trade and other receivables	7	59,578	66,842
Inventories	9	37,264	50,908
Derivative financial instruments	15a	-	359
Income tax	4b	12,750	14,671
		166,291	369,672
Assets classified as held for sale	13	9,210	12,900
Total current assets		175,501	382,572
Non current assets			
Investments accounted for using the equity method	25	6,294	171
Property, plant and equipment	13	117,653	141,479
Intangibles	14	-	21
Deferred tax	4c	617	66
Total non current assets		124,564	141,737
Total assets		300,065	524,309
Liabilities			
Current liabilities			
Trade and other payables	8	61,352	89,056
Borrowings	18	204	162,405
Derivative financial instruments	15b	-	8,206
Income tax	4b	193	1,854
Employee benefits	10a	11,589	16,804
Provisions	11	17,135	19,830
		90,473	298,155
Liabilities directly associated with assets classified as held for sale		1,834	3,163
Total current liabilities		92,307	301,318
Non current liabilities			
Borrowings	18	-	280
Employee benefits	10b	383	901
Total non current liabilities		383	1,181
Total liabilities		92,690	302,499
Net assets		207,375	221,810
Equity			
Issued capital	19	385,957	391,390
Reserves	20	[12,933]	[1,468]
Accumulated losses		[165,649]	[168,112]
Total equity		207,375	221,810

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

CONSOLIDATED	ISSUED CAPITAL \$'000	RESERVES \$'000	[ACCUMULATED LOSSES]/RETAINED PROFITS \$'000	TOTAL EQUITY \$'000
Balance at 1 July 2015	391,390	[1,468]	[168,112]	221,810
Profit after income tax expense for the year	-	-	1,726	1,726
Other comprehensive loss for the year, net of tax	-	[9,523]	-	[9,523]
Total comprehensive [loss] / income for the year	-	[9,523]	1,726	[7,797]
<i>Transactions with owners in their capacity as owners:</i>				
Derecognition of deferred tax asset [note 4]	-	[1,942]	-	[1,942]
Share-based payments [note 28]	-	-	737	737
Share buy-back [note 19]	[5,433]	-	-	[5,433]
Balance at 30 June 2016	385,957	[12,933]	[165,649]	207,375

CONSOLIDATED	ISSUED CAPITAL \$'000	RESERVES \$'000	RETAINED PROFITS \$'000	TOTAL EQUITY \$'000
Balance at 1 July 2014	391,390	[9,069]	49,846	432,167
Loss after income tax expense for the year	-	-	[217,920]	[217,920]
Other comprehensive income for the year, net of tax	-	7,601	-	7,601
Total comprehensive [loss] / income for the year	-	7,601	[217,920]	[210,319]
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments [note 28]	-	-	[38]	[38]
Balance at 30 June 2015	391,390	[1,468]	[168,112]	221,810

The above statement of changes in equity should be read in conjunction with the accompanying note for the year ended 30 June 2015

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

		16	15
	NOTE	\$'000	CONSOLIDATED \$'000
Cash flows from operating activities			
Receipts from customers		394,331	819,120
Payments to suppliers		(381,630)	(753,760)
Net receipts from joint venture entities		175	1,131
Interest received		1,263	4,231
Interest and other finance costs paid		(2,231)	(15,063)
Income taxes paid		(2,842)	(1,908)
Net cash from operating activities	12	9,066	53,751
Cash flows from investing activities			
Payments for property, plant and equipment	13	(23,532)	(19,668)
Proceeds from disposal of property, plant and equipment		17,568	13,996
Proceeds from sale of subsidiaries		-	84,635
Investment in joint venture		(5,622)	-
Net cash generated from / (used in) investing activities		(11,586)	78,963
Cash flows from financing activities			
Purchase of own shares		(5,433)	-
Repayment of borrowings		(159,000)	-
Repayment of hire purchase and finance lease liabilities		(3,402)	(3,431)
Settlement of derivatives		(9,204)	(4,897)
Net cash used in financing activities		(177,039)	(8,328)
Net increase / (decrease) in cash and cash equivalents		(179,559)	124,386
Cash and cash equivalents at the beginning of the financial year		236,892	109,424
Effects of exchange rate changes on cash and cash equivalents		(634)	3,082
Cash and cash equivalents at the end of the financial year	6	56,699	236,892

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

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PART A: Results

Note 1. Segment information	36
Note 2. Other income	38
Note 3. Expenses	39
Note 4. Tax	41
Note 5. Earnings per share	44

PART B: Working Capital

Note 6. Cash and cash equivalents	45
Note 7. Trade and other receivables	45
Note 8. Trade and other payables	47
Note 9. Inventories	47
Note 10. Employee benefits	48
Note 11. Provisions	49

PART C: Cash Flow Information

Note 12. Reconciliation of profit /([loss]) after income tax to net cash from operating activities	50
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PART D: Fixed Assets

Note 13. Property, plant and equipment	51
Note 14. Intangibles	54

PART E: Risk

Note 15. Derivative financial instruments	55
Note 16. Fair value measurement	56
Note 17. Financial instruments	58

PART F: Debt and Equity

Note 18. Borrowings	63
Note 19. Equity - issued capital	64
Note 20. Equity - reserves	66

PART G: Unrecognised items

Note 21. Contingent liabilities	67
Note 22. Commitments	68
Note 23. Events after the reporting period	69

PART H: Other information/Group Structure

Note 24. Interests in subsidiaries	69
Note 25. Interests in joint ventures	70
Note 26. Related party transactions	72
Note 27. Key management personnel disclosures	72
Note 28. Share-based payments	73
Note 29. Remuneration of auditors	77
Note 30. Deed of cross guarantee	77
Note 31. Parent entity information	80
Note 32. Other significant accounting policies	81

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SEGMENT INFORMATION

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 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 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.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Joint Ventures

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

The consolidated entity's share of revenue from joint venture entities is excluded from the income statement in accordance with Accounting Standards.

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

Operating segment information

CONSOLIDATED - 2016	MINING \$'000	UNALLOCATED \$'000	TOTAL \$'000
Revenue			
External revenues	347,400	1,588	348,988
Total revenue	347,400	1,588	348,988
Earnings before interest, tax, depreciation and amortisation (and other significant items)	44,707	[4,721]	39,986
Interest income	116	1,147	1,263
Finance costs	[7,291]	3,663	[3,628]
Depreciation and amortisation	[31,254]	[1,880]	[33,134]
Onerous lease provision	-	[2,058]	[2,058]
Profit/[loss] before income tax expense	6,278	[3,849]	2,429
Income tax expense			[703]
Profit after income tax expense			1,726
Assets			
Segment assets	231,733	68,332	300,065
Total assets			300,065
Liabilities			
Segment liabilities	81,240	11,450	92,690
Total liabilities			92,690
Capital Expenditure	23,345	187	23,532

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SEGMENT INFORMATION CONTINUED*Operating segment information continued*

CONSOLIDATED - 2015	MINING \$'000	UNALLOCATED \$'000	TOTAL \$'000
Revenue			
External revenues	660,194	5,328	665,522
Total revenue	660,194	5,328	665,522
Earnings before interest, tax, depreciation and amortisation (and other significant items)			
	100,254	589	100,843
Interest income	251	1,860	2,111
Finance costs	(9,596)	(16,241)	(25,837)
Depreciation and amortisation	(56,932)	(2,688)	(59,620)
Impairment of property, plant and equipment and goodwill	(199,691)	(2,307)	(201,998)
Writedown of inventory and onerous lease provision	(27,328)	(4,493)	(31,821)
Loss before income tax expense	(193,041)	(23,281)	(216,322)
Income tax expense			(1,598)
Loss after income tax expense			(217,920)
Assets			
Segment assets	273,296	251,013	524,309
Total assets			524,309
Liabilities			
Segment liabilities			
Total liabilities	123,133	179,366	302,499
			302,499
Capital Expenditure	17,465	2,203	19,668

Geographical information

	SALES TO EXTERNAL CUSTOMERS		GEOGRAPHICAL NON-CURRENT ASSETS	
	CONSOLIDATED		CONSOLIDATED	
	16 \$'000	15 \$'000	16 \$'000	15 \$'000
Australia	300,841	569,412	111,449	121,749
Other	48,147	96,110	9,374	19,988
	348,988	665,522	120,823	141,737

The Mining segment operates in two principal geographical areas - Australia and Overseas (2015: three areas, including Mongolia which was significant in 2014). 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 48% (2015: 33%) of the consolidated entities revenue is attributable to sale transactions with its largest customer.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SEGMENT INFORMATION CONTINUED**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 and Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO and Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

NOTE 2. OTHER INCOME

	16	CONSOLIDATED
	\$'000	15
		\$'000
Net gain on disposal of property, plant and equipment	6,349	-
Net foreign exchange gain	2,507	11,934
Gain on settlement of dispute	-	16,347
Other	2,069	11,949
Other income	10,925	40,230

