Annual Report 2013

MACMAHON

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Chairman's report

The 2013 Financial Year has been a transformative period for Macmahon as the Company repositioned itself for the future. In the Company's 50th year of operation, Macmahon has moved away from its traditional roots in the construction sector to better focus on its mining activities that will deliver success and longevity.

The Board's decision to exit the construction sector in December 2012 followed a period of turbulence for Macmahon, with the Construction Business delivering inconsistent results over recent years and, in 2013, significant losses. The sale of the majority of Macmahon's construction projects to the Leighton Group and the subsequent completion of most of the residual projects has resulted in a significant shift in the Company's business model.

The new Macmahon is now better positioned as a dedicated mining contractor, with the ability to build on the success of its existing Mining Business to deliver more sustainable returns for our Shareholders. The Board is confident this new focus will enable the Company to move beyond the challenges of recent times and focus on the most successful parts of the business.

Financial performance

I am extremely disappointed to report that the Company recorded a net loss after tax of $29.5 million for the 2013 Financial Year. This loss was the direct result of difficulties and challenges faced by our Construction Business during the year. Consequently, no dividend will be declared for 2013.

On behalf of the Board of Directors I wish to apologise for this result and thank Shareholders for their patience during this difficult time for Macmahon.

Despite this disappointing result, it is important to note the ongoing performance of the retained business. Accordingly, the Board is confident Shareholders will see an improvement in financial performance in the years ahead as Management deliver the new strategy through the Company's extensive mining capabilities.

Balance sheet

Maintaining a strong balance sheet is essential in order to support the Company's ongoing contracting operations.

In December 2012, the Company launched an $80.7 million equity raising to fund losses in construction, manage existing debt levels and support the ramp-up of the Christmas Creek Mine expansion. I'm pleased to report that the equity raising was oversubscribed, with its success confirming the market's support for Macmahon's new mining strategy.

Board renewal

Just as the business has gone through a process of renewal, so too must the Board. I announced at our Annual General Meeting in November 2012 that the Board would continue to work towards renewal to ensure the right combination of new ideas and fresh thinking, together with the knowledge and experience of longer serving Directors. I was delighted to welcome Mr Giles Everist to the Board in June as part of this continual renewal process, particularly given his extensive experience in the resources sector and his knowledge of the unique demands of contracting. He has been an extremely welcome addition to the Board and we look forward to continuing to work with him over the coming year. Mr Everist's appointment precedes the planned retirement of Mr Barry Ford, which is expected to take place in November 2013. Further Board changes are expected to be announced in the near future.

Our new CEO

I was pleased to announce the appointment of Mr Ross Carroll as Macmahon's new Chief Executive Officer and Managing Director, representing the culmination of a long-term succession plan overseen by the Board. The appointment followed the resignation of former Chief Executive Officer, Mr Nick Bowen, in September 2012. I would like to take this opportunity to thank Nick for his contribution and commitment over many years.

Operating environment

Current market conditions are presenting challenges for the sector. Opportunities for new work are less abundant than in recent years, with pressure on commodity prices limiting the broader tender pipeline. Consequently, we anticipate that future revenue growth will be driven by international expansion and continued strong relationships with our existing domestic clients.

During these more challenging times there is a greater requirement to maximise the efficiencies at our existing projects to ensure the Company continues to deliver value to its clients and shareholders. Macmahon's long-term relationships with blue-chip clients have long been the cornerstone of its operations and these strong working relationships provide a good foundation on which to drive innovation and efficiency across our projects.

Margin improvement is expected to be achieved through an ongoing business improvement program and continued oversight of effective risk management, cost efficiencies, productivity gains and more effective utilisation of our equipment.

Safety

Safety is an absolute focus for Macmahon, from the Board through to each and every employee. It is with deep regret that I report we had a fatality in March. The safety of our people has always been our utmost priority and the Board and the Executive Team are committed to ensuring that our people enjoy a safe and healthy working environment. The Company continues to focus on education and training, in addition to implementing engineering controls, to address safety risks on our projects. The Board will be closely monitoring the effectiveness of these programs and will report back to you in due course.

Our Shareholders, clients and suppliers

Finally, I would like to thank our Shareholders, clients and suppliers for their ongoing support during this challenging year of great change. The Board looks forward to building on Macmahon's mining success to deliver more consistent results and acceptable returns for our Shareholders in the coming year.

Ken Scott-Mackenzie
Chairman
Macmahon Holdings Limited

Chief Executive Officer's report

2013 has been a very challenging year. The Board and Executive Team have spent significant time implementing a new, more sustainable strategy for the business as we work towards our mining future. We are now focused on maximising efficiencies across all of our projects and further developing our pipeline of new work.

Our exit from the construction sector has enabled us to focus our energy on enhancing our Mining Business to deliver improved returns on investment in the years ahead. Under the new business structure we are focused on targeting new opportunities with lower risk profiles and higher returns. It has also served as a catalyst for change, prompting the business to refine its systems and processes, ensuring that internal resources are effectively utilised.

To effect these changes, the Company has undertaken a number of core business initiatives including:

- assembling an Executive Team with the appropriate mining experience to deliver our objectives;
- strengthening our risk management systems and processes;
- bolstering our business development capabilities;
- reducing our operating costs and increasing productivity by streamlining support services and maximising efficiencies; and
- continuing to maintain our focus on safety.

The Executive Team is now firmly focused on strengthening Macmahon's position as a leading global mining services company and in turn, delivering reliable returns for Shareholders.

Future growth will be underpinned by the diversity of our operations, by geography, commodity and service delivery.

Financial performance

The Company's reported net loss after tax of $29.5 million is very disappointing. The ongoing poor performance of our Construction Business precipitated the strategic decision to sell all but two of our ongoing construction projects to the Leighton Group. It is important to note the ongoing performance of our Mining operations in 2013 despite slowing market conditions affecting the sector. Profit from our continuing operations of $43.6 million, an increase of 19 per cent on last year, was a good start to the delivery of better returns to Shareholders.

Management changes

This year saw a significant restructure of our Executive Team to lead and support the new Macmahon. I was pleased to welcome Mr Nick Cernotta to the team as the Chief Operating Officer – Underground, International and Engineering. Nick brings with him extensive knowledge and experience within the sector. The promotion of Mr Fraser Ramsay to the role of Chief Operating Officer – Surface Mining and Infrastructure Services reflects his continued success leading our domestic surface mining operations. The Company is taking a more proactive approach to winning new work resulting in the appointment of Mr Robert Barker to the role of Group General Manager – Market Development, an important addition to the Executive Team at a time when the tendering environment is extremely competitive.

During the year we farewelled former Chief Operating Officer – Construction, Mr Mark Hamilton and Executive General Manager – Strategy and Development, Mr Ashley Mason following the completion of the sale of construction projects to the Leighton Group. We also farewelled Executive General Manager – International, Mr Stewart Maddison. I would like to take this opportunity to thank Mark, Ashley and Stewart for their valuable contributions to Macmahon.

Risk management

Our ability to manage risk is essential to enhancing shareholder value.

A strategic review conducted during the year highlighted the significant risks associated with the Construction Business and consequently led to the decision to exit this business. The new mining focused business model has markedly reduced the Company's risk profile and positioned it to deliver more sustainable earnings in the future.

Given prevailing market conditions, active risk management has become increasingly important. The Executive Team is committed to improving the Company's risk management process to better control risk at each stage of the project lifecycle including revising its tender process to ensure we adequately assess project risks early in the tender phase. Further, improved information and reporting systems are expected to deliver increased visibility over our operations, resulting in greater cost control and certainty over project performance.

Business improvement

Current market conditions have highlighted the need for a disciplined approach to business improvement in order to reduce costs and improve productivity.

The Company has centralised its business improvement function and, during the next 12 months, will implement initiatives at both the project and corporate levels to achieve greater efficiencies across the business.

Safety performance

I was deeply saddened by the fatality at the CSA Mine in March. Safety is a key component of our operations and this incident has had an impact on all of us. A thorough investigation into the incident was conducted.

The incident has reinforced to all of us the importance of maintaining a strong safety focus at all levels of the organisation to ensure all our people return home safely at the end of their work day. Recognising the need for continued safety vigilance, we increased our focus on safety leadership, employee engagement and training over the year.

A detailed review of our safety systems and processes was undertaken which resulted in the Company making a significant investment in new technologies. This will assist us in managing safety events and give us greater transparency, consistency and oversight of our operations. Additionally, a Group Safety Improvement Plan was formulated and will be rolled out progressively over the coming 12 months.

Monthly CEO Significant Incident Review meetings were also established during the year, demonstrating the Executive Team's commitment to leading the safety conversation within the business to ensure it remains at the forefront of our employees' minds.

Chief Executive Officer's report continued

Our people

Our people are our greatest asset and are the foundation of our success. Over the year, employee numbers have decreased following the decision to exit the Construction Business. A review of our overhead structure has ensured that we are now appropriately sized to support a smaller business. While this has unfortunately seen some employees leave the Company, our remaining employees have adapted well to these new circumstances and have played a significant role in laying the foundations for the new Macmahon. As our success continues to rely on the talents of our people, our current employee group remains critical to ensuring our mining focused future. In order to develop our existing employee base, there is now a much greater focus on training with many programs in place.

Order book

Our mining order book achieved record levels during 2013, with the award of the Christmas Creek Mine expansion contract significantly increasing the size of our surface mining operations. At year end, the order book stood at approximately $3.2 billion, with more than $700 million already secured for 2014.

In Australia, our long-term contracts across both our surface and underground mining operations are progressing well. Despite slowing market conditions, Macmahon's low cost commodity focus and close working relationships with its clients have ensured our order book remains relatively strong.

Internationally, the Company is actively pursuing new opportunities. The Company's considered approach to international expansion is focused on identifying key projects in Africa, Central Asia and South East Asia to support our overseas expansion, while also offsetting rising cost pressures being experienced in Australia.

Mining order book	$ million
Opening balance at 30 June 2012	1,968
Less: work completed	(1,173)
Add: variations / extensions	196
Add: new contracts	2,176
Closing balance at 30 June 2013	3,167

Note: excludes Construction order book movements.

Outlook

The 2014 financial year is shaping up to be another challenging year for the industry. We expect market conditions to continue to deteriorate as falling commodity prices limit major investment within the sector. Additionally, many operating mines are being put on care and maintenance. The likely number of project deferrals and closures will place pressure on the Company's tender pipeline and is expected to impact margins.

Despite these challenges, Macmahon remains one of the few mining services companies in Australia able to deliver a broad range of mining services, with a depth of experience across both surface and underground mining, as well as material handling and mineral processing.

Our proven track record of working closely and productively with our clients, combined with our extensive service offering, should deliver us a competitive advantage.

Moving forward, we will continue to focus on operational excellence at our current projects. The Company recognises the importance of being responsive to the cost pressures facing our clients and the need to work with them to achieve efficient, cost effective solutions for their projects.

As mentioned, there remains potential for further international growth. Our new office in Ghana provides an ideal base for winning new work in Africa for both our surface and underground mining capabilities.

Ross Carroll
Chief Executive Officer
Macmahon Holdings Limited


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Chief Financial Officer's report

Business performance

After a strong profit in 2012, the Company reported a disappointing net loss after tax of $29.5 million for 2013. This result was driven by our now discontinued Construction Business, which reported a net loss after tax of $73.1 million. This overshadowed the performance of our Mining Business with the Company reporting a net profit after tax from continuing operations of $43.6 million.

As a result of the exit from construction, the net operational results of the Construction Business for the current and the prior financial year are disclosed separately as "profit/(loss) after income tax expense from discontinued operations" in the Statement of Profit or Loss and Other Comprehensive Income. In addition, the assets and liabilities of this business as at 30 June 2013 are disclosed as "held for sale" in the Statement of Financial Position.

Continuing mining operations performed well in a softening market, with total revenue (including joint venture revenue) increasing 33 per cent to a record $1.2 billion. Commencement of mining operations at the ten year $900 million Tropicana Gold Project and the five year $1.8 billion Christmas Creek Mine expansion during the year contributed to the revenue increase.

Profit before tax from Mining operations of $69.5 million, includes the take-up of non-cash provisions for disputed claims, doubtful debts and asset impairments. Consequently mining margins were lower at 5.9 per cent.

Excluding these provisions, Mining operations across the board continued to report strong financial performance. However, margins remain under considerable cost and price pressure.

Discontinued construction operations reported a loss before tax of $126.0 million. The loss was mainly attributable to the poor financial performance of the now completed Hope Downs 4 rail project and Solomon Rail Spur construction, as well as the South Road Superway project, which was transferred to the Leighton Group as part of the sale of construction projects in February. The majority of construction projects have now been completed or novated to the Leighton Group companies as part of the asset purchase agreement approved by Shareholders during the period. The 2013 financial results have accounted for major one-off items associated with loss-making construction projects and there should be no material impact from discontinued operations in the 2014 year.

Sale of construction assets

The sale of construction projects to the Leighton Group was confirmed in February 2013 following a Shareholder vote. The Company received sale proceeds of $29.0 million and recognised a profit after tax on the sale of $15.5 million. Residual projects not included in the sale have now been completed, with the exception of the Company's two remaining projects, the Trangie Nevertire Irrigation Scheme and the Hong Kong XRL project.

In addition, the Company completed the sale of its rail assets to McConnell Dowell for $4.6 million. The transaction was completed in May.

Construction equipment that was not part of these two transactions has been sold or is in the process of being sold.

Cost savings and review of overheads

The year has seen a strong focus on cost reduction and the alignment of corporate resources with the Company's new business model. A review of overheads aimed at creating a flatter management structure and a centralised support services function was conducted during the year. The Company's offices in Perth and Brisbane have been downsized and the Sydney office closed. Cost reduction and increased efficiencies will continue to be a major focus for the Executive Team in 2014.

Equity raising

In January, the Company successfully completed an $80.7 million fully underwritten pro-rata non-renounceable entitlement offer. Proceeds of the offer were used to strengthen the balance sheet, fund construction losses and fund capital expenditure requirements for the Christmas Creek Mine expansion. Funds raised under the offer reduced gearing and improved working capital flexibility to support the future growth of the business.

The offer was oversubscribed, which highlighted the strong support from Shareholders for the Company's new mining focused strategy.

Chief Financial Officer's report continued

Dividend

As a result of the reported consolidated financial loss, the Board confirmed no dividend would be declared for the year ending 30 June 2013.

The Board remains committed to a 50 per cent dividend payout ratio, however, the Company will place an emphasis on reducing debt and strengthening its balance sheet in the short-term.

Cash flow and capital expenditure

Cash flow from operations increased by 25 per cent to $108.6 million. Approximately $64.0 million of receipts from customers from 2012 were delayed and collected in early 2013. Normalising for this and other timing differences, the cash flow from operations for 2013 was $51.2 million, a decrease of 41 per cent compared to the prior corresponding period. The decrease in cash flow from operations was reflective of the losses incurred in the Construction Business during the year. Pleasingly, the Company's Mining operations continued to generate strong cash flow throughout the year.

$ million	Discontinued operations	Continuing operations	Total
Operating cash flow	(9.3)	117.9	108.6
Delayed 2012 debtors collected in 2013	(57.0)	(7.0)	(64.0)
Delayed 2013 debtors	-	12.0	12.0
Other	(5.4)	-	(5.4)
Normalised 2013 operating cash flow	(71.7)	122.9	51.2

The Company invested more than $200 million in capital expenditure, a 13 per cent increase on the prior period. In line with the scheduled ramp-up at the Tropicana Gold Project, the Company invested $74.7 million in new fleet in addition to $36.8 million of equipment acquired under operating leases.

Capital structure and funding

Macmahon's balance sheet is in a healthy position with a cash balance of $153.4 million and gearing (net debt / equity) of 15.4 per cent. Although gearing levels are expected to increase modestly in the short-term, the Company will pursue less capital intensive projects and consider alternate funding strategies to ensure gearing remains within maximum limits. All banking covenants remain within limits.

In order to realign the Company's funding facility to meet the requirements of the Mining Business, the Company reduced its syndicated debt facility by $40.5 million by closing one of its bank guarantee lines which related to the Construction Business. Management will continue to monitor the funding needs of the Company and will continue to pursue low cost funding options where possible.

The Company has significant headroom in its funding facilities at year end, including $75 million dollars in working capital facilities. At 30 June 2013 the funding and bonding facilities comprised:

$ million	Total facility	Drawn	Undrawn
Working capital cash advance facility (3 years)	75	0	75
Equipment finance (3 and 4 years)	275	209	66
Bank guarantee facility (3 years)	85	39	46
Insurance bonds	240	100	140

Theresa Mlikota
Chief Financial Officer
Macmahon Holdings Limited


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Strategy and outlook

Strategy

Following its exit from the construction sector, the Company has increased its focus on becoming a leading provider of end-to-end mining services both in Australia and overseas. The Executive Team has since implemented a new mining strategy which focuses on three core areas:

- refining core competencies and re-setting the business direction;
- getting the fundamentals right;
- strengthening our work winning and business development capabilities; and
- achieving sustainable growth.