Other income

Other income is recognised when it is received or when the right to receive payment is established.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. EXPENSES

	16 \$'000	CONSOLIDATED 15 \$'000
Profit / (Loss) before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	67	-
Plant and equipment	32,043	57,853
Plant and equipment under lease	756	1,062
Buildings	247	664
Total depreciation	33,113	59,579
<i>Amortisation</i>		
Software	21	41
Total depreciation and amortisation	33,134	59,620
<i>Impairment</i>		
Plant and equipment (note 13)	-	183,701
Goodwill (note 14)	-	18,297
	-	201,998
Writedown of inventory (note 9)	-	27,328
<i>Cost of Sales</i>		
Materials and consumables used	152,178	217,617
Employee benefits expense	129,036	288,559
Subcontractor costs	7,883	24,211
Total cost of sales	289,097	530,387
<i>Finance (income) and costs</i>		
Interest income on financial assets (bank deposits)	(1,263)	(2,111)
Interest expense on financial liabilities carried at amortised cost	3,626	16,532
	2,363	14,421
Capitalised borrowing costs written off	-	3,219
Gain on settlement of foreign exchange contracts	-	(2,120)
Cash flow hedges reclassified from Other Comprehensive Income	-	8,206
Net finance costs	2,363	23,726

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. EXPENSES CONTINUED**Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including;

- interest on short-term and long-term borrowings
- interest on finance leases

	16 \$'000	CONSOLIDATED 15 \$'000
<i>Rental expense relating to operating leases</i>		
Onerous lease provisions raised	2,058	4,493
Equipment and office expenses under operating leases	16,762	23,967
Total rental expense	18,820	28,460

During the previous year, the Company relocated all of the West Perth based employees to the Hudswell Road airport facilities. The Company has partially sublet the West Perth office to save on rental expenses. An onerous contract provision of \$2.1 million (2015: \$4.5 million) has been taken up which is based on lowest cost to exit being the present value of future outgoings net of estimated recoveries (from sub-letting).

<i>Superannuation expense</i>		
Defined contribution superannuation expense	8,611	19,115
Defined benefit superannuation expense	17	17
Total superannuation expense	8,628	19,132
<i>Share-based payments expense / [reversal]</i>		
Share-based payments expense	737	[38]

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. TAX**a) Income tax expense**

	16	CONSOLIDATED
	\$'000	15
		\$'000
<i>Income tax expense</i>		
Current tax	3,115	3,785
Adjustment recognised for prior periods	81	[329]
Deferred tax - origination and reversal of temporary differences	(2,492)	(1,858)
Aggregate income tax expense	703	1,598
Income tax expense/(benefit) is attributable to:		
Profit / (Loss) from continuing operations	434	463
Profit / (Loss) from discontinued operations	269	1,135
Aggregate income tax expense	703	1,598
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(Loss) before income tax expense from continuing operations	1,532	(220,104)
Profit/(Loss) before income tax expense from discontinued operations	897	3,782
Total Profit / (Loss) before tax	2,429	(216,322)
Tax at the statutory tax rate of 30%	729	(64,897)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	221	[4]
[Non-assessable income] / Non-deductible expenses	(178)	(3,107)
Foreign tax rate differential	(555)	(567)
Utilisation of foreign and domestic income tax losses not previously recognised	(121)	(528)
Other	[24]	763
Impairment for which no deferred tax asset was recognised	-	56,464
Current year temporary differences for which no deferred tax asset was recognised	551	11,505
Current year losses for which no deferred tax asset was recognised	-	2,298
	623	1,927
Adjustment recognised for prior periods	81	[329]
Income tax expense	703	1,598
b) Current assets and liabilities - income tax		
Income tax refund due - Australian operations	12,750	14,671
Income tax payable - overseas	193	1,854

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. TAX CONTINUED

c) Non-current assets - deferred tax

	16 \$'000	CONSOLIDATED 15 \$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Inventories	(1,307)	(22,540)
Property, plant and equipment	(11,155)	(7,469)
Unbilled work	(7,894)	(5,932)
Employee benefits	11,096	9,276
Other creditors and accruals	4,206	10,903
Other items	398	10,555
Tax loss carry forward	5,273	5,273
	617	66
Comprising of:		
Deferred tax asset	617	66
Deferred tax liability	-	-
Deferred tax asset/(liability)	617	66
Amount recognised in equity during the year:		
Treasury shares derecognition expense/(benefit)	1,942	-
Cash flow hedge	-	(230)
	1,942	(230)
Amount recognised in profit or loss during the year	(2,492)	(1,858)
Unrecognised deferred tax asset		
Australian impairment and other deductible differences [excluding inventory]	40,681	45,020
Allowances for inventory	10,140	11,505
Foreign deductible differences [excluding inventory]	4,248	1,057
Unrecognised temporary differences	55,069	57,582
Foreign tax losses	5,855	2,791
	60,924	60,373

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. TAX CONTINUED**Income tax** continued

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

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

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

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Macmahon Holdings Limited.

Current income tax expense / benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

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

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

Nature of tax funding arrangements and tax sharing arrangements

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

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.

Recovery of deferred tax assets

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. EARNINGS PER SHARE

	16 \$'000	15 \$'000
CONSOLIDATED		
<i>Earnings per share for profit/(loss) from continuing operations</i>		
Profit/(loss) after income tax from continuing operations attributable to the owners of Macmahon Holdings Limited	1,098	[220,567]
	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	1,247,929,728	1,256,553,965
Adjustments for calculation of diluted earnings per share:		
Effect of performance rights on issue	2,383,265	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,250,312,993	1,256,553,965
	CENTS	CENTS
Basic earnings/(loss) per share	0.09	[17.55]
Diluted earnings/(loss) per share	0.09	[17.55]
CONSOLIDATED		
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax from discontinued operations attributable to the owners of Macmahon Holdings Limited	628	2,647
	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	1,247,929,728	1,256,553,965
Adjustments for calculation of diluted earnings per share:		
Effect of performance rights on issue	2,383,265	23,996,621
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,250,312,993	1,280,550,586
	CENTS	CENTS
Basic earnings per share	0.05	0.21
Diluted earnings per share	0.05	0.21
CONSOLIDATED		
<i>Earnings per share for profit / [loss]</i>		
Profit / [Loss] after income tax attributable to the owners of Macmahon Holdings Limited	1,726	[217,920]
	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	1,247,929,728	1,256,553,965
Adjustments for calculation of diluted earnings per share:		
Effect of performance rights on issue	2,383,265	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,250,312,993	1,256,553,965
	CENTS	CENTS
Basic earnings/(loss) per share	0.14	[17.34]
Diluted earnings/(loss) per share	0.14	[17.34]

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. EARNINGS PER SHARE CONTINUED**Earnings per share****Basic earnings per share**

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

Diluted earnings per share

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

NOTE 6. CASH AND CASH EQUIVALENTS

	16 \$'000	CONSOLIDATED 15 \$'000
Cash on hand	16	24
Cash at bank	56,683	236,868
	56,699	236,892

Cash and cash equivalents

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

NOTE 7. TRADE AND OTHER RECEIVABLES**Current trade and other receivables**

	16 \$'000	CONSOLIDATED 15 \$'000
Trade receivables	22,835	32,011
Less: allowance for doubtful debts	[1,260]	[1,512]
	21,575	30,499
Other receivables and prepayments	9,020	13,662
Accrued revenue	28,983	22,681
	59,578	66,842
Allowance for doubtful debts		
The ageing of the doubtful receivables allowance are as follows:		
Over 3 months past due	1,260	1,512
	1,260	1,512

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. TRADE AND OTHER RECEIVABLES CONTINUED**Current trade and other receivables** continued

	16	CONSOLIDATED
	\$'000	15
		\$'000
Opening balance	1,512	25,557
Additional allowances (released)/recognised	[252]	1,411
Allowances recovered through sale of subsidiaries and settlement of dispute	-	[25,456]
Closing balance	1,260	1,512

Past due but not doubtful

Customers with balances past due but without any allowance for doubtful debts amount to \$5.1 million as at 30 June 2016 (\$16.9 million as at 30 June 2015).

After reviewing credit terms of customers based on recent collection practices, the consolidated entity did not consider this to be a credit risk on the aggregate balances.

The ageing of the past due but not doubtful debts are as follows:

Past due 0-30 days	1,496	13,773
Past due 31+ days	3,589	3,173
	5,085	16,946

For information on credit risk refer to note 17.

Trade and other receivables**Trade and other receivables**

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for doubtful trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be doubtful. The amount of the doubtful allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Accrued revenue

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

Provision for doubtful receivables

The provision for doubtful receivables assessment requires a degree of estimation and judgment. The level of provision is assessed by taking into account recent sales experience, ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. TRADE AND OTHER PAYABLES

	16 \$'000	CONSOLIDATED 15 \$'000
Trade payables	24,360	19,602
Accrued expenses	33,873	64,210
Other payables	3,119	5,244
	61,352	89,056

Refer to note 17 for further information on financial instruments.

Trade and other payables

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

NOTE 9. INVENTORIES

	16 \$'000	CONSOLIDATED 15 \$'000
Operating inventory at cost	30,846	42,754
Less: Allowance for obsolescence	[4,090]	[7,082]
	26,756	35,672
Inventory at Net Realisable Value	10,508	15,236
	37,264	50,908

The company reviewed the value of items in inventory and reduced inventory to net realisable value based on an assessment of current market conditions with the assistance of external valuations provided by an independent valuer and internal assessments, where necessary. This did not result in any inventory writedowns in the current year [2015: \$27.3 million].

Inventories

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.

Provision for impairment of inventories

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 recent sales experience, ageing of inventories and other factors that affect inventory obsolescence.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS**a) Current liabilities - employee benefits**

	16 \$'000	CONSOLIDATED 15 \$'000
Annual leave	8,275	10,966
Long service leave	3,314	4,921
Other employee benefits	-	917
	11,589	16,804

Accrued wages and salaries between the last pay date and 30 June 2016 of \$1.4 million (2015: \$2.0 million) are included within the accrued expenses balance as disclosed in note 8.

b) Non-current liabilities - employee benefits

	16 \$'000	CONSOLIDATED 15 \$'000
Long service leave	383	901
	383	901

c) Non-current liabilities - retirement benefit obligations**Superannuation plan**

The Trust Company Ltd is the Trustee of the Macmahon Employees Superannuation Fund ("the Fund") and is responsible for all areas of compliance with regard to the Fund. All members of the now closed defined benefit section were previously invited to transfer their entitlement to the accumulation section of the Fund. At 30 June 2016, 1 member (2015: 4 members) remained in the defined benefit section.

Employee benefits**Wages and salaries, annual leave and sick leave**

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

Long service leave

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

Defined contribution 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10. EMPLOYEE BENEFITS CONTINUED**Employee benefits** continued**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.

Long service leave provision

The liabilities for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

NOTE 11. PROVISIONS

	16 \$'000	15 \$'000
Project closure	8,515	15,326
Warranties	459	192
Project bonus	66	121
Client plant maintenance	1,040	265
Onerous Contracts	3,585	3,926
Other	3,470	-
	17,135	19,830

Movements in provisions

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

	PROJECT CLOSURE \$'000	WARRANTIES \$'000	PROJECT BONUS \$'000	CLIENT PLANT MAINTENANCE \$'000	ONEROUS CONTRACTS \$'000	OTHER \$'000	TOTAL \$'000
Carrying amount at the start of the year	15,326	192	121	265	3,926	-	19,830
Additional provisions recognised	-	324	324	1,631	2,058	3,470	7,806
Provisions released during the year	(2,783)	-	-	-	-	-	(2,783)
Provisions utilised during the year	(4,028)	(57)	(378)	(857)	(2,398)	-	(7,719)
Carrying amount at the end of the year	8,515	459	66	1,040	3,585	3,470	17,135

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11. PROVISIONS CONTINUED**Provisions**

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 judgment. 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.

NOTE 12. RECONCILIATION OF PROFIT /[(LOSS)] AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	16 \$'000	CONSOLIDATED 15 \$'000
Profit / (Loss) after income tax expense for the year	1,726	(217,920)
Adjustments for:		
Depreciation and amortisation	33,134	59,620
Impairment of property, plant and equipment	-	183,701
Cash flow hedges - reclassified from reserve	1,397	8,206
Net gain on disposal of property, plant and equipment and other	(6,349)	(7,308)
Share of profit - joint ventures	(609)	(146)
Share-based payments	737	(38)
Foreign exchange gains	(2,485)	(11,934)
Transaction costs written off	-	4,897
Allowance for inventory	-	6,373
Provision for onerous contract	-	3,926
Write down of inventory	-	27,328
Goodwill impairment	-	18,297
Net cash received from jointly controlled entities	175	1,131
Income tax expense/(benefit)	703	1,598
Change in operating assets and liabilities:		
Decrease in trade and other receivables	8,091	67,280
Decrease / (increase) in inventories	11,116	(1,581)
Decrease in trade and other payables	(27,507)	(44,554)
Decrease in income tax balances	(2,842)	(1,908)
Decrease in employee benefits and provisions	(8,221)	(43,948)
Net cash from operating activities	9,066	53,751

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	16	15
	\$'000	\$'000
		CONSOLIDATED
Buildings and freehold land - at cost	-	3,476
Less: Accumulated depreciation	-	(3,044)
	-	432
Leasehold improvements - at cost	7,109	7,449
Less: Accumulated depreciation	(6,811)	(4,775)
Less: Impairment of Leasehold improvements	-	(2,307)
	298	367
Plant and equipment - at cost	461,593	508,918
Less: Accumulated depreciation and impairment losses	(350,709)	(377,872)
	110,884	131,046
Equipment under finance lease	24,894	29,704
Less: Accumulated depreciation	(18,423)	(20,070)
	6,471	9,634
	117,653	141,479

Reconciliations

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

	BUILDINGS & FREEHOLD LAND	LEASEHOLD IMPROVEMENTS	PLANT & EQUIPMENT	EQUIPMENT UNDER FINANCE LEASE	TOTAL
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2014	1,292	2,674	427,889	11,020	442,875
Additions	5	-	19,663	-	19,668
Classified as held for sale	-	-	(12,131)	-	(12,131)
Disposals*	(216)	-	(73,593)	-	(73,809)
Exchange differences	15	-	8,465	(324)	8,156
Impairment of assets	-	(2,307)	(181,394)	-	(183,701)
Depreciation expense	(664)	-	(57,853)	(1,062)	(59,579)
Balance at 30 June 2015	432	367	131,046	9,634	141,479
Additions	4	-	23,528	-	23,532
Disposals	(20)	-	(10,856)	(310)	(11,186)
Exchange differences	(169)	-	(774)	(2,097)	(3,040)
Reclassification to and from assets classified as held for sale and transfers	-	(2)	(17)	-	(19)
Depreciation expense	(247)	(67)	(32,043)	(756)	(33,113)
Balance at 30 June 2016	-	298	110,884	6,471	117,653

*Includes sale of subsidiaries' assets.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Reconciliations continued

Profit on disposal of property, plant and equipment from continuing operations was \$6.3 million (2015: \$13.0 million loss).

There was no impairment of assets during the current financial year (2015: \$183.7 million).

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 [see 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 \$8.1 million (2015: \$12.1 million). Discontinued operations comprise the remaining balance of the assets classified as held for sale amounting to \$1.1 million (2015: \$0.8 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 over their estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the consolidated entity will obtain ownership by the end of the lease term. Land is not depreciated.

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

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

- Buildings: 40 Years
- Leasehold improvements: Period of the lease
- Plant and equipment: 3-12 years

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

NOTE 13. PROPERTY, PLANT AND EQUIPMENT CONTINUED**Property, plant and equipment** continued*Depreciation and amortisation continued*

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

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

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

Subsequent costs

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

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 a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. INTANGIBLES

	16	CONSOLIDATED
	\$'000	15
		\$'000
Goodwill - at cost	-	18,297
Impairment of goodwill	-	(18,297)
	-	-
Software - at cost	19,905	19,905
Less: Accumulated amortisation	(19,905)	(19,905)
	-	-
Intangibles- at cost	3,203	3,203
Less: Accumulated amortisation	(3,203)	(3,182)
	-	21
	-	21

Reconciliations

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

CONSOLIDATED	GOODWILL	SOFTWARE	OTHER INTANGIBLE	TOTAL
	\$'000	DEVELOPMENT	ASSETS	\$'000
		COSTS	\$'000	
		\$'000		\$'000
Balance at 1 July 2014	18,297	9	62	18,368
Amortisation expense	-	(9)	(41)	(50)
Impairment of goodwill	(18,297)	-	-	(18,297)
Balance at 30 June 2015	-	-	21	21
Amortisation expense	-	-	(21)	(21)
Balance at 30 June 2016	-	-	-	-

In the prior year, goodwill was fully impaired as the carrying amount was determined not to be recoverable.

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.

NOTES TO THE FINANCIAL STATEMENTS

Impairment of non-financial assets

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

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

NOTE 15. DERIVATIVE FINANCIAL INSTRUMENTS**a) Current assets - derivative financial instruments**

	16 \$'000	CONSOLIDATED 15 \$'000
Current derivative financial instruments		
Forward foreign exchange contracts - cash flow hedges	-	359
	-	359

There are no foreign exchange forward contracts in place at 30 June 2016 (2015: Notional Value \$1.9 million). Foreign exchange forward contracts which are designated as hedging instruments in cash flow hedges of committed forecast purchase transactions are measured at fair value through other comprehensive income. The foreign exchange forward contract balances vary with the level of committed forecast purchases and changes in foreign exchange forward rates.