In line with this new strategy the Company is pursuing a more balanced and diverse order book that utilises less capital and better leverages its core competencies. Macmahon is now one of the few dedicated end-to-end mining services providers in the region specialising in surface mining, underground mining, engineering, infrastructure services and plant and maintenance.

In addition, the Company is also focused on maintaining its existing client base and securing expected extensions for key projects. This will be achieved by generating efficiencies and delivering operational excellence across all projects. The Company's ability to deliver large scale projects, while maintaining the responsiveness of a smaller operator, will also allow Macmahon to work closely with clients to respond to changing market conditions.

As falling commodity prices place pressure on domestic operations, Macmahon's expanding international footprint will provide further opportunities for controlled growth during more difficult periods. We continue to target markets where resource-rich regions are yet to be fully developed and where we can extract additional value for clients.

Outlook

We anticipate declining market conditions and downward commodity price pressure will continue to create challenges for the industry in the year ahead. This will likely result in a reduced tendering pipeline and greater competition for new projects, with an estimated $150 billion* of projects at the feasibility stage being delayed, cancelled or re-assessed in the 12 months to April 2013. Further, cost saving initiatives being implemented by clients and increased competition for existing new work opportunities are also expected to impact margins.

However, while market conditions have slowed, growth in production is expected to continue across a number of commodities. Asia remains the fastest growing region in the world and this growth is expected to underpin demand.

In Western Australia, this demand will continue to drive the production of iron ore. Likewise in Queensland, coal operations are also expected to expand over the next five years. These states will be the centre of Australian mining growth during this period and it is in these areas that mining services opportunities will be most prevalent.

Rising labour and construction costs will also be a key risk facing the industry, with some mine owners expected to consider offshore alternatives in response to this trend. Overseas growth will be achieved by mining services companies with an ability to leverage their domestic client relationships and adapt to local cultures and conditions.

* Resources and Energy Major Projects, Bureau of Resources and Energy Economics, Australian Government, April 2013.


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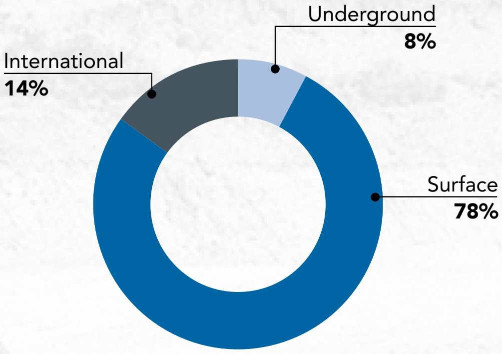
Operational overview

Mining operations

$ million	2013	2012		Change
Revenue	1,173	880	▲	33%
Reported profit before tax	69.5	72.3	▼	4%
Profit before tax margin (%)	5.9	8.2	▼	
Order book	3,167	1,968	▲	61%

Order book composition



Despite the challenging market conditions, revenue of almost $1.2 billion reflected the continued strong performance of many long-term contracts, in addition to the commencement of mining operations at both the Tropicana Gold Project and Macmahon's largest ever project, the Christmas Creek Mine expansion.

The award of the Christmas Creek Mine expansion was a major achievement, providing sustainable revenue security over the next five years.

Key projects

Project	Value	Started
Christmas Creek Mine (WA)	$1.8 billion	2013
Orebody 18 / Wheelara (WA)	$975 million	2006
Tropicana Gold Project (WA)	$900 million	2012
Eaglefield / Lenton (QLD)	$550 million	2003
Olympic Dam (SA)	$687 million	2004
Argyle Mine (WA)	$376 million	2006
Tavan Tolgoi (Mongolia)	US$250 million	2012
Calabar Quarry (Nigeria)	US$126 million	2012

Surface mining

Operations got off to a successful start for the five year Christmas Creek Mine expansion (Fortescue Metals Group) in Western Australia following the announcement of the Company's preferred contractor status in November 2012. This reflected a robust tendering and planning phase aimed at achieving the accelerated ramp-up objectives for the client. The contract award supported the Company's strategy to pursue long-term projects, while the use of client-owned equipment assisted greatly to offset the capital requirements of other projects. The project achieved a strong start to operations, meeting its required production rates and remains Lost Time Injury (LTI) free.

The ramp-up at the Tropicana Gold Project (AngloGold Ashanti/Independence Group NL) in Western Australia was completed during the year, with the remaining large CAT excavators and CAT 793 trucks delivered during this time. The first full year of mining operations progressed well, with the project remaining LTI free. There is also the potential for the project to move to automation in future years.

Long-term projects at Orebody 18 (BHP Billiton) in Western Australia, Eaglefield/Lenton Coal Mine (Peabody) in Queensland and Waihi (Newmont) in New Zealand progressed strongly throughout the year. Operations at Orebody 18 achieved record total productive movement and tonnes of ore railed, mining nearly 30 million tonnes of iron ore during the period. In Queensland, the successful transition between the neighbouring Eaglefield and Lenton deposits took place, with mining at Eaglefield concluding and Lenton operations currently underway.

Smaller projects at the Boddington Gold Mine (Newmont), Orebody 24 (BHP Billiton) and Area C (BHP Billiton) in the Pilbara were also completed during the year.

Many of the Company's surface mining projects achieved significant safety milestones throughout the period. Eaglefield/Lenton recorded six years LTI free, Waihi registered two years LTI free and Boddington, Orebody 24, Area C and both the Nebo and WAC workshops remained LTI free for 2013.

Operational overview continued

Underground mining

Underground mining focused on improving margins at existing projects throughout the year. The two year extension of the Olympic Dam underground development contract (BHP Billiton) in South Australia reinforced the strength of the Company's operations at the site, which has seen multiple contract extensions based on consistently good performance.

Operations at the Argyle Diamond Mine (Rio Tinto) in Western Australia and the George Fisher Mine (Xstrata) in Queensland continued to progress well, with scope variations at Argyle increasing revenue from the project over the course of the year. Subsequent to year end, the scope of work was reduced. In the Northern Territory, work at the Ranger Exploration Decline (ERA) continued to progress and concluded the year exceeding client development expectations. The Company's contract at the Renison Tin Mine (Metals X) in Tasmania was completed in March.

Several mining services contracts were secured and completed throughout the year as demand for Macmahon's expertise in specialist fields including raisedrilling, shotcreting and cablebolting continued to grow. Macmahon's shotcreting team achieved the milestone of six years LTI free during the year – an outstanding result for the team.

The Company's Engineering Business continued to progress works on the CSA Mine No. 1 Shaft Extension (CMPL) until the contract was terminated by the client in June. Discussions regarding this termination are continuing with the client.

International operations

The creation of the Africa, South East Asia and Central Asia hubs provided greater opportunities for offshore business development and maximised the potential for international growth during a period of soft domestic market conditions. The Company established a presence in Ghana, with a range of opportunities in Africa being actively pursued.

Operations at the Tavan Tolgoi Coal Mine in Mongolia continued to progress throughout the year and the project remains LTI free. ROM and border stockpiles are currently full, with approximately 1.2 million tonnes of coal exposed. Production has since been scaled back to match demand.

In Nigeria, operations at the Company's quarrying projects in Ewekoro (Lafarge) and Calabar (Unicem) continued to build on the strong working relationship with these clients, with works at Calabar ramping up during the period. These projects, combined with quarrying operations in Malaysia and Indonesia continue to provide a solid foundation on which to build Macmahon's global presence. The Company secured a further one year extension at its Lhok Nga (Lafarge) project in Malaysia, extending the contract through to 2019.

The safety performance of the Company's international operations continued to exceed industry standards, with operations at Kanthan (Lafarge) recording 3,000 days LTI free. Ewekoro, Lhok Nga and Rawang (Lafarge) recorded 1,000 days LTI free while Calabar achieved one year LTI free.

Plant and equipment

The Company continued to invest in new plant and equipment, much of which was associated with the ramp-up of the Tropicana, Christmas Creek and Calabar projects. Macmahon also welcomed the arrival of the world's most powerful raisedrill, the RBR 900VF, which has the potential to revolutionise underground mine planning and development in the future.

The Company focused on maximising the use of its fleet throughout the year, reducing the use of equipment hire and redirecting fleet from construction projects into mining. Cost pressures for plant and tyres eased, with equipment now more readily available.

Plant maintenance teams at the WAC Workshop in Western Australia and the Nebo Workshop in Queensland have also increased the marketing of the Company's maintenance capabilities to other clients, providing opportunities for additional revenue streams.

Discontinued operations

$ million	2013	2012
Revenue	582	991
(Loss)/profit before tax	(126.0)	25.9
Profit before tax margin (%)	(21.6)	2.6
Order book	63	1,171

The Company's exit from construction was confirmed with the sale of the majority of its projects to Leighton Holdings during the year. The transition of projects, equipment and associated employees has been very successful, with the majority of contracts now novated.

Legacy construction projects completed within the period, included the Hope Downs 4 rail project (Rio Tinto) and the Solomon Rail Spur (Fortescue Metals Group) in Western Australia, and the Gladstone LNG site development works (Bechtel) in Queensland.

The Company continues to operate the Trangie Nevertire Irrigation Project (Trangie-Nevertire Cooperative Limited) in New South Wales, due for completion late in the 2013 calendar year, and maintains a 25 per cent stake in the Hong Kong XRL-822 project (MTR Corporation), which is expected to conclude in the 2015 calendar year.

People and safety

	2013*	2012*		Change
Total employees	3,495	4,791	▼	27%
Indigenous Australian employees	159	244	▼	35%
Graduates	42	57	▼	26%
Apprentices	125	127	▼	2%

* As at 30 June.

People

The strategy to exit the construction sector saw the total number of direct employees reduce to 3,495 at year end. The reduction in employee numbers as a result of discontinuing operations was partially offset by the ramp-up of the Christmas Creek Mine expansion and Tropicana Gold Project over the same period.

Significant focus was placed on managing the change process for employees transferring with their projects to Leighton, in addition to ensuring a smooth transition to the Company's new business model. The successful implementation of this process saw Macmahon move to a new structure appropriate to its mining focused future without disruption to its ongoing operations.

Overhead structure

A comprehensive review of the Company's overhead structure was completed to reposition the business in accordance with the exit from construction and to account for changing market conditions affecting the resources sector. A centralised structure for functional and support services was adopted to establish a more efficient approach to service delivery, ensure consistency and reduce duplication across the business.

Diversity

Macmahon recognises the importance of its diverse workforce in supporting the Company's long-term sustainability. Various strategies to increase the diversity of its workforce have been introduced during recent years, with a focus on recognising the value of employing a variety of people with a wide range of backgrounds and diverse experiences.

The year saw Macmahon complete the Commonwealth Government funded component of the ROCKSTAR (Real Opportunities for Careers Kick Starting Today's Aboriginal Role Models) program, providing employment and training opportunities for 200 Indigenous people across its operations. The milestones associated with the Commonwealth Government funding were achieved ahead of schedule and reflected a highly successful outcome for this landmark program. The ROCKSTAR program has subsequently continued to provide Indigenous employment and training opportunities as part of Macmahon's ongoing commitment to diversity in the workplace.

At year end, a total of 159 Indigenous people were employed by Macmahon, representing 5.1 per cent of the Company's Australian workforce. The Company remains on track to meet its commitment under the Australian Employment Covenant to create 500 new jobs for Indigenous people by calendar 2015.

Female participation also remains an area of focus for the organisation, with the Company working towards a target of 14 per cent of the total workforce and 20 per cent of senior management being women. At year end, 11.6 per cent of the workforce was female, while women comprised 16 per cent of senior management.

Attraction and retention

Changes to the economic climate saw an easing of pressures on the labour market, however attraction initiatives remained a priority to ensure the Company secured quality candidates through its recruitment activities. The ramp-up of the Christmas Creek Mine expansion in the Pilbara region required the most intensive recruitment campaign for the year of any mining operation within Australia, with 700 people required to start work on the project within a 12 week period. A comprehensive campaign coordinated by a dedicated recruitment and training team saw this ambitious target achieved, enabling the successful start-up of the Company's largest ever mining contract. Significant emphasis was placed on securing people with the right skills for the project, particularly with regard to project management personnel and operators. Further recruitment activities completed during the year supported the scheduled ramp-up of operations at the Tropicana Gold Project.

Retention activities centred on the implementation of the Company's talent development programs, including dedicated training for future leaders and a stronger focus on succession planning.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People and safety continued

Training

The Company took a significant step forward in terms of training during the year, leveraging its status as a Registered Training Organisation to further develop its internal training services. The three day MacStart induction program was formally launched to ensure a consistent and comprehensive introduction to all staff starting work at Macmahon. The program has integrated safety information into all aspects of the induction process to reinforce the Company's safety values. To date, more than 1,500 people have completed the MacStart program.

Macmahon also established a new Operator Development Program for its staff, piloting the initiative at its operations at the Christmas Creek Mine expansion. More than 150 surface mining operators have commenced a Certificate III in Surface Extraction as part of the program to provide existing operators with formal qualifications to support their career development. Further training programs for staff are currently in development as part of the Macmahon Registered Training Organisation.

Leadership development

Macmahon initiated a specialised program for the development of current and future Project Managers, ensuring their skills across key capability sets. The initial program saw 24 senior project personnel attend the full seven day program with another 20 engineers being put through the Contract Management component as a pre-cursor to completing the full program.

The Leadership Foundations Program for front-line managers continued in its second year with participants completing a six-day course on fundamental leadership skills and safety regulatory training to supervisors and superintendents.

Graduates

The graduate program continued the Company's commitment to the development of a skilled workforce, with 42 participants taking part in the program during the year. All Macmahon graduates were invited to a dedicated orientation week in Perth, Western Australia as part of their introduction to the Company. The event provided an opportunity to meet with members of the management team and establish networks with their peers. The structured graduate education program has continued, with graduates completing learning modules relevant to the business at regular intervals throughout the year.

Apprentices

Macmahon's apprenticeship program has once again proven its outstanding reputation, with the 2013 intake selected from an extremely high number of applications. At year end, 125 apprentices were employed by the Company, including mature age employees that have joined Macmahon as part of the National Apprenticeship Program (NAP). The program has delivered clear benefits to the wider apprentice group, with the skills and experiences of NAP participants providing unique insights and perspectives for younger apprentices. The program was once again a finalist in the National Australian Apprenticeships – Employer Award category of the National Training Awards held in November, highlighting the exceptional standards this program maintains.

Safety

As already mentioned, the Board and Executive Team were saddened to report the Company recorded a fatality in March, at its shaft sinking operations at the CSA Mine in New South Wales.

Overall, the Company recorded a Lost Time Injury Frequency Rate of 0.88, compared to 1.38 in 2012. The Total Recordable Injury Frequency Rate was 7.74, compared to 7.72 in 2012. In addition, 83 per cent of all projects were Lost Time Injury free for the entire year, with 64 per cent of projects also Total Recordable Injury free for the period.

Macmahon launched a new, safety improvement plan during the year across all levels of the organisation. A key initiative of the plan has been the introduction of monthly CEO Significant Incident Review meetings. Each meeting is attended by the Chief Executive Officer and Executive Team to assess, question, challenge and coach General Managers, Operations Managers and Supervisors on significant incidents that have taken place during the month. The meetings have resulted in increased involvement of the Executive Team in identifying and implementing learnings from significant incidents to ensure an ongoing emphasis on safety across all projects.

In addition to the review meetings, Macmahon has also introduced Safety Leadership training to key members of the management team. The Company's Health, Safety, Environment and Quality (HSEQ) and Human Resources teams are working with the Executive Team and senior management to provide greater access to industry experts on safety issues, introduce safety leadership models and behaviour across all leadership programs and provide improved assessment of the Company's safety culture.

Finally, the Company is also reviewing and simplifying safety procedures and policies to ensure greater consistency in application and ease of use for all staff. This initiative has been accompanied by strengthened HSEQ reporting roles to ensure safety functions are positioned close to operational activities, while also maintaining a strategic focus through representation at the Executive level.

Environment

Protecting the environment remains one of the Company's core values. Employees are encouraged to identify ways in which they can reduce, re-use and recycle across all aspects of the Company's operations.

Improvements to data management and reporting were implemented to ensure environmental management activities were being monitored and reported as effectively as possible. The introduction of InControl software across the business improved the Company's ability to collate and interpret information to create targeted environmental programs at the project level. The improved reporting functionality of the system also ensured data could be best used to avoid and minimise environmental impacts and ensure compliance with all environmental requirements.

The year also saw increased consistency in environmental management practices, with all projects implementing an environmental management plan and risk register to help minimise environmental harm and reduce the consumption of resources such as water, energy and greenhouse emissions. As a result of improvements to reporting methods, further ways to improve energy efficiency have been identified, with these initiatives to be reviewed and implemented during 2014.

Community

Macmahon has an established tradition of supporting local initiatives in the communities in which it operates. The Company seeks to identify community sponsorships and partnerships that align with the interests of local communities close to its projects, in addition to larger projects which provide strong synergies with Macmahon's values-based culture.