There are no cash flow hedges of committed forecast transactions in place at 30 June 2016. Therefore no unrealised gain or loss position (2015: unrealised gain of \$0.4 million) or related deferred tax position (2015: deferred tax liability \$0.1 million) related to foreign exchange forward contracts is included in hedging reserve.

b) Current liabilities - Derivative financial instruments

Current derivative financial instruments		
Interest rate swap contracts - cash flow hedges	-	8,206
	-	8,206

Refer to note 17 for further information on financial instruments.

Refer to note 16 for further information on fair value measurement.

At 30 June 2016, the consolidated entity has no interest rate swap agreements in place (2015: Notional Value \$155 million). The swaps were used to hedge the consolidated entity's exposure to changes in the fair value of its term facility (see note 18). On 31 July 2015 the Company repaid the term facility in full and closed out the interest rate swaps.

Derivative financial instruments

The consolidated entity uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its foreign currency risk and interest rate exposures, respectively. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED**Derivative financial instruments** continued**Cash flow hedges**

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect income or expenses. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

NOTE 16. FAIR VALUE MEASUREMENT**Fair value hierarchy**

The following tables detail the consolidated entity's financial assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
CONSOLIDATED - 2016				
<i>Financial Liabilities</i>				
Interest rate swaps	-	-	-	-
Foreign exchange forward contracts	-	-	-	-
Total liabilities	-	-	-	-
CONSOLIDATED - 2015				
<i>Financial Liabilities</i>				
Interest rate swaps	-	[8,206]	-	[8,206]
Foreign exchange forward contracts	-	359	-	359
Total liabilities	-	[7,847]	-	[7,847]

Assets and liabilities held for trading are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using market comparison technique. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

CONSOLIDATED	16		15	
	CARRYING AMOUNT \$'000	FAIR VALUE \$'000	CARRYING AMOUNT \$'000	FAIR VALUE \$'000
Lease liability	[204]	[204]	[3,685]	[3,645]

All other assets and liabilities carrying amount is the same as the fair value.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. FAIR VALUE MEASUREMENT CONTINUED***Financial instruments not measured at fair value***

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

Fair value of loans from banks and other financial liabilities, obligations under finance and hire purchase leases are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value measurement hierarchy

"The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability. Considerable judgment is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective."

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. FINANCIAL INSTRUMENTS**Financial risk management objectives**

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

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated entity's activities. The consolidated entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

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), New Zealand Dollar (NZD), Malaysian Ringgit (MYR), Nigerian Naira (NGN) and Indonesian Rupiah (IDR). 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 consolidated entity uses foreign exchange forward contracts to hedge its purchases of major items of plant and equipment that are denominated in a foreign currency when a firm commitment is made. As at 30 June 2016 there are no foreign exchange forward contracts in place.

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.

	AVERAGE EXCHANGE RATES		REPORTING DATE EXCHANGE RATES	
	16	15	16	15
Australian dollars				
USD	0.7283	0.8360	0.7426	0.7680
NZD	1.0908	1.0778	1.0489	1.1294
MYR	3.0031	2.8746	2.9905	2.9046
NGN	145.76	144.14	209.78	150.87
IDR	9,953	10,383	9,790	10,228

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. FINANCIAL INSTRUMENTS CONTINUED*Currency risk continued*

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

CONSOLIDATED	16	ASSETS	16	LIABILITIES
	\$'000	\$'000	\$'000	\$'000
USD	-	359	-	-
IDR	2,866	247	(502)	(1,344)
	2,866	606	(502)	(1,344)

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 2015.

CONSOLIDATED - 2016	AUD STRENGTHENED			AUD WEAKENED		
	% CHANGE	EFFECT ON PROFIT	EFFECT ON EQUITY	% CHANGE	EFFECT ON PROFIT	EFFECT ON EQUITY
		BEFORE TAX	\$'000		BEFORE TAX	\$'000
IDR	10%	(263)	-	10%	215	-
		(263)	-		215	-
CONSOLIDATED - 2015						
USD	10%	-	(210)	10%	-	257
IDR	10%	110	-	10%	(110)	-
		110	(210)		(110)	257

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 Financial Risk Management Policy. Under this policy, interest rate exposures on committed capital finance borrowings can be hedged up to 75% (by volume). The hedging instruments approved by the Board of Directors for this purpose, are interest rate swaps and interest rate caps and floors.

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

	16	CONSOLIDATED
	\$'000	\$'000
Variable financial assets	56,699	236,892
Variable financial liabilities	-	(159,000)
Net exposure to cash flow interest rate risk (before hedging)	56,699	77,892

An analysis by remaining contractual maturities is shown in 'liquidity risk' section.

Fair value sensitivity analysis for fixed rate instruments

There are no fixed rate instruments at 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. FINANCIAL INSTRUMENTS 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 2015.

CONSOLIDATED - 2016	BASIS POINTS INCREASE			BASIS POINTS DECREASE		
	BASIS POINTS CHANGE	EFFECT ON PROFIT BEFORE TAX \$'000	EFFECT ON EQUITY \$'000	BASIS POINTS CHANGE	EFFECT ON PROFIT BEFORE TAX \$'000	EFFECT ON EQUITY \$'000
Variable rate instruments	100	567	-	100	(567)	-
		567	-		567	-
CONSOLIDATED - 2015						
Variable rate instruments	100	779	-	100	(779)	-
Interest rate swap	100	4,857	-	100	(5,065)	-
		5,636	-		(5,844)	-

Credit risk

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

Cash and cash equivalents

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

Trade and other receivables

The consolidated entity's exposure to credit risk is influenced mainly by the characteristics of each individual customer. The demographics of the consolidated entity's customer base, including the default risk of the industries and countries in which customers operate, has less influence on credit risk. Approximately 48% [2015: 33%] 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.

More than 72% [2015: 70%] of the consolidated entity's trade receivables exposed to credit risk are from customers who have been transacting with the consolidated entity for over three years.

The consolidated entity establishes an allowance for impairment that represents its estimate of expected / incurred losses in respect of trade and other receivables. At 30 June 2016 the consolidated entities collective impairment on its trade receivables was \$1.3 million [2015: \$1.5 million].

Guarantees

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. FINANCIAL INSTRUMENTS CONTINUED*Credit risk 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:

	16 \$'000	CONSOLIDATED 15 \$'000
Cash and cash equivalents	56,699	236,892
Receivables*	50,558	53,180
Total credit risk exposure	107,257	290,072
* Receivables are shown excluding work in progress and prepayments.		
The consolidated entity's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:		
Mining customers	50,292	53,180
Other	266	-
Total credit risk exposure by customer	50,558	53,180

The consolidated entity's most significant trade receivable, a mining customer, accounts for \$16.1 million of the trade receivables carrying amount at 30 June 2016 (2015: \$16.0 million).

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 2016, the undrawn amount on the term facility was \$23.7 million (2015: \$150.8 million) of which \$6.3 million is represented by bank guarantees (2015: \$27.3 million). Outstanding individual lease agreements drawn under past facilities remain in place until their expiry date. In addition, the consolidated entity has a \$71.3 million (2015: \$107.6 million) insurance bond facility with \$59.6 million (2015: \$96.3 million) available at year end.

Remaining contractual maturities

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk continued

CONSOLIDATED - 2016	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					
<i>Non-interest bearing</i>					
Trade payables and accrued expenses	(58,233)	-	-	-	(58,233)
Other payables	(3,119)	-	-	-	(3,119)
<i>Interest-bearing - variable</i>					
Lease liability	(207)	-	-	-	(207)
Total non-derivatives	(61,559)	-	-	-	(61,559)
CONSOLIDATED - 2015					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables and accrued expense	(83,812)	-	-	-	(83,812)
Other payables	(5,244)	-	-	-	(5,244)
<i>Interest-bearing - variable</i>					
Lease liability	(3,731)	(284)	-	-	(4,015)
Term facility	(159,000)	-	-	-	(159,000)
Total non-derivatives	(251,787)	(284)	-	-	(252,071)
Derivatives					
Interest rate swaps net settled	(8,206)	-	-	-	(8,206)
Forward foreign exchange contracts net settled	359	-	-	-	359
Total derivatives	(7,847)	-	-	-	(7,847)

The cash flows in the maturity analysis above are expected to occur in line with contractual terms.

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

NOTE 18. BORROWINGS**a) Current borrowings**

	16 \$'000	CONSOLIDATED 15 \$'000
Term facility	-	159,000
Lease liability	204	3,405
	204	162,405

Refer to note 17 for further information on financial instruments.

b) Non-current liabilities - borrowings

Lease liability	-	280
	-	280

Refer to note 17 for further information on financial instruments.

Total secured liabilities

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

Term facility net of borrowing costs	-	159,000
Lease liability	204	3,685
	204	162,685

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

	CURRENCY	INTEREST RATE RANGE	CALENDAR YEAR OF MATURITY	16 \$'000	15 \$'000
Term facility	AUD	5.10%	2017	-	159,000
Finance lease liabilities	NGN	16.0%	2016	204	3,685
				204	162,685

Term facilities

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 (including a \$0.3 million credit card facility). The twelve month facility which matures on 17 November 2016 can be used for general corporate purposes. \$6.3 million of the facility is drawn at 30 June 2016 for bank guarantees.

Operating lease facility

As at 30 June 2016, the domestic operating lease facility was drawn by \$37.3 million [2015: \$41.3 million].

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 multioption financing facility.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. BORROWINGS CONTINUED

Finance lease liabilities are payable as follows:

	MINIMUM LEASE PAYMENTS		INTEREST		PRINCIPAL	
	16 \$'000	15 \$'000	16 \$'000	15 \$'000	16 \$'000	15 \$'000
Finance lease liabilities						
Less than one year	207	3,731	3	326	204	3,405
Between one and 5 years	-	284	-	4	-	280
More than 5 years	-	-	-	-	-	-
	207	4,015	3	330	204	3,685

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.

NOTE 19. EQUITY - ISSUED CAPITAL

	16	15	16	CONSOLIDATED
	SHARES	SHARES	\$'000	15 \$'000
Ordinary shares - fully paid	1,210,487,874	1,261,699,966	385,957	391,390

	THE COMPANY ORDINARY SHARES	
	16	15
On issue at 1 July	1,261,699,966	1,261,699,966
Repurchased and cancelled	(51,212,092)	-
On issue 30 June	1,210,487,874	1,261,699,966

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19. EQUITY - ISSUED CAPITAL CONTINUED***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 2016 the consolidated entity was in a net cash position (Gearing ratio: nil).

Share buy-back

On 6 October 2015, the Company announced an on-market share buy-back of up to 10% over 12 months of its fully paid ordinary shares as part of a capital management plan. During the financial year, the Company acquired 51,212,092 shares at an average price of 10.7 cents per share for a total of \$5,432,691, taking the percentage of shares acquired to 4.06%.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. EQUITY - RESERVES

	16 \$'000	CONSOLIDATED 15 \$'000
Reserve for own shares	[6,523]	(4,581)
Foreign currency reserve (net of tax)	[6,410]	2,862
Hedging reserve - cash flow hedges (net of tax)	-	251
	[12,933]	[1,468]

Reserve for own shares

The reserve for the Company's own shares comprises the cost 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 no shares were purchased (2015: nil). As at 30 June 2016, there are 14,716,948 (2015: 15,122,476) 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 will be reclassified to the profit and loss in the future either on sale or cessation of the underlying foreign operation.

Hedging reserve - cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Movements in reserves

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

CONSOLIDATED	RESERVE FOR OWN SHARES \$'000	FOREIGN CURRENCY \$'000	HEDGING \$'000	TOTAL \$'000
Balance at 30 June 2014	[4,581]	[421]	(4,067)	(9,069)
Foreign currency translation	-	4,330	-	4,330
Reclassification of foreign currency difference on sale of foreign operation	-	[1,047]	-	(1,047)
Net change in the fair value of cash flow hedges taken to equity, net of tax	-	-	[3,888]	(3,888)
Cash flow hedges - reclassified to profit or loss	-	-	8,206	8,206
Balance at 30 June 2015	[4,581]	2,862	251	[1,468]
Foreign currency translation	-	[9,272]	-	(9,272)
Derecognition of deferred tax asset (note 4)	[1,942]	-	-	(1,942)
Cash flow hedges - reclassified to profit or loss	-	-	[251]	[251]
Balance at 30 June 2016	[6,523]	[6,410]	-	[12,933]

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year (2015: nil)

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21. CONTINGENT LIABILITIES

The following identifiable contingencies exist at 30 June 2016:

	16	CONSOLIDATED
	\$'000	15
		\$'000
Bank guarantees	6,295	7,715
Insurance performance bonds	11,675	11,312
	17,970	19,027

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.

Other contingent liabilities

In the ordinary course of business, 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. COMMITMENTS

	16 \$'000	CONSOLIDATED 15 \$'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,168	6,069
	3,168	6,069
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	9,287	18,014
One to five years	17,880	23,445
	27,167	41,459

Operating lease - facilities

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

On 31 July 2013, the consolidated entity entered into a Master Operating Lease Agreement for plant and equipment. The leases typically run for a term of 3 to 5 years with an option to extend for up to 3 years after that date. The consolidated entity has an option to purchase the assets at the expiry of their lease period. This agreement replaced the \$230 million domestic operating lease facility signed October 2007. Outstanding individual lease agreements drawn under the \$230 million facility remain in place until their expiry. As at 30 June 2016, the total value of outstanding operating leases under both agreements was \$37.3 million (2015: \$41.3 million).

Finance leases - equipment

Finance lease commitments in Note 18 include contracted amounts for various plant and equipment with a written down value of \$5.3 million (2015: \$9.6 million) under finance leases expiring within 1 year. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. EVENTS AFTER THE REPORTING PERIOD

Due to heightened security concerns, Macmahon is currently reviewing whether it should continue its business in Nigeria. If Macmahon decides to withdraw from Nigeria, possible Foreign Currency Translation Reserve (FCTR) losses will be reclassified to the Profit and Loss statement. The current FCTR loss is \$6.4 million.

NOTE 24. INTERESTS IN SUBSIDIARIES

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

NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		16 %	15 %
Incorporated subsidiaries			
Macmahon Contractors Pty Ltd	Australia	100.00%	100.00%
Macmahon Contractors (WA) Pty Ltd	Australia	100.00%	100.00%
Macmahon (Southern) Pty Ltd	Australia	100.00%	100.00%
Macmahon Mining Services Pty Ltd	Australia	100.00%	100.00%
Doorn-Djil Yoordaning Mining and Construction Pty Ltd	Australia	100.00%	100.00%
Macmahon Underground Pty Ltd	Australia	100.00%	100.00%
Macmahon Africa Pty Ltd	Australia	100.00%	100.00%
Macmahon Malaysia Pty Ltd	Australia	100.00%	100.00%
Macmahon Rail Pty Ltd	Australia	100.00%	100.00%
Macmahon Contractors (NZ) Ltd	New Zealand	100.00%	100.00%
PT Macmahon Indonesia	Indonesia	100.00%	100.00%
PT Macmahon Mining Services*	Indonesia	50.00%	100.00%
Macmahon Contractors Nigeria Ltd	Nigeria	100.00%	100.00%
Macmahon Sdn Bhd	Malaysia	100.00%	100.00%
Macmahon Constructors Sdn Bhd	Malaysia	100.00%	100.00%
Macmahon Contracting International Pte Ltd	Singapore	100.00%	100.00%
Macmahon Mongolia Holdings Pte Ltd	Singapore	100.00%	100.00%
Macmahon Mongolia LLC	Mongolia	100.00%	100.00%
Macmahon Contracting Ghana Limited	Ghana	100.00%	100.00%
Macmahon Rail Holdings Pty Ltd	Australia	100.00%	100.00%
Macmahon Rail Investments Pty Ltd	Australia	100.00%	100.00%
Macmahon Rail Operations Pty Ltd	Australia	100.00%	100.00%
Thomco (No. 2020) Pty Ltd	Australia	100.00%	100.00%
Thomco (No. 2021) Pty Ltd	Australia	100.00%	100.00%
Thomco (No. 2022) Pty Ltd	Australia	100.00%	100.00%
Macmahon Botswana (Pty) Ltd	Botswana	100.00%	100.00%
Interest in trusts			
Macmahon Holdings Limited Employee Share Ownership Plans Trust	Australia	100.00%	100.00%
Macmahon Underground Unit Trust	Australia	100.00%	100.00%

*PT Macmahon Mining Services was 100% owned at 30 June 2015. During the 2016 financial year the Company entered into a joint venture arrangement and sold 50% of the shares to the joint venture partner. Consequently this entity is now disclosed in note 25 as a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 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	
		16 %	15 %
PT Macmahon Mining Services	Mining services	50.00%	-
Macmahon / Adasa JV*	Non-active	50.00%	50.00%
Goorng Jimbila Contracting JV*	Non-active	50.00%	50.00%
Malana JV*	Non-active	50.00%	50.00%
Marapikurrinya JV*	Non-active	45.00%	45.00%
Dhurawine JV*	Non-active	-	50.00%
Karara Yamatji JV*	Non-active	50.00%	50.00%
Tonkin Highway JV*	Non-active	50.00%	50.00%
Roe Highway JV*	Non-active	50.00%	50.00%
Hale Street Link JV*	Non-active	33.33%	33.33%
Ross River Dam JV*	Non-active	50.00%	50.00%
Bell Bay Alliance JV*	Non-active	20.00%	20.00%
Rail Link JV*	Non-active	25.00%	25.00%
Eyre Peninsula JV*	Non-active	50.00%	50.00%