Macmahon has continued its support of the Salvation Army as part of a four year, $100,000 partnership for the Doorways of Hope campaign, to assist people in need and address issues of homelessness. The Company also continued its association with the Cottesloe Surf Life Saving Club, an iconic WA community organisation committed to the safety of others.

Executive team

Ross Carroll
Chief Executive Officer and Managing Director

Having joined Macmahon as Chief Financial Officer, Mr Carroll was promoted to Chief Operating Officer – Mining in early 2011. When he joined Macmahon in 2006 as CFO, Mr Carroll brought with him more than 20 years' experience in oil and gas, mining and agribusiness sectors, including 18 years with BHP Billiton.

Prior to his appointment to Macmahon, Mr Carroll was CFO of Woodside. Mr Carroll's previous roles with BHP Billiton included Iron Ore (Vice President Commercial) and Petroleum (Vice President Finance and Planning Americas).

Theresa Mlikota
Chief Financial Officer

Ms Mlikota joined Macmahon as Chief Financial Officer in early 2011, with more than 20 years' finance experience primarily within the resources sector.

Prior to her current role, Ms Mlikota was CFO of Barminco Limited following a career which has covered a number of senior finance positions, including General Manager Corporate Finance and Investor Relations at Macmahon, Group Financial Controller at Woodside Petroleum Limited and roles at Alinta and Zinifex (now OZ Minerals).

Fraser Ramsay
Chief Operating Officer – Surface Mining and Infrastructure Services

Mr Ramsay joined Macmahon in 2005 and has more than 20 years' experience in the construction industry, predominately working on major engineering projects.

Prior to joining Macmahon as Construction Manager, Mr Ramsay held positions with Leighton Contractors and Transfield Services. Mr Ramsay was previously Alliance Manager for the Coal Stream Alliance that delivered Queensland's largest ever coal rail infrastructure project.

Nick Cernotta
Chief Operating Officer – Underground, International and Engineering

Mr Cernotta joined Macmahon in 2013 and has more than 30 years' experience in the mining industry, across Australia and over the past 8 years in Africa, Saudi Arabia and Papua New Guinea.

Prior to joining Macmahon, Mr Cernotta was the Director of Operations at Barrick Gold-Australia Pacific RBU. Mr Cernotta has held senior roles in both mining operations and contracting, including as CEO of GBF Underground Mining Company.

Greg Miller
Executive General Manager – Underground

Mr Miller has more than 15 years' experience in underground mining in Australia, with more than nine of those years in management roles.

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

Rob Barker
Group General Manager – Market Development

Mr Barker joined Macmahon in 2012 as the Manager – Strategy and Market Development for Surface Mining. He led the successful Christmas Creek Mine Expansion bid team and was subsequently the project's Launch Manager. Mr Barker was promoted to the position of Group General Manager – Market Development in May 2013, overseeing Macmahon's business development activities and business improvement program.

Mr Barker has a substantial track record delivering continuous improvement and strategic transformation programs across a range of sectors. He holds an MBA from the University of Western Australia.

Roger Hughes*
Acting General Manager – Human Resources

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

Prior to joining Macmahon Mr Hughes worked for 20 years in senior human resources, industrial relations and strategy roles, including with BHP Billiton and Fortescue Metals.

David Todd*
General Manager – Safety

Mr Todd joined Macmahon in January 2013 and was appointed to the Executive Team in August. Mr Todd has extensive experience in all facets of health, safety and environment and risk management within the resources sector, both in Australia and overseas. After holding a range of health and safety roles for BHP Billiton over more than 25 years, he was most recently the Manager Workplace Health and Safety for the Chamber of Minerals and Energy WA.

Mr Todd also holds positions on the WA Government's Mining Industry Advisory Committee, legislative and risk advisory committees and is an alternate Worksafe Commissioner.

* Executive General Manager Human Resources and Safety Angie Young ceased employment with Macmahon in August 2013. Roger Hughes and David Todd were appointed to the above roles subsequent to her departure.

1963
Macmahon Holdings established by Brian Macmahon and John McDonald.

1967
Macmahon begins excavation works on its first mining contract, Nobles Nob at Tennant Creek.

1968
Macmahon opens the first WA office in Applecross.

1983
Macmahon Holdings formally lists on the Australian Stock Exchange. The Company's footprint spans Australia, with employee numbers exceeding 1,000.

1987
Macmahon acquires FK Kanny and Sons, an open cut mining contractor based in WA, expanding operations in the mining sector.

1994
Macmahon begins work in South East Asia, with an office established in Malaysia.

1995
Macmahon acquires Kalgoorlie based National Mine Management, an underground mining and consultancy services group.

1997
Macmahon becomes the first Australian contractor to have its entire operations accredited to International Environmental and Quality Assurance standards.

2001
Macmahon confirms its growth in the coal sector, with new contracts in QLD and NSW.

2004
Macmahon secures its first contract at the Olympic Dam Mine in South Australia.

2005
Macmahon secures its first contract at the Orebody 18 iron ore mine in the Pilbara region of Western Australia.

2006
Macmahon acquires ARD and CRE, expanding its underground mining service offering to include raisedrilling and engineering.

2006
Macmahon establishes the Indigenous Mine Skills Program to provide pre-employment training for Indigenous people seeking a career in the resources sector.

2010
Macmahon commences its first African mining contract in Nigeria.

2011
Macmahon wins a 10 year, $900 million mining contract for the Tropicana Gold Mine in the Goldfields region.

2011
Macmahon secures its first contract in Mongolia, for coal mining operations at the Tavan Tolgoi project.

2012
Macmahon starts its largest ever mining contract, the Christmas Creek Mine Expansion for the Fortescue Metals Group.

2013
Macmahon establishes presence in Ghana to further explore mining opportunities in West Africa.

A proud tradition of mining

1963 · 2013 50 Years

MACMAHON


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Directors' report

The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Macmahon Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled for the year ended 30 June 2013.

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:

K B Scott-Mackenzie (Chairman, Non-executive)

B L Cusack (Deputy Chairman, Non-executive)

R A Carroll (Chief Executive Officer and Managing Director) (appointed on 19 September 2012)

N R Bowen (Chief Executive Officer and Managing Director) (resigned on 19 September 2012)

C R G Everist (Non-executive) (appointed on 19 June 2013)

B R Ford (Non-executive)

E Skira (Non-executive)

D M Smith (Non-executive)

V A Vella (Non-executive)

Principal activities

The principal activities of the consolidated entity consisted of the provision of contract mining services and civil construction. During the period the Company began its planned exit of the Construction Business, consistent with the strategic realignment to become a dedicated full service mining contractor.

Dividends

Dividends paid during the financial year were as follows:

	2013 $'000	2012 $'000
Interim dividend declared and paid for 2013 of nil cents (2012: 1.5 cents) per ordinary share	-	10,940
Final dividend declared and paid for 2012 of 2.5 cents (2011: nil cents) per ordinary share	18,286	-
	18,286	10,940

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $29,484,000 (2012: profit of $56,051,000).

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 1 to 24, which forms part of this Directors' report.

Significant changes in the state of affairs

The Company announced a new, mining focused strategy on 12 December 2012 when it signalled its intention to exit its Construction Business. As a result, the Construction Business is presented as a discontinued operation. Macmahon's new strategy will see the Company provide the full suite of mining services, both in Australia and overseas.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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 24. Other than as disclosed elsewhere, disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental regulation

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

Information on directors

Name:	Mr Kenneth Scott-Mackenzie
Title:	Independent Non-executive Chairman
Qualifications:	BE (Mining), Diploma of Law (BAB), GAICD
Experience and expertise:	Mr Scott-Mackenzie joined the Board as a Non-executive Director in May 2009 and was appointed Chairman in November 2009. Mr Scott-Mackenzie has 40 years' experience in the engineering, mining and construction sectors in both Australia and overseas. He has a Bachelor of Engineering (Mining) degree and is a solicitor of the Supreme Court of New South Wales. He is also a graduate and member of the Australian Institute of Company Directors. Mr Scott-Mackenzie was the inaugural Chief Executive Officer of Bilfinger Berger Australia Pty Ltd for four years from 2005 to 2009, during which time he was the Vice President of the Australian Constructors Association. Prior to his appointment to Bilfinger Berger Australia, he held a number of positions at Abigroup Limited, including Chief Executive Officer from 2004 to 2005. During his time at Abigroup, Mr Scott-Mackenzie was responsible for the development of the company's highly successful infrastructure division, and had primary responsibility for Abigroup's involvement in a number of major infrastructure projects including the M2 Motorway, Sydney Superdome and Westlink M7 projects.
Other current directorships:	Mr Scott-Mackenzie is currently a Non-executive Director of Adelaide Brighton Limited (appointed July 2010).
Former directorships (in the last 3 years):	Mr Scott-Mackenzie was the Chairman of Murchison Metals Ltd between July 2011 and November 2012, and a Director of that company from May 2011 to November 2012.
Special responsibilities:	Mr Scott-Mackenzie is currently a member of both the Board's Remuneration & Nomination Committee and Corporate Governance Committee.
Interests in shares:	83,334
Interests in options:	None

Name:	Mr Barry Cusack
Title:	Independent Non-executive Deputy Chairman
Qualifications:	BE (Hons), M.Eng.Sc, FTSE, FAusIMM, FAIM, MAICD
Experience and expertise:	Mr Cusack joined the Board as a Non-executive Director in June 2002 and was appointed Deputy Chairman in September 2009. Mr Cusack is an honorary life member of the Chamber of Minerals and Energy of Western Australia Inc. He joined CRA Limited (now Rio Tinto Limited) in 1966 and retired from the position of Managing Director of Rio Tinto Australia in December 2001. Mr Cusack was President of the Minerals Council of Australia from 2001 to 2003 (member since 1996). In addition, he was a Director and Chairman of OZ Minerals Limited from April 2002 to April 2010 and a Non-executive Director of Smorgon Steel Group Ltd from June 2002 to August 2007.
Other current directorships:	Mr Cusack is currently a Non-executive Director of Toll Holdings Limited (appointed October 2007).
Former directorships (in the last 3 years):	Mr Cusack was the Chairman of Brockman Resources Limited from June 2010 to September 2011.
Special responsibilities:	Mr Cusack is currently the Chairman of the Board's Audit Committee and a member of the Board's Remuneration & Nomination Committee.
Interests in shares:	1,500,000
Interests in options:	None

Information on directors continued

Name:	Mr Ross Carroll
Title:	Chief Executive Officer and Managing Director
Qualifications:	B.Com
Experience and expertise:	Mr Carroll was appointed as Chief Executive Officer and Managing Director in September 2012. Having joined Macmahon as Chief Financial Officer (CFO) in 2006, Mr Carroll was promoted to Chief Operating Officer – Mining in early 2011. Mr Carroll has more than 20 years' experience in oil and gas, mining and agribusiness sectors, including 18 years with BHP Billiton (BHPB). Prior to his appointment to Macmahon, Mr Carroll was CFO of Woodside. Mr Carroll's previous roles with BHPB included Iron Ore (Vice President Commercial) and Petroleum (Vice President Finance and Planning Americas).
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	2,059,006
Interests in options:	None

Name:	Mr Giles Everist
Title:	Independent Non-Executive Director
Qualifications:	BSc (Hons), CA, FAICD
Experience and expertise:	Mr Everist joined the Board as a Non-executive Director in June 2013. 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. 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 currently the Chairman of Decmil Group and a director of engineering firm LogiCamms and not-for-profit organisation Perth Home Care Services.
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

Information on directors continued

Name:	Mr Barry Ford
Title:	Independent Non-executive Director
Qualifications:	B.Econ (Adel), CPA
Experience and expertise:	Mr Ford joined the Board as a Non-executive Director in July 2006. The majority of Mr Ford's career was spent with the General Motors Corporation in both Australia and North America. He held various positions including Director of Financial Analysis and Planning for General Motors Overseas Operations in Detroit. In Australia, he was Treasurer and later Director of Finance and Strategic Planning for General Motors Holden Ltd. During the 1990's, Mr Ford was Director of Finance and Chief Financial Officer of Goodman Fielder Limited, Chief Financial Officer of Southcorp Holdings and Finance Director of Pratt Industries Pty Ltd. Mr Ford has also held board positions with the National Heart Foundation (Vic) and the Australian Red Cross (NSW).
Other current directorships:	Mr Ford is Chairman of Think Tank Group Pty Limited (appointed March 2006).
Former directorships (in the last 3 years):	None
Special responsibilities:	Mr Ford is currently the Chairman of the Board's Corporate Governance Committee and a member of the Audit Committee.
Interests in shares:	219,684
Interests in options:	None

Name:	Ms Eva Skira
Title:	Independent Non-executive Director
Qualifications:	BA (Hons), MBA, SF Fin, Life Member Fin, FAICD, FAID
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 Honours, Economic History) at the University of New South Wales, and obtained her Masters of Business Administration (Dux and Distinction) at the International Management Institute (University of Geneva).
Other current directorships:	Ms Skira is currently the Chairman of the Water Corporation WA (government owned corporation), a director of RCR Tomlinson and is also Deputy Chancellor of Murdoch University (non-executive appointment).
Former directorships (in the last 3 years):	None
Special responsibilities:	Ms Skira is currently a member of the Board's Audit Committee.
Interests in shares:	None
Interests in options:	None

Information on directors continued

Name:	Dr David Smith
Title:	Independent Non-executive Director
Qualifications:	BSc (Hons), Ph.D. in Metallurgy, FAIM, FAICD, FWLG
Experience and expertise:	Dr Smith joined the Board as a Non-executive Director in April 2010. Dr Smith has over 30 years' of technical, operational and senior management experience with Rio Tinto. Dr Smith was, until recently, the President of Rio Tinto Atlantic covering the Simandou Project in Guinea, West Africa. Prior to this, Dr Smith was Managing Director of Rio Tinto's iron ore operations in the Pilbara covering Hamersley Iron and Robe River and before that, Dr Smith was the Chief Executive Officer of Rössing Uranium Limited in Namibia. Dr Smith is a qualified metallurgist and his formal qualifications include a Bachelor of Science and Ph.D. in Metallurgy from the University of New South Wales in Australia. Dr Smith's previous appointments include President of the Chamber of Minerals and Energy of Western Australia (2005 - 2008) and Chairman of the Board of the National Skills Shortages Strategy working group (2006). Dr Smith was also a founding Director of Leadership WA (2004 – 2007), a Commissioner with Tourism WA (2005 – 2007) and a Director of AIM (2001 – 2007).
Other current directorships:	Dr Smith is currently a Non-executive Director of Atlas Iron Limited (appointed November 2009) and is the Lead Independent Director (appointed July 2012) of that company. Dr Smith is also the Deputy Chairman of the not-for-profit WA Ballet (appointed March 2012).
Former directorships (in the last 3 years):	Dr Smith's previous appointments include Chairman of Bannerman Resources Limited from May 2010 until November 2012 and had been a Non-executive Director of that company from November 2009 to November 2012.
Special responsibilities:	Dr Smith is currently a member of the Board's Audit Committee and Remuneration & Nomination Committee.
Interests in shares:	50,000
Interests in options:	None

Name:	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 is a consultant to Leighton Holdings, where he advises on investment in the residential market, general property issues and major construction and infrastructure projects.
Other current directorships:	Mr Vella is currently a Non-executive Director of Devine Limited.
Former directorships (in the last 3 years):	None
Special responsibilities:	Mr Vella is currently Chairman of the Board's Remuneration & Nomination Committee and a member of the Board's Corporate Governance Committee.
Interests in shares:	357,842
Interests in options:	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 secretaries

Mr Gettingby joined the Company in 2002 and was appointed to the position of Group General Counsel / Company Secretary in February 2011. Mr Gettingby previously held the roles of Commercial Manager and Legal Counsel for the Company. Prior to joining the Company he worked as a lawyer in private legal practice.

Mr Brown joined the Company in 2011 as Company Secretary. Mr Brown has previously held the role of Company Secretary for various public companies and is a Chartered Secretary. Mr Brown has also worked as an in-house lawyer for a number of investment banks in London and in private legal practice.

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 2013, and the number of meetings attended by each Director were:

	Scheduled Board meeting		Special Board meetings*		Audit Committee		Remuneration & Nomination Committee		Corporate Governance Committee	
Name	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
K B Scott-Mackenzie	9	9	16	18	-	-	8	8	2	2
B L Cusack	8	9	18	18	4	4	8	8	-	-
R A Carroll**	8	8	16	16	-	-	-	-	-	-
N R Bowen**	1	1	-	1	-	-	-	-	-	-
C R G Everist**	1	1	-	-	-	-	-	-	-	-
B R Ford	9	9	17	18	4	4	-	-	2	2
E Skira	9	9	15	18	4	4	-	-	-	-
D M Smith	9	9	17	18	4	4	8	8	-	-
V A Vella***	9	9	12	12	-	-	8	8	2	2

A = Number of meetings attended.
B = Number of meetings held during the time the Director held office or was a member of the relevant committee during the year.
* Special Board meetings were held on short notice during the financial year due to corporate activities.
** Mr Bowen resigned on 19 September 2012.
Mr Carroll was appointed on 19 September 2012.
Mr Everist was appointed on 19 June 2013.
*** Mr Vella was conflicted out of certain special Board meetings.