* Joint Ventures that were deregistered or not active during the year.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	CONSOLIDATED	
	16 \$'000	15 \$'000
Loans to PT Macmahon Mining Services	2,145	-
Investment in PT Macmahon Mining Services at cost	3,515	-
Other investments	25	25
Share of profit of equity-accounted investees, net of tax	609	146
	6,294	171

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25. INTERESTS IN JOINT VENTURES CONTINUED

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

	16 \$'000	CONSOLIDATED 15 \$'000
<i>Summarised statement of financial position</i>		
Cash	10,649	-
Other	4,612	825
Total current assets	15,261	825
Total non current assets	19,452	-
Total assets	34,713	825
Current payables	(1,698)	(483)
Current borrowings external	(3,819)	-
Total current liabilities	(5,517)	(483)
Non current borrowings - external	(13,652)	-
Other non current financial liabilities (shareholder loans)	(13,981)	-
Total non current liabilities	(27,633)	-
Total liabilities	(33,150)	(483)
Net assets (100%)	1,563	342
Group's share of net assets (50%)	782	171
Group's share of other non current financial liabilities (shareholder loans)	5,512	-
	6,294	171
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	26,613	2,163
Interest expense	(728)	-
Depreciation	(4,249)	-
Other Expenses	(20,015)	(1,870)
Profit before income tax	1,621	293
Tax	(403)	-
Net profit after tax (100%)	1,218	293
Share of profit of equity-accounted investees, net of tax (50%)	609	146
Dividends received by the group	-	-

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, other than performance bonds and bank guarantees disclosed in note 21.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 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

The following transactions occurred with related parties:

	16 \$'000	CONSOLIDATED 15 \$'000
Recharges	668	-
Management fee charged to Joint Venture	1,061	-
Receivable from and payable to related parties		
Receivable from Joint Venture	1,729	-
Loans to/from related parties		
Loan to Joint Venture	2,145	-

Terms and conditions

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

NOTE 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:

	16 \$	CONSOLIDATED 15 \$
Short-term employee benefits	1,204,690	4,313,814
Long-term employee benefits	70,754	[1,263,476]
Post-employment benefits	81,103	206,160
Termination benefits	-	1,220,999
Share-based payments	76,042	[473,730]
	1,432,589	4,003,767

NOTES TO THE FINANCIAL STATEMENTS

NOTE 28. SHARE-BASED PAYMENTS

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

- Macmahon Executive Equity Plan ("EEP" or "LTI Plan")
- Macmahon CEO LTI Plan - expired in 2015

Macmahon EEP or LTI Plan

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

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

Relative TSR was chosen by the Board as a suitable performance measure as it provides alignment between shareholder returns and executive remuneration. The Performance Rights lapse if the employee ceases employment with Macmahon, or the TSR performance condition has not been achieved within the term of each plan.

PERFORMANCE RIGHTS GRANTED ON 17 JUNE 2011	TIME-BASED CONDITION ENDING 17/06/2013	PERFORMANCE PERIOD			
		2 YEARS ENDING 17/06/2013 TRANCHE 1	3 YEARS ENDING 17/06/2014 TRANCHE 2	4 YEARS ENDING 17/06/2015 TRANCHE 3	5 YEARS ENDING 17/06/2016 TRANCHE 4
Tranche and number of Performance Rights	3,268,750	2,451,562	2,451,562	2,451,562	2,451,562
Vesting performance condition					
TSR Ranking 75% or higher of the TSR of two peer groups (50% weighting to each peer group)	-	2,451,562	2,451,562	2,451,562	2,451,562
TSR Ranking 50%-75% of the TSR of two peer groups (50% weighting to each peer group)	-	1,225,781 plus 2% for each percentile above 50%	1,225,781 plus 2% for each percentile above 50%	1,225,781 plus 2% for each percentile above 50%	1,225,781 plus 2% for each percentile above 50%
TSR Ranking below 50% of the TSR of two peer groups (50% weighting to each peer group)	-	Nil	Nil	Nil	Nil

PERFORMANCE RIGHTS GRANTED ON 1 JULY 2012	TIME-BASED CONDITION ENDING 1/07/2015	PERFORMANCE PERIOD	
		3 YEARS ENDING 1/07/2015 TRANCHE 1	4 YEARS ENDING 1/07/2016 TRANCHE 2
Tranche and number of Performance Rights	1,597,000	1,597,000	4,791,000
Vesting performance condition			
TSR Ranking 75% or higher of the TSR of two peer groups (50% weighting to each peer group)	-	1,597,000	4,791,000
TSR Ranking 50%-75% of the TSR of two peer groups (50% weighting to each peer group)	-	798,500 plus 2% for each percentile above 50%	2,395,500 plus 2% for each percentile above 50%
TSR Ranking below 50% of the TSR of two peer groups (50% weighting to each peer group)	-	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS

NOTE 28. SHARE-BASED PAYMENTS CONTINUED

PERFORMANCE RIGHTS GRANTED ON 1 JULY 2013 (GRANTED 25 JULY 2013)	PERFORMANCE PERIOD	
	3 YEARS ENDING 1/07/2016	3 YEARS ENDING 1/07/2016
	TRANCHE 1	TRANCHE 2
Tranche and number of Performance Rights	8,000,000	8,000,000
Vesting performance condition		
At or above 27% EPS CAGR	8,000,000	
EPS Between 6% EPS CAGR and 27% EPS CAGR	4,000,000 plus 2.38% for each additional EPS CAGR % above 6% CAGR	
Less than 6% EPS CAGR and 27% EPS CAGR	Nil	
TSR Ranking 75% or higher of the TSR of two peer groups		8,000,000
TSR Ranking 50%-75% of the TSR of two peer groups (50% weighting to each peer group)		4,000,000 plus 2% for each percentile above 50%
TSR Ranking below 50% of the TSR of two peer groups (50% weighting to each peer group)		Nil

PERFORMANCE RIGHTS GRANTED ON 1 JULY 2014 (GRANTED 7 AUGUST 2014)	PERFORMANCE PERIOD	
	3 YEARS ENDING 1/07/2017	3 YEARS ENDING 1/07/2017
	TRANCHE 1	TRANCHE 2
Tranche and number of Performance Rights	10,550,000	10,550,000
Vesting performance condition		
At or above 12% EPS CAGR	10,550,000	
EPS Between 5% EPS CAGR and 12% EPS CAGR	5,275,000 plus 7.14% for each additional EPS CAGR % above 5% CAGR	
Less than 5% EPS CAGR and 12% EPS CAGR	Nil	
TSR Ranking 75% or higher of the TSR of two peer groups		10,550,000
TSR Ranking 50%-75% or higher of the TSR of two peer groups (50% weighting to each peer group)		5,275,000 plus 2% for each percentile above 50%
TSR Ranking below 50% or higher of the TSR of two peer groups (50% weighting to each peer group)		Nil

NOTES TO THE FINANCIAL STATEMENTS

NOTE 28. SHARE-BASED PAYMENTS CONTINUED

The two comparator groups for the TSR calculation for plans up until and including 2012 are:

- ASX 200: the constituents of the ASX 200 index; and
- Peer group: a group of seven companies consisting of Ausdrill Limited, Downer EDI Limited, Leighton Holdings Limited (now Cimic Group Limited), Monadelphous Group Limited, NRW Holdings Limited, Transfield Services Limited and UGL Limited.

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

- All companies in the S&P ASX 200 that are ranked 101 to 200 and have Global Industry Classification Standard ("GICS") classification of Materials and Industries as at the commencement of the performance period; and
- Peer group: a group of seven companies consisting of Ausdrill Limited, Decmil Group Limited, Downer EDI Limited, Leighton Holdings Limited (now Cimic Group Limited), MACA Limited, Monadelphous Group Limited and NRW Holdings Limited.

Information about performance rights and share options outstanding at year end

The following unvested unlisted CEO performance rights and Executive performance rights were outstanding at year end under the previous Macmahon CEO LTI Plan and Macmahon EEP LTI Plan respectively:

	CEO PERFORMANCE RIGHTS		EXECUTIVE PERFORMANCE RIGHTS	
	16	15*	16	15**
Balance at start of the year	-	6,225,310	23,996,625	27,788,071
Granted during the year	-	9,500,000	-	21,100,000
Vested during the year	-	-	(404,997)	-
Expired during the year	-	-	(1,745,425)	(3,185,473)
Forfeited during the year	-	(15,725,310)	(4,340,462)	(21,705,973)
Balance at the end of year	-	-	17,505,741	23,996,625

* The 2015 CEO Performance Rights were approved by Shareholders at the 2014 Annual General Meeting and accepted by Mr. Carroll on 4 December 2014

** Included in the Executive performance rights were performance rights issued to Mr. Carroll in his capacity as an Executive prior to being made CEO of the company.