Remuneration report (audited)

The audited remuneration report is set out on pages 35 to 47 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 company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 36 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 36 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 Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off' of amounts. 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 61.

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

Ross Carroll
Director

20 August 2013
Perth

Remuneration

Message from the Board

Dear Shareholder,

We are pleased to present the 2013 Remuneration Report where we seek to explain how performance relates to reward outcomes at Macmahon.

This year, following extensive consultation with Shareholders, the Board has made a number of changes to the Company's Executive remuneration practices. These changes reflect current market conditions and better align with our new business strategy of becoming a dedicated full service mining contractor. They also address many of the issues raised by Shareholders at our last Annual General Meeting which culminated in the Company receiving a 'first strike'.

These issues were taken very seriously by the Board and have subsequently been addressed, including significant revisions to the new CEO's package and conditions.

We are confident that we now have the right remuneration structure to attract and retain the high calibre of Executives needed to execute the Company's strategy and deliver sustainable performance.

Key remuneration changes

Several significant changes have been made to the Company's Executive remuneration structure which will take effect from 1 July 2013. These changes take into consideration the interests of both internal and external stakeholders and aim to drive strong individual and team performance.

Of particular note:

1. Mr Carroll was engaged as the Company's new CEO under a salary package which represents a significant saving on the contract of the former CEO. As an example, Mr Carroll's fixed remuneration is 16.2% lower than the fixed remuneration of the former CEO. Mr Carroll did not receive a short-term incentive payment in 2013 and his contract contains a clawback provision.
2. From 1 November 2012 until 30 June 2013, the Board, the CEO and members of the Company's Executive team, agreed to a 10% cut in their fixed remuneration and Board fees. For Board members, this reduction in fees has been made permanent, effective from 1 July 2013.
3. There were no short-term incentives paid to Key Management Personnel, with the exception of one Executive who delivered an exceptional outcome for the Surface Mining Business unit.
4. The annual pay review in December 2012 for most employees was deferred. The review was conducted in July 2013, and as a result salaries were only adjusted for employees who earned less than $100,000, or who were paid below market rates. However, in line with changed market conditions, most employees have had no pay increase since 1 December 2011, other than statutory superannuation contribution adjustments.
5. During the year, we undertook a remuneration strategy review in line with the change in business focus and as a result we adopted a new remuneration framework. This will ensure that fixed remuneration is benchmarked against other companies with similar turnover levels and number of employees.
6. Future short-term (STI) and long-term (LTI) incentive plans have been reconstructed to ensure that a larger proportion of employee remuneration is "at risk" and linked to Company performance. This includes the removal of time-based performance rights and the deferral of a portion of the short-term incentive for Executives. Retesting under the long-term incentive plan has also been removed for future plans.
7. Total compensation paid to Key Management Personnel for 2013 is 25% lower than 2012, and 42% lower when termination payments are excluded.

We believe these changes, together with those described elsewhere in the Remuneration Report, are necessary and appropriate for the Company's current circumstances. We therefore seek your support for this Report at the Company's Annual General Meeting in November 2013.

Vyril Vella

Chairman of the Remuneration & Nomination Committee

Note: References to years relate to financial years (eg. '2013' means the year ending 30 June 2013).

Remuneration report - audited

Remuneration report contents

Section	Title	Description
Section 1	Introduction	Outlines the scope of the Remuneration Report and the individuals disclosed.
Section 2	Remuneration governance	Describes the role of the Board, the Remuneration & Nomination Committee and matters considered (including external advice) when making remuneration decisions.
Section 3	2013 Executive remuneration framework and improvements	Outlines the 2013 remuneration framework and changes to the remuneration plans.
Section 4	Company performance and the link to remuneration	The outcomes of key business metrics and hurdles that are used for measuring variable pay outcomes.
Section 5	Executive remuneration outcomes	Provides Chief Executive Officer remuneration, Short-Term Incentive (STI) and Long-Term Incentive (LTI) Plan details and Executive remuneration outcomes for the year.
Section 6	Executive contracts	Appointments and notice periods for current and former Key Management Personnel.
Section 7	Non-executive Directors' fees	Provides detail regarding the fees paid to Non-executive Directors.

1. Introduction

This Remuneration Report forms part of the Directors' Report for 2013 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.

1.1 Key Management Personnel

The Company's Key Management Personnel 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. These individuals are outlined in the table below.

Person	Position	Period in position during the year
Directors – Non-executive		
K B Scott-Mackenzie	Non-executive Chairman	Full year
B L Cusack	Non-executive Deputy Chairman	Full year
C R G Everist	Non-executive Director	Since 19 June 2013
B R Ford	Non-executive Director	Full year
E Skira	Non-executive Director	Full year
D M Smith	Non-executive Director	Full year
V A Vella	Non-executive Director	Full year
Director – Executive		
R A Carroll	Chief Executive Officer and Managing Director	Since 19 September 2012
Executives		
R Barker	Group General Manager - Market Development	Since 1 May 2013
N Cernotta	Chief Operating Officer - Underground, International and Engineering	Since 18 February 2013
G J Miller	Executive General Manager - Underground	Full year
T Mlikota	Chief Financial Officer	Full year
F E Ramsay	Chief Operating Officer - Surface and Infrastructure	Full year
A C Young	Executive General Manager - Human Resources and Safety	Full year
Executives with changed roles in 2013		
N J Wilson	Executive General Manager - Health, Safety, Environment and Quality (transferred to General Manager Mongolia)	Until 14 October 2012
Former KMP		
N R Bowen	Chief Executive Officer and Managing Director	Until 19 September 2012
M H Hamilton	Chief Operating Officer - Construction	Until 30 April 2013
S G Maddison	Executive General Manager - International	Until 1 February 2013
A T Mason	Executive General Manager - Strategy and Development	Until 30 April 2013
A Mullan	Executive General Manager - Construction West	Until 16 October 2012
R C Wilson	General Manager - NT Construction	Until 28 February 2013

2. Remuneration governance

The Board oversees the remuneration arrangements of the Company. In performing this function the Board is assisted by recommendations from the Remuneration & Nomination Committee ("Committee"), external consultants and internal advice. The Committee is responsible for the detailed review, 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 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. In 2013, the Committee sought both market data in relation to the CEO, Executive and Non-executive Director remuneration, and independent advice with respect to other Executive remuneration related matters from Egan Associates. Appropriate certification was provided to the Committee confirming that the recommendations provided were free from undue influence from any member of the Company's KMP to whom the recommendations related. The Board is satisfied that the recommendations were so provided.

2.1 Remuneration advisors

A summary of remuneration advice obtained in 2013 is shown below.

Remuneration advisor	Nature of service	Fee
Egan Associates	CEO remuneration recommendations	$13,190
	Other advice and provision of market data	$11,800

3. 2013 Executive remuneration framework and improvements

Remuneration practices are continuously developed in line with the Company's business demands, industry conditions and overall market trends. During 2013, Macmahon undertook a detailed analysis of current market remuneration practices, benchmarked Company fixed and variable pay for employees and conducted a post implementation review on prior schemes. A number of changes were made to remuneration structures during the year and have been summarised in the introduction and detailed in sections 3.1 to 3.4.

3.1 Executive remuneration policy

The primary objective of the Company's remuneration strategy is to incentivise and reward stronger than market growth in Shareholder value.

Changes to the policy and approach

The Company's approach to remuneration during 2013 was based on a business model of contracting services to mining and construction industries in an environment of high growth potential. The approach focused on higher fixed pay to attract talent, and moderate STI to reduce excessive risk taking. In March 2013, the size and complexity of the business reduced with the sale of the Construction Business. The labour market also softened considerably in the second half of 2013. Consequently, the Company adjusted its remuneration framework for 2014 to reflect these changes.

	2013 Policy and approach	2014 Policy and approach
Total fixed remuneration (TFR)	TFR is set at above industry median to attract and retain executives in a competitive employment market. Benchmarking for current and new Executives was at the 75th percentile compared to the industry.	TFR is set at above industry median to attract and retain executives in a competitive employment market. Benchmarking for current and new Executives will be benchmarked at the 62.5th percentile compared to companies in the ASX 101-200.
Short-term incentive (STI)	The use of annual cash incentive schemes to encourage the achievement of short-term profit and other key targets. Incentive opportunities are set at moderate levels as a percentage of fixed remuneration. The STI payment for Executives ranges from 25% of TFR at target, up to 75% of TFR for the maximum award opportunity, subject to Board approval.	The use of annual cash incentive schemes to encourage the achievement of short-term profit, order book growth and safety performance. Incentive opportunities are set as a percentage of fixed remuneration and payment opportunities are moderate but weighted towards meeting the target. The STI payment for Executives ranges from 37.5% of TFR at target, up to 62.5% of the maximum award opportunity, subject to Board approval.
Long-term incentive (LTI)	The use of long-term equity incentives to achieve stronger than market growth in Shareholder returns. The Board determines grants of performance rights based on role criticality.	The use of long-term equity incentives to achieve stronger than market growth in Shareholder returns. The Board determines grants of performance rights based on the ability of a role to influence the performance measures. All grants provide for performance-based rights, have two performance measures and no retesting.

3.2 2014 Executive remuneration framework

This new remuneration framework is detailed below and is the result of broad discussion, review and external advice taken by the Board. We believe this framework will allow us to continue to attract talent and provide the right motivation levels to drive business performance for consistent returns to our Shareholders well into the future.

Business Strategy

Our strategy is to be the preferred contractor for the resources sector offering reliable, innovative and client focused solutions. We offer this by delivering stable, sustainable sector returns, providing diverse and exciting career opportunities to our people and by delivering a differentiated service to our customers.

▼

Remuneration Strategy

The primary goal is to encourage stronger than market growth in Shareholder value over the short and longer term. The intended outcome is the alignment of Executive remuneration with investor returns. Total remuneration is offered at above industry median to continue to attract and retain talent.

▼

Remuneration Framework

The 2014 Framework shifts the weighting of total remuneration from fixed pay towards variable 'at risk' pay.

Total fixed remuneration (TFR)	Short-term incentive (STI)	Long-term incentive (LTI)
• TFR is targeted at the 62.5th percentile compared to peers • Peer companies are those with broadly similar revenue, market capitalisation and in related industries • TFR is reviewed annually	• Payment gateway is 90% of budgeted profit • Award opportunity for achievement of Key Performance Indicators (KPI) linked to business strategy • Financial and non-financial KPIs, for example customer metrics and safety • Deferral of a portion of the STI for Executives with a clawback for the CEO	• Performance assessed over 3 years • Value will only be realised to the extent that Total Shareholder Return and Earnings Per Share targets are achieved or exceeded • Grant of equity awards are based on the participants' ability to influence returns to Shareholders

Outcomes

• Continue to maintain an industry competitive fixed pay component • Adjust fixed remuneration from 75th to 62.5th percentile to reflect the size and complexity of the business and market conditions	• Improved long term decision making through partial deferral of STI • Clear link between short-term wealth creation for Shareholders and participants	• Clear link between the wealth creation for Shareholders and participants • Greater alignment to the business plan and new mining peer group

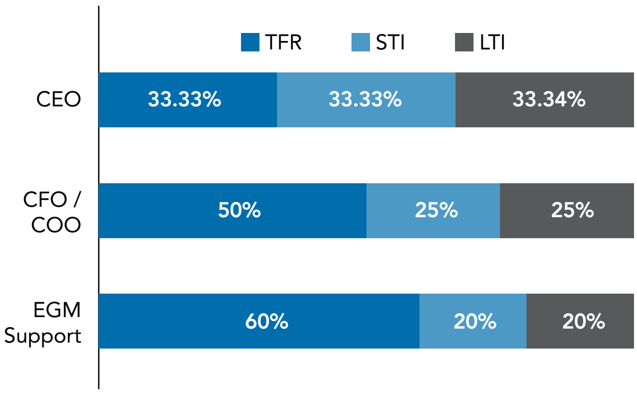
3.3 Target remuneration mix against actual

Macmahon set a new remuneration mix that it plans to transition to over a period of time.

2014 will see movement towards this mix with a move away from increases in fixed pay and with total packages being balanced in favour of variable pay. It is not intended to increase total packages to meet this mix but to continue to build, transition and re-weight packaging over a 2 - 3 year period to meet this target mix.

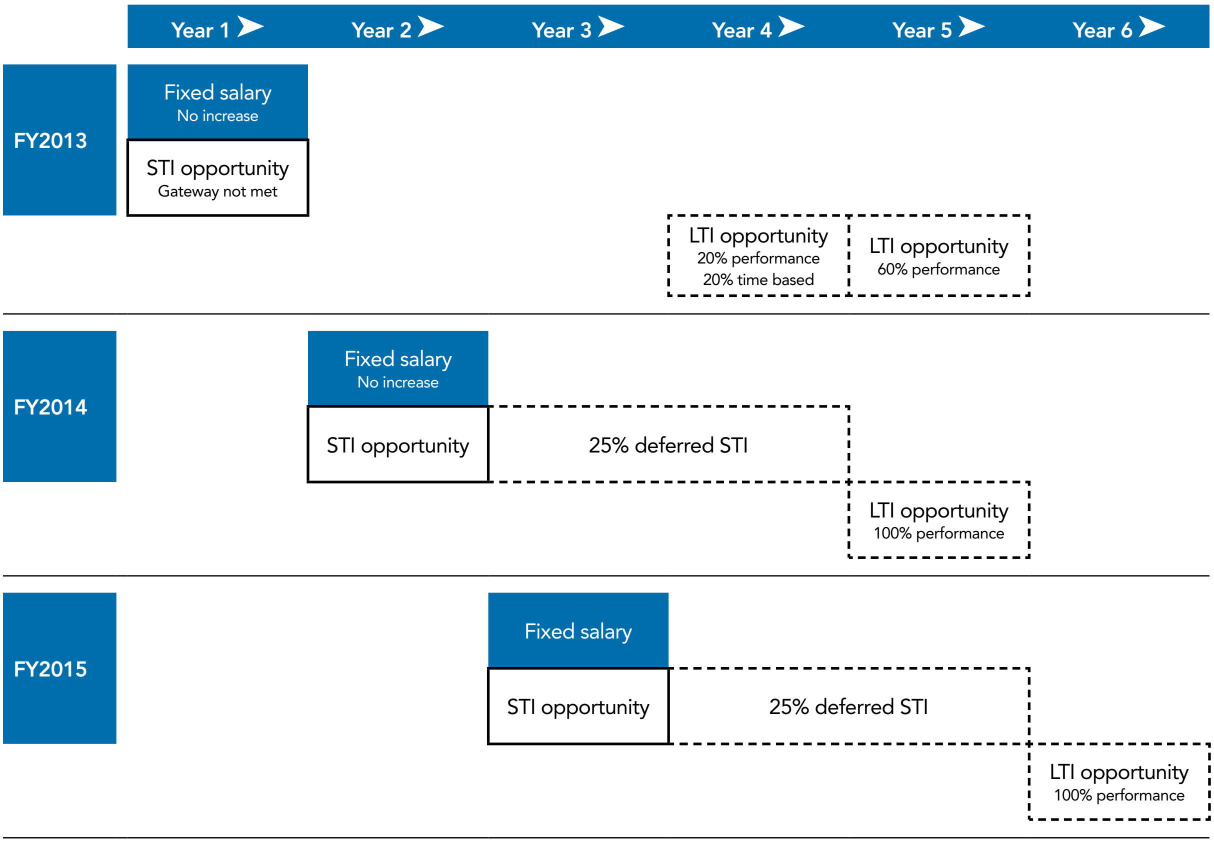
The table below shows the target remuneration mix, which the Company expects to achieve over the above mentioned transition period. The target remuneration mix assumes achievement of STI 'Stretch' hurdles.

Remuneration mix



3.4 Remuneration payment cycle

The table below outlines the timing and components of our Executive remuneration packages over the next six years.



4. Company performance and the link to remuneration

Key Performance Indicators ("KPIs") for both short-term and long-term Executive incentive schemes are linked to the Company's strategic objectives and as a result, pay outcomes are directly aligned with Company performance against these objectives.

The following Company performance measures are among those that may be included in incentive plans for relevant Executives. KPIs may be adjusted for individually large or unusual items to derive an underlying performance measure outcome. The Committee believes these KPIs are aligned to Shareholder wealth and returns to investors.

	2013	2012	2011	2010	2009
Reported net profit/(loss) attributable to equity holders of the parent ($m)	(29.5)	56.1	1.0	37.9	17.2
Reported return on equity (%)	(7.8)	16.5	0.3	11.3	5.6
Reported basic earnings per share (cents)	(3.0)	7.7	0.1	5.2	3.1
Order book ($m)	3,230	3,139	2,013	2,215	1,412
New contracts and extensions ($m)	1,846[1]	2,997	1,052	2,057	1,108
Total recordable injury frequency rate	7.7	7.7	3.5	4.6	7.4
Shareholders' wealth					
Dividends declared (cents)	-	4.0	-	3.0	1.5
Share price at 30 June (cents)	13.0	57.5	56.0	54.5	34.0
Total Shareholder Return (TSR) (%)	(70.0)	3.8	7.0	66.5	(76.7)

1 Net of Construction contracts sold.

4.1 Mining business performance

The Surface Mining division has continued to have ongoing profitable performance and revenue growth. Revenue growth for this division was 50.3% over the reporting period whilst profit before tax growth was 41.2%. In addition to this, Surface Mining order book increased by $1.3 billion from the prior corresponding period. Variable remuneration was earned by senior management within this business for meeting and exceeding key targets. Mr Fraser Ramsay, the Chief Operating Officer – Surface and Infrastructure, earned a short-term incentive for this achievement.

5. Executive remuneration outcomes

5.1 Managing Director and CEO arrangements

The Company's management succession programme provided the opportunity to promote Mr Ross Carroll into the CEO position in September 2012 when the previous CEO Mr Nicholas Bowen resigned. Mr Carroll's depth of experience in the resources sector, including his two years as Chief Operating Officer (COO) of our successful Mining Business made him the natural choice to succeed Mr Bowen.

Mr Carroll's remuneration package as CEO was determined by benchmarking it against that paid to CEOs in similar organisations. The remuneration package comprises the following components:

1. Total Fixed Remuneration (TFR) of $1,100,000 per annum, inclusive of superannuation. This is subject to annual review, but not before January 2014. In addition, in response to the challenging market conditions faced by the Company, Mr Carroll agreed to a 10% fixed remuneration reduction for the period 1 November 2012 to 30 June 2013, reducing his TFR to $990,000 per annum during this time.

2. A STI which includes the opportunity to earn an annual cash bonus of up to 125% of fixed remuneration, subject to achieving performance hurdles. Mr Carroll's STI Plan has been aligned with other senior Executives under the same Plan rules with KPIs that align to winning work, profitable performance and safety. The CEO's STI Plan comprises 80% for key financial and safety KPIs and 20% for personal KPIs. The financial KPIs include Profit after Tax, Return on Equity and Order Book Growth. The safety KPI is based on the Total Recordable Injury Frequency Rate.

   Importantly, Mr Carroll's package also includes a clawback provision whereby up to 30% of any short-term incentive awarded to Mr Carroll can be reclaimed by the Company at any time for up to two years under certain circumstances.

   There was no STI payable for Mr Carroll for 2013 as the 90% budgeted profit gateway for the STI was not met. Construction losses in the 2013 year meant that it was not appropriate to pay Mr Carroll for the part of the year he was COO-Mining, even though the Mining business had a record year in a difficult market.

3. A LTI under which he may receive share performance rights convertible into fully paid shares, subject to performance criteria being met. At the 2013 Annual General Meeting, the Board intends to seek approval for:

   a. the grant of 1,225,310 performance rights, 40% of which will be eligible to vest on 30 June 2015, and 60% of which will be eligible to vest on 30 June 2016 (these performance rights are the 950,000 rights contemplated when Mr Carroll was first appointed CEO, increased by 28.98% to compensate for the dilutionary impact of the equity raising in January 2013). The performance period for these performance rights will commence on 19 September 2012, the date of the CEO's appointment. The 1 July 2012 LTI Plan performance conditions will apply to these performance rights.

   b. the grant of 5,000,000 performance rights, 100% of which will be eligible to vest on 30 June 2016. The performance period for these performance rights will commence on 1 July 2013. The 1 July 2013 LTI Plan performance conditions will apply to these rights.

5.2 Total Fixed Remuneration (TFR)

All Executives received TFR as outlined in the remuneration table on page 47 of this report. TFR comprises base salary, any applicable role specific allowances, and superannuation.

Fixed pay has been reviewed and set against ASX 101-200 companies against whom we compete for talent. We benchmark through industry surveys and reports and seek external advice for CEO remuneration.

With the change in the Executive team and rationalisation of Executive roles with the sale of Construction, there were only two Executives who received a pay adjustment throughout the year, Mr Fraser Ramsay with his appointment to COO – Surface and Infrastructure Services and Ms Angie Young with her role expanded to include Safety in addition to Human Resources.

There was however, no annual pay review for Executives in December 2012 and the 10% reduction of TFR was volunteered by all Executives including those who received a promotion. Fixed remuneration will be frozen from 1 July 2013 for the 2014 financial year and will be subject to Board review after this time. This will assist with the transition to newly benchmarked remuneration structures.

5.3 Short-Term Incentive (STI) Plan

Key features of the STI Plan and the improvements introduced for 2014 are outlined in the table below.

STI Plan	
Objective	KPIs are set to foster a profit and safety driven culture with the aim of delivering returns to Shareholders. STI payments are awarded to recognise and motivate employees to align their performance with the Company's goals.
Eligibility	**2013**: Those invited have a significant influence on the direction and performance of the Company.
	2014 Improvement: Previously the STI Plan for the CEO was different to that of other Executives. The 2014 Plan will be consistently applied to the CEO and Executive team, aligning incentives with the performance of the Company.
At risk payments	**2013:** The STI is a component of 'at risk' pay provided to Executives. The amount of bonus actually earned will depend on performance against predetermined KPIs with payment commencing upon reaching threshold measures and then increasing as performance meets 'Target', 'Stretch' and 'Maximum' hurdles.

	% of TFR paid on Target Achievement	% of TFR paid on Stretch Achievement	% of TFR paid on Maximum Achievement
Former CEO	100%	150%	150%
Current CEO	75%	100%	125%
CFO and COO	25%	50%	75%
EGM Support	20%	40%	60%

2014 Improvement: In line with the strategy to place more emphasis on variable pay and motivate Executives to provide consistent profits, the Board has moved the target payment to 37.5% of TFR for Executives, such as COO and CFO, who meet budget target. This is offset by a 25% deferral of any STI payment awarded. Further, to address Shareholder concerns regarding the former CEO's package, the current CEO target payment has been reduced to 75% of TFR for meeting budget target, with the 25% deferral of STI.

	% of TFR earned on Target Achievement	% of TFR earned on Stretch Achievement	% of TFR paid on Maximum Achievement
Current CEO	75%	100%	125%
CFO and COO	37.5%	50%	62.5%
EGM Support	30%	40%	50%
All Executives	Deferral of 25% of earned value for a period of 24 months		

Note: The percentage of TFR for the threshold measure is not shown above however has not changed.

Exceptional performance	**2013:** In circumstances where Executives have outperformed, the STI Plan provides for a maximum achievement of up to 75% of TFR for Executives and 125% of TFR for the CEO. The former CEO's STI was capped at 150%.
	2014 Improvement: Exceptional performance is now capped at 62.5% of TFR for Executives such as COO and CFO.
Deferral of STI	**2013:** The 2013 Plan did not provide for a deferral.
	2014 Improvement: The 2014 Plan shall provide for a deferral of up to 25% of Executives' (or eligible KMPs) STI pay. This will be deferred for two years. If an Executive leaves during this two year period, payment will be at the Board's discretion.
Performance conditions	**2013:** KPIs are set for Group, Business Unit and Division (where relevant). Each KPI is weighted according to its importance in driving profitable performance and returns to Shareholders. KPIs include the following key measures: Net Profit After Tax (NPAT), Profit Before Tax (PBT), Return on Equity (ROE), Return on Average Capital Employed (ROACE), Total Recordable Injury Frequency Rate (TRIFR) and order book. The Board considers these measures key to driving Shareholder and investor returns.
	2014 Improvement: No changes.

STI Plan continued	
Safety condition	**2013:** If a fatality occurs, the safety KPI will cease to accrue any STI contribution for that year for the Business Unit involved. Depending on the cause of the fatality, the Board may amend further potential bonus payments.
	2014 Improvement: No changes.
Setting of KPIs	**2013:** Financial and safety targets are all agreed with the Board and personal KPIs are set in consultation with the relevant Executive.
	2014 Improvement: No changes.
Assessment of KPIs	**2013:** Performance is measured quantitatively and progress against key targets reported monthly.
	2014 Improvement: No changes.
Gateway for payment	**2013:** 90% of Company budgeted profit must be achieved before the gateway for payment is open, subject to Board discretion. The Board exercised its discretion in 2013 in relation to Mining Business STI participants.
	2014 Improvement: No changes.
Cessation of employment	**2013:** STI is forfeited if an Executive resigns or is terminated before the payment date. In exceptional circumstances this may be reviewed by the Board.
	2014 Improvement: No changes.

5.4 STI outcomes for 2013

The outcomes of the STI for Executives is outlined in the table below. As the 90% budgeted profit gateway was not met for the Group, no payment was made to most Executives. The exception being the COO – Surface and Infrastructure, due to the award of the Christmas Creek mine expansion contract and consistent profitable growth in the Surface and Infrastructure Business Unit. The financial KPIs of order book, Profit Before Tax and Return on Average Capital Employed were all achieved; no payment was attributed for safety or personal KPIs. Details of the Mining Business performance are outlined in section 4.1.

STI Payments 2013	Vested %	Forfeited %	Amount
R A Carroll Managing Director and Chief Executive Officer	0%	100%	-
R Barker Group General Manager – Market Development	0%	100%	-
N Cernotta Chief Operating Officer – Underground, International, and Engineering	0%	100%	-
G J Miller Executive General Manager – Underground	0%	100%	-
T Mlikota Chief Financial Officer	0%	100%	-
F E Ramsay Chief Operating Officer – Surface and Infrastructure	58%	42%	$144,533
A C Young Executive General Manager – Human Resources and Safety	0%	100%	-

Our departing Executives, Nick Bowen, Mark Hamilton, Stewart Maddison, Ashley Mason, Aidan Mullan and Robert Wilson were not employed for the full year and forfeited any right to a STI payment.

5.5 Summary of the LTI Plan for Executives

Key features of the LTI Plan and the improvements introduced for 2014 are outlined in the table below.

LTI Plan	
Overview of the LTI Plan	The Plan offers Executives and other senior personnel performance rights with the opportunity to receive fully paid ordinary shares in Macmahon for no consideration, subject to specified time restrictions, continued employment and performance conditions being met. Each performance right will entitle participants to receive one fully paid ordinary share at the time of vesting.
Objective	The Plan is designed to assist with Executive retention and to incentivise employees to maximise returns and earnings for Shareholders.
Eligibility	**2013:** The Plan is open to Executives and key talent of Macmahon as determined by the Board.
	2014 Improvement: The Plan now includes the CEO on the same performance hurdles as the Executive team (pending Shareholder vote).
LTI Plan vehicle and regularity of grants	**2013:** Performance rights are the LTI Plan vehicle and a grant has generally occurred annually on 15 January 2010, 17 June 2011 and 1 July 2012. The annual grant for 2014 was issued on 1 July 2013.
	2014 Improvement: No changes.
At risk payments	**2013:** The LTI is a component of the variable pay package provided to Executives. The number of performance rights issued to the Executive is based on an assessment of their ability to increase Shareholder wealth. The number of performance rights that vest is linked primarily to Company performance.
	2014 Improvements: The number of performance rights and their value shall be determined using the new remuneration mix adopted over a transition period. The number of performance rights granted shall be at the discretion of the Board.
Performance condition	**2013:** 80% of each LTI grant is subject to a performance condition. The extent to which this portion of performance rights are eligible to vest will depend on Total Shareholder Return (TSR) performance against a group of peer entities determined by the Board (detailed below). TSR was chosen as it provided a direct link between Executive reward and Shareholder return. Executives will not derive any benefit from the LTI grants unless the Company's performance is at least at the median of the Company's Comparator Group. Productivity and earnings measures have already been included in the STI Plan and therefore Executives are already motivated to perform against such measures. 20% of the grant was subject to continued employment and serves as a retention mechanism.
	2014 Improvements: The 1 July 2013 LTI Plan provides for 100% of performance rights to vest after three years. The TSR hurdle shall be maintained, however, based on Shareholder feedback, an additional metric of Earnings Per Share (EPS) has been added to ensure Executives aim for above industry compounded growth rates. EPS is measured over three years to align the Plan with our peers. The time-based component has been removed to align the Plan with our peers.
TSR comparator group	**2013:** Comprises of two groups weighted at 50% each: • eight companies with similar businesses to Macmahon, these being Ausdrill Limited, Clough Limited, Downer EDI Limited, Leighton Holdings Limited, Monadelphous Group Limited, NRW Holdings Limited, Transfield Services Limited and UGL Limited ("Peer Group"); and • companies within the ASX 200
	2014 Improvements: Comprises of two groups weighted at 50% each: • eight companies with similar businesses to Macmahon, this being Ausdrill Limited, Downer EDI Limited, Leighton Holdings Limited, Monadelphous Group Limited, NRW Holdings Limited, Decmil Limited, MACA Limited and Forge Limited ("Peer Group"); and • companies ranked between 101-200 in the ASX 200 classified as materials or industrials.
Vesting schedule	**2013:** An overview of the LTI vesting schedule is shown below:

	Year 3	Year 3	Year 4	Total
% rights eligible for vesting	20% (Retention)	20% (Tranche 1)	60% (Tranche 2)	100%
Performance conditions	Continued employment	• Continued employment; and • relative TSR against a comparative group comprising: • ASX 200 (50% weighting) • Peer Group (50% weighting)		

2014 Improvements: The new Plan provides for 100% of performance rights to vest after three years if performance hurdles are met and the removal of time-based rights and any retesting.

LTI Plan for 2013 continued	
Performance hurdles	**2013:**

Macmahon's TSR rank relative to the Comparator Group	Proportion of TSR Share performance rights that are eligible to vest (80% of the award)
Less than 50th percentile	0%
50th percentile	50%
Between 50th and 75th percentile	50% plus an additional 2% of this award for each additional percentile ranking above the 50th percentile
At or above the 75th percentile	100%

2014 Improvements: The new Plan now includes an additional performance hurdle for EPS growth in addition to the current TSR hurdle. The EPS performance condition is based on the compounded annual growth rate (CAGR) of Macmahon's EPS measured from a starting point, as determined by the Board, to the EPS reported by Macmahon for the financial year ending 30 June 2016.

50% of the share performance rights will be assessed against this performance condition. The starting point for the EPS performance hurdle has been set against 2014 budget rather than the reported 2013 loss for this year, this will represent a substantial turnaround on last year's result in a difficult environment should the 6% target be achieved. The EPS targets may be reviewed again by the Board for the next LTI Plan based on improved Company performance. The proportion of EPS share performance rights eligible to vest at the end of the performance period will be determined as follows:

Macmahon's EPS CAGR over the performance period	Proportion of performance rights that are eligible to vest
less than 6% EPS CAGR	0%
6% EPS CAGR	50%
Between 6% EPS CAGR and 27% EPS CAGR	50% plus an additional 2.4% of this award for each additional EPS CAGR % above 6% EPS CAGR.
At or above 27% EPS CAGR	100%

Re-testing	**2013:** Testing is undertaken annually for the 15 January 2010 and 17 June 2011 LTI Plan grants. Testing was recently reduced from two re-tests per annum to one subject to Board discretion.
	2014 Improvements: There is no re-testing for LTI grants.
Restrictions on disposals	**2013:** Vested plan shares held in trust are subject to disposal restrictions, in line with the Company's Trading in Shares Policy.
	2014 Improvements: No change.
Dilution limits	**2013:** Macmahon currently has under 2.5% of total capital in performance rights outstanding and seeks to limit dilution of existing Shareholders. Macmahon currently purchases shares for all Executive performance rights on market and holds them in trust.
	2014 Improvements: No change.
Dividends	**2013:** Dividends only accrue to the holder of vested plan shares.
	2014 Improvements: No change.
Change of control	**2013:** 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.
	2014 Improvements: No change.
Cessation of employment	**2013:** 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.
	2014 Improvements: No change.

5.6 Macmahon Executive Option Scheme (2005) – legacy plan

No grants were made under this scheme in the year ended 30 June 2013. This scheme provided Executives with options over ordinary shares of the Company under the Executive Option Scheme approved by Shareholders at the 2005 Annual General Meeting.

No options under this scheme vested during the year. The Company has not issued new options under this scheme since 2009 when the scheme was replaced by the LTI Plan.

5.7 Macmahon Deferred Bonus Scheme – legacy plan

Prior to the introduction of the current STI bonus scheme, a bonus system which incorporated a deferred element was used. Under this system, a portion of the bonus payable to an individual was withheld and paid in equal installments, subject to the individual remaining employed, on the third and fifth anniversary of the initial payment.

Whilst no longer offered to employees, Macmahon administers the deferred element relating to bonuses for the 2007 and 2008 financial years. Amounts previously allocated under the deferred scheme will continue to be held in a pool until eligibility criteria are met. Interest will continue to accrue for the benefit of the relevant Executives on the amount in this account every 12 months based on the 180 day bank bill swap rate.