Share-based payments recognised in employee benefits expense

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

	CONSOLIDATED	
	16 \$'000	15 \$'000
Performance rights	737	(38)
Total expense recognised in employee benefits expense	737	(38)

Share-based payment transactions

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 28. SHARE-BASED PAYMENTS CONTINUED

Share-based payments

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

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

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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

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

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

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

In the previous period, the entity has adopted the amendments introduced by the annual improvements to IFRS 2010-2012 cycle, to determine the accounting for any performance rights which have been forfeited for failure to complete a service period. Any performance rights issued on 1 July 2014 or earlier, have accordingly been treated as a forfeiture and 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 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:

	16 \$'000	CONSOLIDATED 15 \$'000
<i>Audit services - KPMG</i>		
Audit or review of the financial statements	359,300	379,500
<i>Other services - KPMG</i>		
Tax services	34,750	82,521
Regulatory audit services	-	6,000
Restructuring services	-	597,881
Other	7,038	98,299
	41,788	784,701
	401,088	1,164,201
<i>Other services - network firms</i>		
Tax services	52,425	47,162

NOTE 30. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgment of financial statements, and Directors' report.

It is a condition of the Class Order that Macmahon Holdings Limited ("the Company") and each of the subsidiaries ("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 Southern Pty Ltd

Macmahon Mining Services Pty Ltd

Macmahon Underground Pty Ltd

Macmahon Contractors Pty Ltd

Macmahon Rail Pty Ltd

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 30. DEED OF CROSS GUARANTEE CONTINUED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	16 \$'000	CONSOLIDATED 15 \$'000
Revenue	247,540	451,937
Materials and consumables used	(109,580)	(167,483)
Employee benefits expense	(97,927)	(211,929)
Subcontractor costs	(6,663)	(18,041)
Depreciation and amortisation expense	(25,588)	(36,177)
Impairment and inventory writedowns	-	(162,800)
Equipment and office expenses under operating leases	(18,643)	(24,526)
Net finance costs	70	(11,360)
Other income/(expenses)	28,591	(32,273)
Loss before income tax expense	17,800	(212,652)
Income tax benefit	112	2,627
Loss after income tax expense	17,912	(210,025)
Other comprehensive income		
Cash flow hedges transferred to profit or loss, net of tax	(251)	4,318
Other comprehensive income for the year, net of tax	(251)	4,318
Total comprehensive loss for the year	17,661	(205,707)
Equity - retained profits		
Accumulated losses at the beginning of the financial year	(307,409)	(101,664)
Loss after income tax expense	17,661	(205,707)
Transfer from share based payment reserve	737	(38)
Accumulated losses at the end of the financial year	(289,011)	(307,409)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 30. DEED OF CROSS GUARANTEE CONTINUED

	16	CONSOLIDATED 15
	\$'000	\$'000
Statement of financial position		
Current assets		
Cash and cash equivalents	45,083	211,547
Trade and other receivables	44,707	31,527
Inventories	22,316	37,521
Income tax	12,750	14,670
Assets of disposal groups classified as held for sale	9,210	769
	134,066	296,034
Non-current assets		
Receivables	49,446	113,821
Other financial assets	33,402	38,736
Property, plant and equipment	97,242	101,762
Intangibles	-	21
Deferred tax	86	-
	180,176	254,340
Total assets	314,242	550,374
Current liabilities		
Trade and other payables	47,105	50,601
Borrowings	-	159,000
Derivative financial instruments	-	7,847
Employee benefits	10,201	10,465
Provisions	16,242	8,737
Liabilities directly associated with assets classified as held for sale	1,834	3,163
	75,382	239,813
Non-current liabilities		
Payables	147,040	222,838
Deferred tax liabilities	-	6,601
Employee benefits	342	416
	147,382	229,855
Total liabilities	222,764	469,668
Net assets	91,478	80,706
Equity		
Issued capital	385,957	391,390
Reserves	[5,468]	[3,275]
Accumulated losses	[289,011]	[307,409]
Total equity	91,478	80,706

NOTES TO THE FINANCIAL STATEMENTS

NOTE 31. PARENT ENTITY INFORMATION

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

Statement of profit or loss and other comprehensive income

	PARENT	
	16	15
	\$'000	\$'000
Profit/(Loss) after income tax	17,148	(134,110)
Total comprehensive profit/(loss)	16,897	(129,791)
Statement of financial position		
Total current assets	18,330	138,443
Total assets*	138,788	293,238
Total current liabilities	(1,175)	(165,161)
Total liabilities*	(55,021)	(218,993)
Equity		
Issued capital	385,957	391,390
Hedging reserve - cash flow hedges	-	251
Reserve for own shares	(6,523)	(4,581)
Accumulated losses	(295,667)	(312,815)
Total equity	83,768	74,245

*Prior year comparative figure includes a reclassification of a receivables provision of \$89,566,000 from non current liabilities to non current assets.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 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.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Changes in accounting policy

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 2015, except for new and revised or amended Accounting Standards below.

New, revised or amended Accounting Standards and Interpretations adopted:

- 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 on the financial statements.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Standards issued but not effective*AASB 15 Revenue from Contracts with Customers*

Summary of requirements

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 INT 13 *Customer Loyalty Programmes*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Possible impact on consolidated financial statements

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

AASB 16 Leases

Summary of requirements

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee-effectively treating all leases as finance leases. This replaces the current accounting guidance in AASB 17 Leases and when applied, would result in an increase in assets and liabilities for lease arrangements and potential increase in depreciation and amortisation expenses and a reduction in other operating expenses.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019 with early adoption permitted.

AASB 9 Financial Instruments

AASB 9 Financial Instruments - published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

Basis of preparation

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

Historical cost convention

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 32. OTHER SIGNIFICANT ACCOUNTING POLICIES CONTIUNED

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 2016 and the results of all subsidiaries for the year then ended. Macmahon Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

Interest in equity accounted investees

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

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.

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item 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.

When a foreign operation is disposed of the cumulative amount in the translation reserve related to the foreign operation is reclassified to profit and loss as part of gain or loss on disposal.

Revenue recognition

Revenue (including maintenance services) is recognised when the services are provided and is based on surveys of work performed where applicable. Revenues are based on volumes of work performed on a monthly basis and in certain contracts are performed throughout the first life of the underlying mine or continuously throughout the duration of the contract.

Revenue is recognised at the fair value of the consideration received or receivable, to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 32. OTHER SIGNIFICANT ACCOUNTING POLICIES
CONTIUNED**Current and non-current classification** continued

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.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

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

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

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

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

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

Rounding of amounts

The 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 in section 21 to 28 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 2016 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 Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee (pursuant to ASIC Class Order 98/1418) 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*.

On behalf of the Directors



Sy van Dyk
Chief Executive Officer

22 August 2016
Perth

INDEPENDENT AUDIT REPORT



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

Report on the financial report

We have audited the accompanying financial report of Macmahon Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 32, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Liability limited by a scheme approved under Professional Standards Legislation.

INDEPENDENT AUDIT REPORT

*Independence*

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 32.

Report on the remuneration report

We have audited the Remuneration Report included in pages 22- 28 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Macmahon Holdings Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature of Denise McComish in blue ink, appearing to read 'KPMG'.

KPMG

A handwritten signature of Denise McComish in blue ink, appearing to read 'Denise McComish'.