5.8 Employee Share Plan

The Macmahon Employee Share Plan was launched in March 2012 which provided $1,000 worth of Company shares to eligible employees who have been with the Company for three years. No shares were granted to employees in 2013.

5.9 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.

5.10 LTI performance rights

On 1 July 2012 a grant of 7,985,000 performance rights was issued under the LTI Plan.

In January 2013, the Company completed an equity raising and all outstanding performance rights were grossed up by 28.98% to counter the dilutionary impacts of the equity raising. On 15 January 2013, the second tranche of performance rights granted under the 15 January 2010 LTI Plan were due to vest. However, the TSR performance hurdles were not met and no performance rights vested. On 17 June 2013, the time-based component of the 17 June 2011 LTI Plan vested. However, the performance-based rights which were eligible to vest at this time, did not vest due to the TSR performance hurdle not being met.

At 30 June 2013, Macmahon had 18,900,808 performance rights outstanding from all grants under 15 January 2010, 17 June 2011, and 1 July 2012 plans.

5.11 Options and rights

No options were granted during the period and no options under the Executive Option Scheme (2005) vested or were exercised during the period.

The following table provides the movement in performance rights and options for each Executive during the period.

		Held at 30-Jun-12		Granted [1]		Exercised		Other changes [2]		Held at 30-Jun-13	
		Options	Rights	Options	Rights	Options	Rights	Options	Rights	Options	Rights
R A Carroll	Number	-	3,231,537	-	1,645,890	-	(644,900)	-	-	-	4,232,527
Managing Director and Chief Executive Officer	Value ($) [3]	-	-	-	-	-	(83,837)	-	-	-	-
R Barker	Number	-	-	-	-	-	-	-	-	-	-
General Manager – Market Development	Value ($) [3]	-	-	-	-	-	-	-	-	-	-
N Cernotta	Number	-	-	-	-	-	-	-	-	-	-
Chief Operating Officer – Underground, International and Engineering	Value ($) [3]	-	-	-	-	-	-	-	-	-	-
G J Miller	Number	18,750	746,307	-	732,200	-	(161,225)	(18,750)	-	-	1,317,282
Executive General Manager – Underground	Value ($) [3]	-	-	-	-	-	(20,959)	(3,188)	-	-	-
T Mlikota	Number	-	1,000,000	-	805,720	-	(322,450)	-	-	-	1,483,270
Chief Financial Officer	Value ($) [3]	-	-			-	(41,919)	-	-		
F E Ramsay	Number	75,000	807,884	-	750,045	-	(161,225)	(75,000)	-	-	1,396,704
Chief Operating Officer – Surface and Infrastructure	Value ($) [3]	-	-	-	-	-	(20,959)	(12,750)	-	-	-
A C Young	Number	-	392,365	-	500,648	-	(96,735)	-	-	-	796,278
Executive General Manager – Human Resources and Safety	Value ($) [3]	-	-	-	-	-	(12,576)	-	-	-	-
Executives with changed roles in 2013											
N J Wilson	Number	-	496,307	-	530,770	-	(80,613)	-	-	-	946,464
General Manager – Mongolia Operations	Value ($) [3]	-	-	-	-	-	(10,480)	-	-	-	-
Former KMP											
N R Bowen	Number	-	6,000,000	-	-	-	(2,684,333)	-	(3,315,667)	-	-
Managing Director and Chief Executive Officer	Value ($) [3]	-	-	-	-	-	(1,446,898)	-	-	-	-
M H Hamilton	Number	-	707,884	-	850,045	-	(128,980)	-	(1,428,949)	-	-
Chief Operating Officer – Construction	Value ($) [3]	-	-	-	-	-	(16,767)	-	-	-	-
S G Maddison	Number	-	584,730	-	300,000	-	-	-	(884,730)	-	-
Executive General Manager – International	Value ($) [3]	-	-	-	-	-	-	-	-	-	-
A T Mason	Number	-	1,000,000	-	805,720	-	-	-	(1,805,720)	-	-
Executive General Manager – Strategy and Development	Value ($) [3]	-	-	-	-	-	-	-	-	-	-
R C Wilson	Number	-	484,730	-	602,860	-	(96,735)	-	(700,650)	-	290,205
General Manager – NT Construction	Value ($) [3]	-	-	-	-	-	(12,576)	-	-	-	-

1 Granted includes the uplift of performance rights following the equity raise during 2013.
2 Other changes relate to options or rights that lapsed during the year.
3 Calculated based on the share price on the date of exercise/lapsed less the exercise price (if applicable).

6. Executive contracts

6.1 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.

6.2 Annual performance review

An annual performance review is undertaken with each Executive, often through a 360° feedback report, where discussions are held on performance 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.

6.3 Executive service contracts

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

Executive	Appointment to KMP	Notice period for contract cessation
R A Carroll Managing Director and Chief Executive Officer	6 November 2006 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 6 months' notice or payment in lieu.
R Barker General Manager Market Development	16 May 2013 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 3 months' notice or payment in lieu.
N Cernotta Chief Operating Officer Underground, International, and Engineering	18 February 2013 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 6 months' notice or payment in lieu.
G J Miller Executive General Manager Underground	18 February 2009 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 3 months' notice or payment in lieu.
T Mlikota Chief Financial Officer	18 April 2011 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 6 months' notice or payment in lieu.
F E Ramsay Chief Operating Officer Surface and Infrastructure	4 November 2009 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 6 months' notice or payment in lieu.
A C Young Executive General Manager Human Resources and Safety	1 January 2011 The contract is ongoing and has no fixed term.	The contract can be terminated by either party with 6 months' notice or payment in lieu.

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

6.4 Termination arrangements for departing Executives

6.4.1 Former Managing Director and CEO Mr Nicholas Bowen

Mr Bowen resigned from the Company effective 19 September 2012 and received payment in lieu of notice of $226,486. In addition, Mr Bowen received his statutory entitlements relating to annual and long service leave which totalled $632,463.

No future short-term incentive was payable under the employment agreement and outstanding performance rights under the long-term incentive scheme were cancelled.

As part of this arrangement, the Company agreed to release Mr Bowen from the restrictive covenant in his employment contract relating to dealings with customers and competitors of Macmahon.

6.4.2 Other Executives who left in 2013

Ashley Mason, EGM Strategy and Development ceased employment with Macmahon effective 30 April 2013 and was paid all his leave and notice / severance requirements in accordance with his contract with his final payment including three months' payment in lieu of notice.

Mark Hamilton, COO Construction ceased employment with Macmahon effective 30 April 2013 and was paid all his leave and notice / severance requirements in accordance with his contract of employment. Mr Hamilton received a one-off retention bonus for work completed on the construction divestment in March 2013.

Aidan Mullan, EGM Construction West and Mr Stewart Maddison, EGM International, also ceased employment during the year. Mr Mullan's details were reported in the last Remuneration Report and Mr Maddison was paid in accordance with his employment contract terms.

Robert Wilson, GM NT Construction, was employed by John Holland Pty Ltd with the sale of construction projects and his entitlements were transferred with this arrangement. Mr Wilson received a one-off bonus as part of his termination arrangements. Mr Wilson remains a participant in the 17 June 2011 LTI Plan.

7. 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.

There was no increase to Board fees in 2013 and a temporary 10% reduction of the fees occurred from 1 November 2012. From 1 July 2013 this 10% reduction was made permanent for Non-executive Directors and the Chairman's fee was reduced by 25%. The Board will not seek any increase to the relevant fee pool at the 2013 Annual General Meeting.

Fee applicable from 1 July 2013	Chairman* $	Deputy Chairman* $	Member $
Board*	198,000	143,100	99,000
Audit Committee	18,900**		9,900
Remuneration & Nomination Committee	15,120		7,560
Corporate Governance Committee	15,120		7,560

*The Chairman and Deputy Chairman are not paid fees for their membership of Board committees.
**Given that the Deputy Chairman chairs the Audit Committee this fee is foregone by the Deputy Chairman.

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. Actual Directors' fees for the reporting period were $895,040. No retirement benefits other than superannuation were paid to Non-executive Directors. There has been no increase in the fee pool amount since its approval by Shareholders at the 2008 Annual General Meeting.

KMP remuneration

	Year	Short-term: Salary $	Short-term: Committee fees $	Short-term: Cash bonus/ STI $	Short-term: Non-monetary benefits $	Total short-term $	Other long-term benefits $	Post-employment: Superannuation $	Post-employment: Termination payments $	Share-based payment: Shares and units $	Share-based payment: Options and rights[11] $	Performance related %	Non-performance related %	Compensation consisting of options and rights %	Total compensation $
Directors - Non-executive															
K B Scott-Mackenzie	2013	227,429	-	-	-	227,429	-	16,290	-	-	-	-	100	-	243,719
(Chairman)	2012	221,639	-	-	-	221,639	-	35,944	-	-	-	-	100	-	257,583
B L Cusack	2013	149,494	-	-	-	149,494	-	-	-	-	-	-	100	-	149,494
(Deputy Chairman)	2012	142,814	-	-	-	142,814	-	12,853	-	-	-	-	100	-	155,667
C R G Everist[1]	2013	3,476	-	-	-	3,476	-	322	-	-	-	-	100	-	3,798
	2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B R Ford	2013	103,474	23,985	-	-	127,459	-	10,607	-	-	-	-	100	-	138,066
	2012	58,664	24,546	-	-	83,210	-	51,358	-	-	-	-	100	-	134,568
E Skira	2013	94,213	9,423	-	-	103,636	-	9,327	-	-	-	-	100	-	112,963
	2012	76,871	3,985	-	-	80,856	-	7,277	-	-	-	-	100	-	88,133
D M Smith	2013	94,184	16,275	-	-	110,459	-	9,941	-	-	-	-	100	-	120,400
	2012	99,024	16,993	-	-	116,017	-	10,442	-	-	-	-	100	-	126,459
V A Vella	2013	93,875	22,272	-	-	116,147	-	10,453	-	-	-	-	100	-	126,600
	2012	97,435	22,658	-	-	120,093	-	10,808	-	-	-	-	100	-	130,901
Total compensation for Non-executive Directors	2013	766,145	71,955	-	-	838,100	-	56,940	-	-	-	-	100	-	895,040
	2012	696,447	68,182	-	-	764,629	-	128,682	-	-	-	-	100	-	893,311
Directors - Executive															
R A Carroll	2013	948,016	-	-	12,801	960,817	45,267	25,839	-	-	474,026	34	66	31	1,505,949
Managing Director & Chief Executive Officer	2012	785,779	-	412,109	10,655	1,208,543	76,007	32,887	-	-	599,587	57	43	31	1,917,024
N R Bowen[2]	2013	643,606	-	-	3,167	646,773	-	7,576	858,949	-	(825,938)	(120)	220	(120)	687,360
Managing Director & Chief Executive Officer	2012	1,241,191	-	866,528	13,235	2,120,954	-	54,167	-	-	646,490	54	46	23	2,821,611
Total compensation for Executive Directors	2013	1,591,622	-	-	15,968	1,607,590	45,267	33,415	858,949	-	(351,912)	(14)	114	(16)	2,193,309
	2012	2,026,970	-	1,278,637	23,890	3,329,497	76,007	87,054	-	-	1,246,077	54	46	23	4,738,635

	Year	Short-term: Salary $	Short-term: Committee fees $	Short-term: Cash bonus/ STI $	Short-term: Non-monetary benefits $	Total short-term $	Other long-term benefits $	Post-employment: Superannuation $	Post-employment: Termination payments $	Share-based payment: Shares and units $	Share-based payment: Options and rights[11] $	Performance related %	Non-performance related %	Compensation consisting of options and rights %	Total compensation $
Executives															
R Barker[3] General Manager - Market Development	2013	57,340	-	-	1,650	58,990	-	5,162	-	-	-	-	100	-	64,152
	2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-
N Cernotta[4] Chief Operating Officer - Underground, International and Engineering	2013	212,634	-	-	3,951	216,585	-	19,137	-	-	-	-	100	-	235,722
	2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-
M H Hamilton[5] Chief Operating Officer - Construction	2013	478,274	-	-	13,801	492,075	11,399	57,494	634,484	-	290,518	20	80	20	1,485,970
	2012	472,095	-	82,143	15,689	569,927	38,682	42,489	-	-	133,114	32	68	17	784,212
S G Maddison[6] EGM International	2013	218,514	-	-	6,078	224,592	7,073	15,034	302,954	-	229,454	30	70	29	779,107
	2012	502,606	-	167,428	9,834	679,868	9,965	45,235	-	-	105,209	34	66	13	840,277
A T Mason[7] EGM Strategy and Development	2013	438,337	-	-	14,648	452,985	-	19,081	200,564	-	(164,974)	(32)	132	(32)	507,656
	2012	446,869	-	175,026	21,692	643,587	-	40,218	-	-	158,375	40	60	19	842,180
G J Miller EGM Underground	2013	369,577	-	-	7,159	376,736	12,889	33,262	-	-	138,441	27	73	25	561,328
	2012	383,027	-	101,789	9,802	494,618	11,598	34,472	-	-	135,158	37	63	20	675,846
T Mlikota Chief Financial Officer	2013	555,304	-	-	11,824	567,128	-	13,392	-	-	193,024	25	75	25	773,544
	2012	545,986	-	203,065	10,384	759,435	-	49,139	-	-	158,375	37	63	16	966,949
A Mullan[8] EGM Construction - West	2013	141,355	-	-	3,203	144,558	-	23,559	140,638	-	(33,655)	(12)	112	(12)	275,100
	2012	472,095	-	-	9,851	481,946	-	42,489	-	-	33,655	6	94	6	558,090
F E Ramsay Chief Operating Officer - Surface Mining and Infrastructure	2013	441,132	-	144,533	10,925	596,590	9,157	26,388	-	-	144,057	38	62	19	776,192
	2012	394,313	-	176,474	9,956	580,743	23,362	35,488	-	-	149,588	44	56	19	789,181
N J Wilson[9] EGM Health, Safety, Environment and Quality	2013	117,870	-	-	4,312	122,182	9,745	7,396	-	-	25,873	22	78	16	165,196
	2012	420,384	-	85,097	10,066	515,547	23,510	31,484	-	-	95,405	31	69	14	665,946
R C Wilson[10] GM NT Construction	2013	269,070	-	-	3,534	272,604	12,248	16,037	109,596	-	209,121	3	97	-	619,606
	2012	382,246	-	219,228	2,428	603,902	27,829	50,197	-	-	89,371	44	56	12	771,299
A C Young EGM Human Resources and Safety	2013	339,862	-	-	10,082	349,944	-	24,646	-	-	83,851	18	82	18	458,441
	2012	312,250	-	82,160	8,977	403,387	-	28,103	-	-	68,442	30	70	14	499,932
Total compensation for Executive personnel	2013	3,639,269	-	144,533	91,167	3,874,969	62,511	260,588	1,388,236	-	1,115,710	20	80	17	6,702,014
	2012	4,331,871	-	1,292,410	108,679	5,732,960	134,946	399,314	-	-	1,126,692	35	65	15	7,393,912
Total compensation for Directors and Executives	2013	5,997,036	71,955	144,533	107,135	6,320,659	107,778	350,943	2,247,185	-	763,798	10	90	8	9,790,363
	2012	7,055,288	68,182	2,571,047	132,569	9,827,086	210,953	615,050	-	-	2,372,769	40	60	18	13,025,858

1 C R G Everist was appointed on 19 June 2013.
2 N R Bowen ceased employment 19 September 2012.
3 R Barker was appointed as KMP on 1 May 2013.
4 N Cernotta was appointed on 18 February 2013.
5 M H Hamilton ceased employment 30 April 2013.
6 S G Maddison ceased employment 1 February 2013.
7 A T Mason ceased employment 30 April 2013.
8 A Mullan ceased employment 16 October 2012.
9 N J Wilson ceased to be EGM HSEQ 14 October 2012, and transferred to General Manager - Mongolian Operations. Salary and fees since transfer are not included in the above figures.
10 R C Wilson ceased employment on 28 February 2013.
11 Options and rights share-based payments are in accordance with accounting standards which require an expense to be recognised for options and rights on issue based on valuations performed on grant date. Negative / credit values are in respect of options and rights that were forfeited during the period due to employee resignations which result in the reversal of previously recognised expenses on these forfeited options and rights. This impacts the performance related percentage splits.

Corporate governance statement

The Board of Macmahon ("Board") is committed to ensuring that the Company's obligations and responsibilities to its various stakeholders are fulfilled through its corporate governance practices. Macmahon is committed to the development of a culture that values ethical behaviour, integrity and respect. We believe that adopting and operating in accordance with high standards of corporate governance enhances the Company's sustainable long-term performance and value creation for all stakeholders.

This Statement reports on Macmahon's key governance principles and practices which are reviewed regularly and revised as appropriate to reflect changes in law and developments in corporate governance.

As required by the Australian Securities Exchange Limited ("ASX") Listing Rules ("ASX Listing Rules"), this Statement also reports on:

- the extent to which the Company has followed the Corporate Governance Recommendations contained in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd edition) ("ASXCGC Recommendations"); and
- the reasons for any departures from the ASXCGC Recommendations, in compliance with the "if not, why not" regime.

Overall approach to corporate governance

In 2011 the Board established a Corporate Governance Committee to enhance its focus on excellence in corporate governance. The Committee makes recommendations to the Board and is responsible for:

- reviewing and reporting to the Board on Corporate Governance regulatory or compliance issues;
- reviewing and reporting to the Board on best practice developments and providing recommendations to the Board on Corporate Governance practices;
- reviewing and reporting to the Board on the Company's obligations under ASX Listing Rule 4.10.3 and compliance with the best practice recommendations of the ASX Corporate Governance Council; and
- providing recommendations to the Board and reviewing disclosure of effective policies and procedures on the Company's website to ensure effective communication of the Company's corporate governance policies to Shareholders, media, analysts and industry participants.

As a result of this focus, the Board is satisfied that the Company meets the ASXCGC Recommendations, with only minimal departures. A checklist cross-referencing the ASXCGC Recommendations to the relevant sections of this Statement and the Remuneration Report is provided later in the Statement.

1. The Board of Directors

1.1 Board role and responsibilities

ASXCGC Recommendations 1.1, 1.3

The Company's constitution provides that the business and affairs of the Company are to be managed by or under the direction of the Board. The Board has established and disclosed (on the Company's website) its Board Charter which details the Board's role, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of Macmahon's business activities is delegated to the Chief Executive Officer ("CEO") who is accountable to the Board. The Board Charter and the delegation of Board authority to the CEO are reviewed regularly.

1.2 Board composition and expertise

ASXCGC Recommendations 2.1, 2.2, 2.3, 2.6

The Board has a wide range of relevant experience, financial skills and other expertise to meet its objectives. The current Board composition includes six independent Non-executive Directors, one Non-independent Non-executive Director, and the CEO, who is also the Managing Director. Details on each of the Directors including experience, knowledge and skills and their status as an independent or non-independent Director are set out in the Directors' Report and on the Company's website.

The Board considers that the Non-executive Directors collectively bring the range of skills, knowledge and experience necessary to direct the Company. In assessing the composition of the Board, the Directors have regard to the following policies:

- the Chairman should be an independent, Non-executive;
- the role of the Chairman and CEO should not be filled by the same person;
- the CEO should be a full-time employee of the Company;
- the Board should represent a broad range of qualifications, diversity, experience and expertise considered of benefit to the Company; and
- the Board should include a majority of independent Non-executive Directors.

Where a casual vacancy arises, the Board will seek to appoint a Non-executive Director with the appropriate skills and experience to fill any potential expertise gaps.

1.3 Chairman of the Board

ASXCGC Recommendations 2.2, 2.3

The Chairman of the Board, Mr Ken Scott-Mackenzie, is an independent, Non-executive Director. The Chairman is responsible for leadership and effective performance of the Board and for the maintenance of relations between Directors and management that are open, cordial and conducive to productive cooperation. The Chairman's responsibilities are set out in more detail in the Board Charter.

Mr Scott-Mackenzie is currently a Non-executive Director of Adelaide Brighton Limited. The Board does not consider that this role, nor any of his other commitments, interferes with the discharge of his duties to the Company. The Board is satisfied that Mr Scott-Mackenzie commits the time necessary to discharge his role effectively.

1.4 Director independence

ASXCGC Recommendations 2.1, 2.6

In assessing the independence of each Director, the Board considers, amongst other things, whether the Director:

- is a substantial Shareholder of the Company (as defined by the Corporations Act) or an officer of, or otherwise associated directly with a substantial Shareholder of the Company;
- within the last three years, has been employed in an executive capacity by the Company or another Group member or been a Director after ceasing to hold any such employment;
- within the last three years, has been a principal of a material professional advisor or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or another Group member other than as a Director of the Company;
- has served on the Board for a period which could or could reasonably be perceived to materially interfere with the Director's ability to act in the bests interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Applying the above criteria, the Board has determined that Mr Ken Scott-Mackenzie, Mr Barry Cusack, Mr Giles Everist, Mr Barry Ford, Ms Eva Skira and Dr David Smith are independent Directors.

The Board has determined that Mr Vyril Vella is not an independent Director. Mr Vella is a nominee of Leighton Holdings Limited and was appointed on 19 November 2007 in accordance with the terms of a Memorandum of Understanding between Leighton Holdings Limited and the Company.

1.5 Conflicts of interest

Directors are required to disclose any actual or potential conflict or material personal interests on appointment as a Director and are required to keep these disclosures up to date.

In the event that there is, or may be, a conflict between the personal or other interests of a Director, then the Director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter. When the matter comes before the Board for discussion, the Director withdraws from the meeting for the period the matter is considered and takes no part in the discussion or decision making process.

The Company has established and disclosed (on its website) a Board Conflict of Interest Policy that dictates the appropriate procedures to be followed.

1.6 Board succession planning and performance evaluation

ASXCGC Recommendations 2.5, 2.6

The Board manages its succession planning with the assistance of the Remuneration & Nomination Committee, reviewing its size, composition, diversity and effectiveness as a whole and the mix of existing and desired competencies across members.

The Board recognises the importance of rejuvenation via changes in Board membership. During the year, the Board embarked on a search to identify suitably experienced and qualified Directors to add to the Board's composition and proficiency, and align with the Board's strategy of renewal. Candidates were then interviewed by all Directors and Mr Giles Everist was appointed to the Board on 19 June 2013.

The Board undertakes an annual evaluation of its size, composition, diversity and effectiveness against a broad range of good practice criteria and from time to time engages the services of an external facilitator to assist with this process. The Chairman reviews the performance of individual Board members and meets individually with each Director to discuss the findings of their report, including performance of the Chairman. The Board reviews the performance of individual Board members seeking re-election prior to any Board recommendation being given to Shareholders.

During the reporting period an evaluation of the performance of the Board and its Committees was carried out in accordance with the processes outlined above.

Any Director whose performance is consistently unsatisfactory will be asked to retire.

1.7 Director retirement and re-election

ASXCGC Recommendation 2.6

Non-executive Directors must retire and stand for re-election at the third annual general meeting ("AGM") following their election or most recent re-election. At least one Non-executive Director must stand for election at each AGM. Any Director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves for election at the next AGM.

Board support for a Director's re-election is not automatic and is subject to satisfactory Director performance (in accordance with the evaluation process described above).

1.8 Directors' appointment, induction training and continuing education

ASXCGC Recommendation 2.6

All new Directors are provided with a formal letter of appointment setting out the key terms and conditions of the appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

Induction training is provided to all new Directors. It includes comprehensive meetings with the CEO, key Executives and management, information on key corporate and Board policies, and the opportunity to visit the Company's primary operations.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the Company where appropriate.

1.9 Board access to information and independent advice

ASXCGC Recommendation 2.6

Directors may, in carrying out their Company related duties, seek external professional advice. If external professional advice is sought, a Director is entitled to reimbursement of all reasonable costs where such a request for advice is approved by the Chairman. In the case of a request made by the Chairman, approval is required by the Deputy Chairman.

1.10 Directors' remuneration

Details of remuneration paid to Directors (Executive and Non-executive) are set out in the Remuneration Report. The Remuneration Report also contains information on the Company's policy for determining the nature and amount of remuneration for Directors and Executives and the relationship between the policy and Company performance.

Shareholders will be invited to consider and approve the Remuneration Report at each Annual General Meeting.

1.11 Board meetings

During the year ended 30 June 2013, the Board held nine scheduled Board meetings. In addition, site visits and a focussed strategic planning session were held. Details of Directors' attendance at Board and committee meetings are set out in the Directors' Report.

The Chairman sets the agenda for each meeting in conjunction with the CEO and the Company Secretary. Any Director may request additional matters be added to the agenda. The Chief Financial Officer ("CFO") attends the Board meetings by standing invitation. Other members of senior management attend meetings of the Board by invitation.

At each scheduled Board meeting there is a session for Non-executive Directors to meet without management present. This session is presided over by the Chairman.

Copies of Board papers are circulated in advance of the meetings in either electronic or hard copy form. Directors are entitled to request additional information where they consider the information is necessary to support informed decision making.

1.12 Company Secretaries

Details of the Company Secretaries are set out in the Directors' Report. The appointment and removal of a Company Secretary is a matter for decision by the Board. The Company Secretaries are responsible for providing advice to Directors and Executives on corporate governance and regulatory matters, recording minutes of Board and committee meetings, developing the Company's corporate governance framework and giving effect to the Board's decisions. All Directors have access to advice from the Company Secretaries.

2. Board committees

2.1 Board committees, membership and charters

ASXCGC Recommendations 2.4, 2.6, 4.1, 4.2, 4.3, 4.4, 8.1, 8.2, 8.4

The Board delegates its powers and responsibilities to committees of the Board in order to allow the Directors to spend additional and more focused time on specific issues. The areas of risk management and safety remain items of elevated strategic importance to the Company and hence remain standing Board agenda items. All committees operate under individual charters approved by the Board which are disclosed on the Company's website.

The Board currently has the following three standing committees to assist in discharging its responsibilities:

	Committee	Description	Members
Board of Directors	Audit Committee	Monitors the financial reporting process, and external and internal audit functions.	Mr Barry Cusack (Chairman) Mr Barry Ford Ms Eva Skira Dr David Smith
	Remuneration & Nomination Committee	Assists the Board in considering remuneration policies, practices and decisions. Ensures the Board and the CEO have the necessary range of skills, expertise and experience to further corporate objectives.	Mr Vyril Vella (Chairman) Mr Barry Cusack Mr Ken Scott-Mackenzie Dr David Smith
	Corporate Governance Committee	Oversees the development of corporate governance principles.	Mr Barry Ford (Chairman) Mr Ken Scott-Mackenzie Mr Vyril Vella

Committee members are chosen for the skills, experience and other qualities they bring to the relevant committee. Executive management attends certain committee meetings by invitation only.

All papers considered by the standing committees are available on request to Directors who are not on that committee. Following each committee meeting, generally at the next Board meeting, the Board is given a verbal update by the Chair of the respective committee. In addition, minutes of all committee meetings are available to all Directors.

A company secretary provides secretariat services for each committee.

2.2 Audit Committee

ASXCGC Recommendations 4.1, 4.2, 4.3, 4.4

The role of the Audit Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with related legal and regulatory requirements, and the internal and external audit functions. In doing so, it is the Committee's responsibility to maintain free and open communication between the Committee and the external auditors and the management of Macmahon.

The Audit Committee is required to have a minimum of three members and be composed of all Non-executive Directors, a majority of whom must be independent. The Chair of the Audit Committee must not be the Chair of the Board and must be an independent Director.

The external auditor, the Directors who are not members of the Audit Committee, the Chief Executive Officer, the Chief Financial Officer and the Group Financial Controller are all invited to attend Audit Committee meetings at the discretion of the Audit Committee.

Key activities undertaken by the Audit Committee during the year included:

- approval of the scope, plan and fees for the 2013 external audit;
- review of the independence and performance of the external auditor;
- review of significant accounting policies and practices;
- review of tax compliance and developments in taxation matters;
- monitoring developments in accounting and financial reporting relevant to Macmahon;
- review of internal audit reports and approval of the 2013 Internal Audit program;
- review and recommendation to the Board for the adoption of the Group's half-year and annual financial statements; and
- assessment of the impact of material commercial disputes on the Company's financial performance.

The number of Audit Committee meetings that were held during the reporting period and the attendance of the Committee members at those meetings are set out in the Directors' Report.

2.3 Remuneration & Nomination Committee

ASXCGC Recommendations 2.4, 2.6, 8.1, 8.2, 8.3, 8.4

The role of the Remuneration & Nomination Committee is to assist the Board by reviewing and approving the Company's remuneration policies and practices for Directors and Executives and the appointment of Directors to the Board. The Committee's responsibilities include:

- assessing the necessary and desirable competencies of Board members;
- reviewing Board succession plans;
- reviewing the Company's remuneration framework, which is used to attract, retain and motivate Directors and employees to achieve operational excellence and create value for Shareholders;
- reviewing the remuneration packages and incentive schemes for the CEO and Executives, to establish rewards, which are fair and responsible, having regard to the Company's strategic goals, individual performance and general remuneration conditions; and
- reviewing the performance and succession planning for the CEO and Executives.

The Remuneration & Nomination Committee is required to have a minimum of three members and be composed of a majority of independent Non-executive Directors. Mr Vella is the Non-independent Chair of this Committee. Despite the ASX Principles, the Board has determined that given Mr Vella's industry participation and experience, and based on a strong working understanding of relevant employment terms and conditions, Mr Vella is best placed to discharge this function in accordance with the Committee Charter.

The Company's Non-executive Directors' Remuneration Policy is available on the Company's website. The Company's Non-executive Directors receive fees as remuneration for acting as a Director of the Company and, if applicable, acting as a member of a standing Committee of the Board. Non-executive Directors are not entitled to participate in equity schemes of the Company and are not entitled to receive performance based bonuses. The Company has not established any schemes for the provision of retirement benefits, other than statutory superannuation, for Non-executive Directors.

Further details regarding Non-executive Directors' remuneration are set out in the Remuneration Report.

The Company's Senior Executives Remuneration Policy is available on the Company's website. The Company's senior Executives are remunerated in accordance with the principles described in that policy, which provides that senior Executive remuneration is to consist of elements of fixed salary, short-term incentives based on performance, participation in long-term incentive equity schemes and other benefits including superannuation. It is the Company's policy to prohibit employees from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.

Further details regarding Executive remuneration are set out in the Remuneration Report.

Key activities undertaken by the Remuneration & Nomination Committee during the year included:

- monitoring legislative and corporate governance developments in relation to employment and remuneration matters relevant to Macmahon;
- reviewing the Company's remuneration policies and practices and recommending for adoption by the Board a revised remuneration strategy following the restructuring of the business;
- reviewing the Company's recruitment and retention strategies;
- recommendation of the appointment and remuneration packages of Executives reporting directly to the CEO;
- monitoring progress against measurable objectives in respect of gender diversity; and
- reviewing and making recommendations to the Board on remuneration for Non-executive Directors and the CEO and the criteria for the evaluation of the performance of the CEO.

The Directors who are not members of the Remuneration & Nomination Committee, the CEO and the Executive General Manager of Human Resources & Safety are invited to attend Committee meetings at the discretion of the Remuneration & Nomination Committee. The CEO is not present where decisions are being made in respect of his own remuneration.

The number of Committee meetings that were held during the reporting period and the attendance of the Committee members at those meetings are set out in the Directors' Report.

2.4 Corporate Governance Committee

The role of the Corporate Governance Committee is to assist the Board to oversee the Company's implementation and compliance with best practice in corporate governance applicable to the circumstances of the Company.

Further details of this Committee and key activities undertaken by this Committee were outlined earlier in this report.

3. Shareholders and corporate responsibility

Macmahon aims to produce positive outcomes for all stakeholders in managing its business and to maximise financial, social and environmental value from its activities. In practice, this means having a commitment to transparency, fair dealing, responsible treatment of employees and customers and positive links into the community.

Sustainable and responsible business practices within Macmahon are viewed as an important long-term driver of performance and Shareholder value. Through such practices Macmahon seeks to reduce operational and reputation risk and enhance operational efficiency while contributing to a more sustainable society. Macmahon accepts that the responsibilities of the Board and management, which flow from this approach, go beyond strict legal and financial obligations. In particular, the Board seeks to take a practical and broad view of Directors' fiduciary duties, in line with stakeholders' expectations.

3.1 Shareholder communications

ASXCGC Recommendations 6.1, 6.2

Directors recognise that Shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares.

The Company's Continuous Disclosure Policy (which is available on the Company's website) encourages effective communication with its Shareholders by requiring:

- the disclosure of full and timely information about Macmahon's activities in accordance with the disclosure requirements contained in the ASX Listing Rules and the Corporations Act;
- all information released to the market to be placed on Macmahon's website promptly following release;
- the Company's market announcements to be maintained on Macmahon's website for at least three years; and
- all disclosures, including notices of meetings and other Shareholder communications, are drafted clearly and concisely using plain English.

Macmahon endeavours to communicate all major activities affecting operations to investors through the Annual Report, half year and full year results announcements, formal disclosures to the ASX (i.e. company announcements), letters to Shareholders when appropriate, the Company website and at the AGM. The AGM also provides an important opportunity for investors to ask questions, express views and respond to Board proposals.

Periodic reviews of communication systems to take advantage of new technologies may further enhance the Company's ability to communicate effectively with its investors. Macmahon endeavours to provide advance notification of public briefings and make them widely accessible, including through the use of webcasting or conference calls where possible. The Company also keeps a summary record for internal use of the issues discussed at briefings as well as a record of those present, and the time and place of the briefing.

3.2 Continuous disclosure

ASXCGC Recommendations 5.1, 5.2

Macmahon is committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information.