Denise McComish
Partner

Perth
22 August 2016

SUMMARY OF CONSOLIDATED RESULTS

	16	15	14	13	12
Profit and Loss (\$m)					
Operating revenue - incl. construction	349.0	665.5	1,021.9	1,606.1	1,661.5
Joint venture revenue	13.3	1.1	25.9	209.5	246.3
Joint venture recoveries	-	-	(3.5)	(60.5)	(37.0)
Total revenue	362.3	666.6	1,044.3	1,755.1	1,870.8
Underlying EBITDA	40.0	100.8	172.9	172.0	167.8
Depreciation, amortisation and impairment	(33.1)	(261.6)	(104.6)	(87.4)	(78.2)
Underlying EBIT	6.9	(160.8)	68.3	84.6	89.6
Significant and non-recurring items	(2.1)	(31.8)	-	(123.2)	-
Reported EBIT	4.8	(192.6)	68.3	(38.6)	89.6
Net interest	(2.4)	(23.7)	(19.8)	(21.0)	(14.4)
Reported operating profit / [loss]	2.4	(216.3)	48.5	(59.6)	75.2
Tax [expense] / benefit	(0.7)	(1.6)	(18.0)	30.2	(19.2)
Reported NPAT	1.7	(217.9)	30.5	(29.4)	56.0
Minority interest ("MI")	-	-	-	-	-
Reported NPAT attributable to Macmahon	1.7	(217.9)	30.5	(29.4)	56.0
Add: significant and non-recurring items (net of tax and MI) ¹	1.4	227.9	-	73.1	-
Underlying NPAT attributable to Macmahon	3.1	10.0	30.5	43.7	56.0
Balance Sheet (\$m)					
Plant and equipment	117.7	141.5	442.9	471.1	417.8
Total assets	300.1	524.3	823.7	944.5	989.0
Net assets	207.4	221.8	432.2	401.2	356.8
Equity attributable to Macmahon	207.4	221.8	432.2	401.2	356.8
Net debt / [net cash]	(56.5)	(74.2)	55.9	61.7	82.6
Cash Flow (\$m)					
Underlying EBITDA	40.0	100.8	172.9	67.5	167.8
Net interest paid	(1.0)	(10.8)	(15.9)	(18.8)	(9.2)
Income tax [paid] / refund	(2.8)	(1.9)	(8.7)	(9.6)	(4.8)
Working capital, provisions and other non cash items decrease/[increase]	(27.1)	(34.3)	(70.4)	69.5	(67.0)
Operating cash flow including JV	9.1	53.8	77.9	108.6	86.8
Investing and financing cash flows [net]	(188.4)	70.6	(122.3)	(91.6)	(65.4)
Effect of exchange rates on cash	(0.6)	3.1	0.3	1.5	(2.1)
Cash at beginning of financial year	236.9	109.4	153.5	134.9	115.6
Closing cash balance	56.7	236.9	109.4	153.4	134.9

¹ Significant and non-recurring items in:

- 2016 relates to onerous lease provisions;

- 2015 relates to property, plant and equipment impairment, inventory write downs and onerous lease provisions; and

- 2013 includes the Construction Business represented as a discontinued operation.

SUMMARY OF CONSOLIDATED RESULTS

	16	15	14	13	12
People and Safety					
Number of employees	1,529	1,295	2,467	3,495	4,791
LTIFR	1.1	0.9	0.9	0.9	1.4
TRIFR	4.5	5.4	8.5	7.7	7.7
Order Book					
Work in hand [\$m] ¹	1,507	1,150	2,573	3,230	3,139
New contracts and extension [\$m]	624	68	387	1,846	2,997
Revenue growth [%]	(45.6)	(35.0)	(40.5)	(6.2)	49.1
Reported NPAT/Total revenue [%]	0.5	(32.7)	2.9	(1.7)	3.0
Underlying NPAT/Total revenue [%] ²	0.9	1.5	2.9	2.5	3.0
EBIT interest cover [x]	2.0	(8.1)	3.4	(1.8)	6.2
Reported basic EPS [cents]	0.14	(17.34)	2.40	(3.00)	7.70
Underlying basic EPS [cents] ²	0.25	0.79	2.30	4.40	7.70
Diluted EPS [cents]	0.14	(17.34)	2.40	3.00	7.50
Balance Sheet Ratios					
Gearing (Net debt/Equity) [%]	(27.2)	(33.5)	12.9	15.4	23.1
Reported ROC [%]	1.4	(34.4)	9.4	(5.4)	16.5
Underlying ROC [%] ²	2.0	(28.7)	9.4	11.9	16.5
Reported ROE [%]	0.8	(66.6)	7.3	(7.8)	16.5
Underlying ROE [%] ²	1.5	3.0	7.3	11.5	16.5
Reported ROA [%]	0.4	(32.3)	3.4	(3.0)	6.7
Underlying ROA [%] ²	0.8	1.5	3.4	4.5	6.7
NTA per share [\$]	0.17	0.18	0.3	0.3	0.4
Cash Flow Ratios					
Operating cash flow per share [cents]	0.8	4.3	6.2	8.6	11.7
Shareholders					
Shares on issue [m] @ 30 June	1,210.5	1,261.7	1,261.7	1,261.7	738.6
Share price @ 30 June [cents]	8.8	6.6	10.0	13.0	57.5
Dividend declared [cents]	-	-	-	-	4.0
Percentage franked [%]	n/a	n/a	n/a	n/a	100.0
Market capitalisation [\$m]	106.5	83.3	126.2	164.0	424.7
Enterprise value [EV]	50.0	9.1	182.1	225.7	507.3
Price/NTA [x]	0.5	0.4	0.3	0.4	1.3

¹ The order book for 2016 includes a proportional share of joint venture order books. Construction included in historical numbers.

² Adjusted for significant and non-recurring items:

- 2016 relates to onerous lease provisions;
- 2015 relates to property, plant and equipment impairment, inventory write downs and onerous lease provisions; and
- 2013 includes the Construction Business represented as a discontinued operation.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDING SUMMARY

The following details of Shareholders of Macmahon Holdings Limited have been taken from the share register on 19 August 2016.

- a) The twenty largest Shareholders held 60.47% of the ordinary shares.
 b) There were 8,550 ordinary Shareholders as follows:

SIZE OF HOLDINGS	TOTAL HOLDERS
1 - 1,000	724
1,000 - 5,000	2,265
5,001 - 10,000	1,316
10,001 - 100,000	3,382
100,000 and over	863
	8,550

The number of Shareholders holding less than a marketable parcel of ordinary shares is 3,226.

Twenty largest Shareholders as at 19 August 2016

NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD
Cimic Group Investments Pty Limited	246,631,927	20.37
J P Morgan Nominees Australia Limited	92,918,457	7.68
Citicorp Nominees Pty Limited	86,207,263	7.12
National Nominees Limited	76,876,280	6.35
3rd Wave Investors Ltd	63,425,000	5.24
Bnp Paribas Noms Pty Ltd <Drp>	26,309,139	2.17
Hsbc Custody Nominees <Australia>	17,888,585	1.48
Mr Manishkumar Rasiklal Patel	16,686,072	1.38
Bond Street Custodians Limited <Forager Wholesale Value Fd>	16,011,164	1.32
Cpu Share Plans Pty Limited <Mah Eep Unallocated A/C>	14,697,183	1.21
Abn Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	9,067,149	0.75
Mr Allan Douglas Christie + Mrs Patricia Marjorie Christie <Christie Family A/C>	8,628,690	0.71
Mr Robert Lee Petersen	8,007,089	0.66
Rbc Investor Services Australia Nominees Pty Limited <Bkcust A/C>	7,796,676	0.64
Bpm Commodities Limited	7,500,000	0.62
Ms Malaky Kazem	7,217,253	0.60
Alkat Pty Ltd <Bowen Welsh A/C>	7,000,000	0.58
Chemco Superannuation Fund Pty Ltd <Chemco Super Fund No 2 A/C>	6,666,667	0.55
National Nominees Limited <Db A/C>	6,663,000	0.55
Choice Investments Dubbo Pty Ltd	5,819,200	0.48
	732,016,794	60.47

ASX ADDITIONAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 19 August 2015, the register of substantial Shareholders disclosed the following information:

HOLDERS GIVING NOTICE	NUMBER OF ORDINARY SHARES IN WHICH INTEREST IS HELD
CIMIC Limited	246,631,927
Forager Funds Management Pty Ltd	92,024,493
3rd Wave Investors Limited	63,425,000
Schroder Investment Management Australia Limited	62,545,555

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.

OFFICER

Company secretary

G P Gettingby

PRINCIPAL REGISTERED OFFICE

15 Hudswell Road
Perth Airport
Western Australia, 6105

Telephone: +61 [08] 9232 1000
Facsimile: +61 [08] 9232 1001

LOCATION OF SHARE REGISTRIES

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange.
The Company is listed as "Macmahon" with an ASX code of "MAH"

AUDITOR

KPMG
235 St. Georges Terrace Perth
Western Australia, 6000

OTHER INFORMATION

Macmahon Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.
ACN 007 634 406

FEEDBACK

Macmahon would appreciate your feedback on this report. Your input will assist us to improve as a business and develop our report to further suit your needs. To respond, please either email investors@macmahon.com.au or mail to:

Investor Relations
PO Box 198
Cannington WA 6987
www.macmahon.com.au

CALENDAR OF EVENTS

Annual General Meeting

30 November 2016

Release of half year results

February 2017

Release of full year results

August 2017

GLOSSARY

EBIT	Earnings before net interest expense and tax expense/benefit
EBITDA	Earnings before net interest expense, tax expense/benefit, depreciation and amortisation
EV	Enterprise value, being market capitalisation plus net debt
LTIFR	Lost time injury frequency rate
TRIFR	Total recordable injury frequency rate
NPAT	Net profit after tax
NTA	Net tangible assets
ROC	Return on capital – $\text{EBIT} / \text{Average Capital employed}$, where capital employed is total tangible assets less payables less bank overdraft.
ROE	Return on equity – $\text{NPAT} / \text{Average net assets}$
ROA	Return on assets – $\text{NPAT} / \text{Average assets at year end}$

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