Macmahon's Continuous Disclosure Policy reinforces the Company's commitment to ASX continuous disclosure requirements and outlines management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes Macmahon's guiding principles for market communications.

The Continuous Disclosure Policy is available on the Company's website.

4. Promoting ethical and responsible behaviour

4.1 Code of conduct and whistleblower policy

ASXCGC Recommendation 3.1

Macmahon has a Code of Conduct which outlines its commitment to appropriate and ethical corporate practices and reflects the high ethical standards of conduct necessary to maintain confidence in the Company's integrity.

The Code of Conduct describes Macmahon's mission, vision and values together with the business principles approved by the Board. It sets out the principles, practices and standards of personal and corporate behaviour Macmahon expects in daily business activities. The Code of Conduct covers matters such as compliance with laws and regulations, responsibilities to Shareholders and the community, sound employment practices, confidentiality, privacy, conflicts of interest, giving and accepting business courtesies and the protection and proper use of Macmahon's assets. Compliance with the Code of Conduct also assists Macmahon in effectively managing its operating risks and meeting its legal and compliance obligations, as well as enhancing Macmahon's corporate reputation.

The Company's Code of Conduct is issued to every new starter and an online refresher is issued to all staff and Officers each year. The Code of Conduct is available on the Company's intranet and website.

The Company's Whistleblower Provisions Policy highlights Macmahon's commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal. The Whistleblower Provisions Policy is available on the Company's website.

4.2 Trading in shares policy

ASXCGC Recommendation 8.4

Macmahon's Trading in Shares Policy provides a brief summary of the law on insider trading and the ASX Listing Rule requirements, and sets out the restrictions on dealing in securities by Directors and Officers. The Policy is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

Directors and Officers are encouraged to follow a long-term investment strategy and are prohibited from any trading of a short-term or speculative nature in the securities of the Company. Directors and Officers may not deal in securities of the Company (other than the exercise of employee options and performance rights, dividend reinvestment and rights issues and transfers to related parties) in the four week period leading up to the profit announcement in respect of each June and December half year, or immediately prior to announcements in relation to any material changes in the Company's financial performance or changes to major contracts.

Any Director wishing to deal in the Company's securities may only do so after first having obtained the prior approval of the Chairman (who will consult with the CEO and CFO). Any dealings by the Chairman require prior approval of the Deputy Chairman (who will consult with the CEO and CFO). An Officer may only deal in the Company's securities after first having obtained the prior approval of the CFO (who will consult with the CEO). Confirmation of any dealing must also be given to the Company by the Director or Executive within two business days after the dealing.

All Officers and employees are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme. Any hedging of unvested equity will result in immediate forfeiture.

The Company's Trading in Shares Policy is available on the Company's website.

5. Risk management and internal controls

5.1 Approach to risk management

ASXCGC Recommendations 7.1, 7.2, 7.4

Macmahon recognises that risk is inherent to its business and effective management of risk is vital to delivering on its objectives, success and continued growth. Macmahon's approach to risk enhances opportunities, reduces threats and sustains Macmahon's competitive advantage. Macmahon is committed to managing all risk in a proactive and effective manner.

The Company's aim is to ensure that risk management is embedded in all aspects of the Company's operations, by aligning strategy, processes, people, technology and knowledge with the purpose of evaluating and managing uncertainties. Particular focus is given to activities in key stages of the project life cycle including project selection, tendering, project start-up and project execution. The Company's Risk Management Policy can be viewed on the Company's website.

As part of its ongoing risk assessment, the Board determined to sell the Construction Business during the year and refocus on a purely mining operation.

5.2 Risk management roles and responsibilities

ASXCGC Recommendations 7.1, 7.2, 7.4

The Board is responsible for reviewing and approving the Company's risk management strategy, policy and key risk parameters, including determining the appetite for country risk and major investment decisions. The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. To assist the Board in meeting this responsibility, PwC was recently engaged to review and standardise risk management documentation across the Company.

Management is responsible for designing, implementing, reviewing and providing assurance as to the effectiveness of the Risk Management Policy. This responsibility includes developing business risk identification processes, implementing appropriate risk treatment, strategies and controls, monitoring effectiveness of controls and reporting on risk management capability and performance.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- regular updates to the Board at monthly meetings on key risks associated with the business' operations;
- Board approved annual operating budgets and plans, with ongoing monitoring of progress against budget;
- internal audit reports to the Audit Committee on areas of material business risk; and
- ensuring that Executives are responsible for developing policies, processes and procedures to identify risks in the Company's activities and to implement mitigation strategies.

5.3 CEO and CFO assurance on corporate reporting

ASXCGC Recommendations 7.3, 7.4

The Board receives monthly reports about the financial condition and operational results of the Company and its controlled entities.

At the end of each six monthly period, the CEO and CFO provide a formal declaration to the Board confirming that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and the operational results have been prepared in accordance with the relevant accounting standards. The statement also confirms that the integrity of the Company's financial statements and notes to the financial statements, are founded on a sound system of risk management and controls.

In addition, all Executives and key business managers complete a questionnaire from the Directors on a half-yearly basis. The questions relate to the financial position of the Company, market disclosure, the application of Company policies and procedures (including the Risk Management Policy), compliance with external obligations and other governance matters. This process assists the CEO and the CFO in making the declarations to the Board referred to above.

6. External auditor relationship

ASXCGC Recommendation 4.4

The Board has an External Auditor Selection Policy which requires rotation of the audit partner at least every five years, prohibits the re-involvement of a previous audit partner in the audit service for two years following their rotation, and provides that a former partner of the audit firm, or member of the audit team, may only be recruited into a position as a Director or senior employee of Macmahon after the expiry of at least two years. External audit services are the subject of market tender from time to time.

Furthermore, the Audit Committee oversees the terms of engagement of the Company's external auditor. Guidelines referenced to the Code of Ethics published by the International Federation of Accountants ("IFAC") are utilised to assist the Board in maintaining the independence of the external auditor and in assessing whether the provision of any non-audit services by the external auditor that may be proposed are appropriate.

The guidelines contain a set of controls which address threats to the independence of the external auditor including, in particular, any threat which may arise by reason of self-interest, self-review, advocacy, familiarity or intimidation (all terms defined by the IFAC's Code of Ethics). The guidelines classify a range of non-audit services which are considered not acceptable for provision by the external auditor.

7. Diversity

ASXCGC Recommendations 3.2, 3.3, 3.4, 3.5

Macmahon recognises and appreciates the value inherent in a diverse workforce. Diversity management seeks to proactively support and manage the similarities among and differences between employees in the belief that it will assist the Company to achieve its goals and objectives and offer a sustainable competitive advantage having regard to the industry and locations in which it operates.

The objectives of the Company's Diversity Policy include:

- enhancing the employee talent pool - to foster recruitment, retention and promotion practices that take account of the diversity within the communities in which Macmahon operates;
- supportive environment - to ensure a supportive workplace in which employee differences are treated fairly and with respect and dignity within a safe working environment;
- work/life balance - to promote workplace structures, systems and procedures that assist employees balance their work, family and other responsibilities effectively; and
- social responsibility - to ensure Macmahon contributes positively to the social wellbeing of the communities it serves.

7.1 Targets

The following table outlines the Company's measurable objectives in relation to diversity, as disclosed in the 2012 Annual Report, and the progress made towards achieving those objectives:

Group	Target	Actual 2013	Actual 2012
Indigenous Australians	7.5%	5.1%	5.5.%
Female Directors	1	1	1
Senior female leadership	20.0%	16.0%	16.6%
All female employees	14.0%	11.7%	13.1%

Since the setting of these targets Macmahon has undergone substantial organisational change, including the sale of the majority of its Construction projects and a major review of the overheads within the business. Both of these changes have had an impact on diversity levels.

Indigenous employees

As part of the Company's ongoing commitment to diversity, Macmahon became a signatory to the Australian Employment Covenant in August 2010, pledging to create 500 new jobs for Indigenous people over five years. Through its highly successful ROCKSTAR program, Macmahon has employed 332 people to date across Mining and Construction. Whilst this commitment continues, the Company has reduced in size substantially and the loss of the construction projects has resulted in increased difficulty in sourcing roles for entry level workers.

Overall the Company's Indigenous employment now stands at 5.1% of the Australian workforce. Whilst this is lower than the targeted 7.5%, a number of Indigenous employees were lost as part of the sale of Construction projects. This has been counterbalanced to some extent by a significant increase in Indigenous employment within the Mining Business where there are currently 159 direct employees and 20 secondees from Fortescue Metals Group Ltd ("FMG").

The recent Christmas Creek project already has 60 Indigenous employees and has an overall target of direct Indigenous employees and secondees of 23% of the workforce or approximately 143 roles.

The Company's target for Indigenous representation remains at 7.5% within its total Australian workforce.

Female employees

Female Board membership and Senior Female Leadership participation remains consistent with the previous year. The change in the overall percentage of female employees from 13.1% to 11.7% is again largely a result of the restructuring and reduction in metropolitan based roles following the sale of Construction projects.

The target of 14% female employment will remain in place for 2014, however this target will continue to be reviewed given changes in the business and the impact of overhead downsizing.

7.2 Diversity strategies

The Company continues to pursue the following initiatives which have been successful in building diversity.

Initiative	Description
Broaden the employee talent pool	The ROCKSTAR program provides Indigenous employees for placement into the Company's business. Targeted strategies to attract and retain Indigenous and female employees have been part of the ramp-up objectives for Christmas Creek. As part of the Macmahon leadership development program, 13 female and 9 Indigenous employees have participated in the leadership foundations or equivalent supervisor program. In addition to this, 18 females and 20 Indigenous employees have been signed up for traineeships outside of the ROCKSTAR program. Of our current graduate employees, 19% are female with further strategies to increase this percentage in the 2014 intake.
Create a supportive work environment	The Dad and Partner Pay provisions of the Federal Government's Paid Parental Leave changes have been incorporated into the Macmahon Leave Policy and Procedures. An Indigenous Engagement Superintendent and an Indigenous Engagement Advisor have been employed at Christmas Creek to support and assist Indigenous employees.
Facilitate work / life balance	Macmahon continues to provide flexible working arrangements where possible.
Pursue social responsibility	The Company offers traineeships for women in disadvantaged situations, including the long-term unemployed and Indigenous youth. The Company has continued to participate in events for women such as CME Women in Leadership Awards.

To address the recent reversal in its diversity numbers, the Company will look to enhance its appeal to potential Indigenous and female employees through its continued commitment to these initiatives, as well as new programs to recruit more females into operational roles.

The Company will continue to monitor and report on the representation of Indigenous and female employees in its workforce.

8. Checklist against ASXCGC recommendations

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations		CG statement reference	Compliance
Principle 1 – Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to executives and disclose those functions.	1.1	✓
1.2	Companies should disclose the process for evaluating the performance of executives.	Remuneration Report	✓
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	1.1, Remuneration Report	✓
Principle 2 - Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	1.2, 1.4	✓
2.2	The chair should be an independent director.	1.2, 1.3	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	1.2, 1.3	✓
2.4	The Board should establish a nomination committee.	2.1, 2.3	✓
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	1.6	✓
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	1.2, 1.4, 1.6, 1.7, 1.8, 1.9, 2.1, 2.3	✓
Principle 3 – Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	4.1, 4.2	✓
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	7	✓
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	7	✓
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in executive positions and women on the board.	7	✓
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	4.1, 7	✓
Principle 4 – Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	2.1, 2.2	✓
4.2	The audit committee should be structured so that it: • consists of only non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; and • has at least three members.	2.1, 2.2	✓
4.3	The audit committee should have a formal charter.	2.1, 2.2	✓
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	2.1, 2.2, 6	✓

Checklist against ASXCGC recommendations continued

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations		CG statement reference	Compliance
Principle 5 – Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at executive level for that compliance and disclose those policies or a summary of those policies.	3.2	✓
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	3.2	✓
Principle 6 – Respect the rights of Shareholders			
6.1	Companies should design a communications policy for promoting effective communication with Shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	3.1	✓
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	3.1	✓
Principle 7 – Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	5.1, 5.2	✓
7.2	The board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	5.1, 5.2	✓
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	5.3	✓
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	5.1, 5.2, 5.3	✓
Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	2.1, 2.3	✓
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members.	2.1, 2.3	✓ ✗* ✓
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and executives.	2.3, Remuneration Report	✓
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	2.1, 2.3, 4.2	✓

*As noted at 2.3 of the Corporate Governance Statement, the Chair is not independent.

Lead auditor's independence declaration

KPMG

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 2013 there have been:

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

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

KPMG

KPMG

Trevor Hart
Partner

Perth

20 August 2013

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.

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Revenue from continuing operations	5	1,165,505	876,068
Share of profits of joint ventures accounted for using the equity method	6	979	636
Other income	7	1,332	1,504
Expenses			
Materials and consumables used		(366,708)	(254,045)
Employee benefits expense		(523,896)	(401,254)
Subcontractor costs		(65,609)	(49,178)
Depreciation and amortisation expense	8	(85,639)	(72,804)
Impairment of assets	8	(1,796)	-
Equipment and office expenses under operating leases	8	(19,106)	(19,522)
Other expenses		(20,530)	(18,770)
Finance costs	8	(18,253)	(13,330)
Profit before income tax expense from continuing operations		**66,279**	**49,305**
Income tax expense	9	(22,696)	(12,561)
Profit after income tax expense from continuing operations		43,583	36,744
Profit/(loss) after income tax expense/benefit from discontinued operations	10	(73,067)	19,307
Profit/(loss) after income tax expense/benefit for the year attributable to the owners of Macmahon Holdings Limited		**(29,484)**	**56,051**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in the fair value of cash flow hedges taken to equity, net of tax		2,294	(5,665)
Foreign currency translation		4,087	(827)
Other comprehensive income/(loss) for the year, net of tax		**6,381**	**(6,492)**
Total comprehensive income/(loss) for the year		**(23,103)**	**49,559**
Total comprehensive income/(loss) for the year is attributable to:			
Continuing operations		49,964	30,252
Discontinued operations		(73,067)	19,307
		(23,103)	**49,559**
		Cents	Cents
Earnings per share for profit/(loss) from continuing operations attributable to the owners of Macmahon Holdings Limited			
Basic earnings per share	47	4.37	5.04
Diluted earnings per share	47	4.33	4.88
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Macmahon Holdings Limited			
Basic earnings/(loss) per share	47	(7.33)	2.65
Diluted earnings/(loss) per share	47	(7.33)	2.57
Earnings per share for profit/(loss) attributable to the owners of Macmahon Holdings Limited			
Basic earnings/(loss) per share	47	(2.96)	7.68
Diluted earnings/(loss) per share	47	(2.96)	7.45

The notes on pages 66 to 123 are an integral part of these consolidated financial statements.

Statement of financial position

As at 30 June 2013

		Consolidated	
		2013	2012
	Note	$'000	$'000
Assets			
Current assets			
Cash and cash equivalents	11	153,450	134,894
Trade and other receivables	12	169,398	348,671
Inventories	13	77,689	45,311
Derivative financial instruments	14	1,497	-
Income tax	15	14,826	-
		416,860	528,876
Assets of disposal group classified as held for sale	16	18,450	-
Total current assets		435,310	528,876
Non-current assets			
Receivables	17	8,360	-
Investments accounted for using the equity method	18	960	11,127
Property, plant and equipment	19	471,083	417,754
Intangibles	20	22,562	31,066
Deferred tax	21	6,243	173
Total non-current assets		509,208	460,120
Total assets		**944,518**	**988,996**
Liabilities			
Current liabilities			
Trade and other payables	22	156,348	306,306
Borrowings	23	3,658	55,200
Derivative financial instruments	24	6,354	8,134
Income tax	25	2,474	2,066
Employee benefits	26	41,281	58,724
Provisions	27	44,038	14,255
		254,153	444,685
Liabilities directly associated with disposal group classified as held for sale	28	73,435	-
Total current liabilities		327,588	444,685
Non-current liabilities			
Borrowings	29	211,523	162,274
Deferred tax		-	21,125
Employee benefits	30	4,206	4,101
Total non-current liabilities		215,729	187,500
Total liabilities		**543,317**	**632,185**
Net assets		**401,201**	**356,811**
Equity			
Issued capital	31	391,390	307,963
Reserves	32	(8,304)	(15,574)
Retained profits		18,115	64,422
Total equity		**401,201**	**356,811**

The notes on pages 66 to 123 are an integral part of these consolidated financial statements.

Statement of changes in equity

For the year ended 30 June 2013

	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Consolidated				
Balance at 1 July 2012	307,963	(15,574)	64,422	356,811
Loss after income tax benefit for the year	-	-	(29,484)	(29,484)
Other comprehensive income for the year, net of tax	-	6,381	-	6,381
Total comprehensive loss for the year	-	6,381	(29,484)	(23,103)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 31)	83,427	-	-	83,427
Share-based payments (note 48)	-	-	2,459	2,459
Treasury shares purchased, net of tax	-	(173)	-	(173)
Treasury shares allocated on vesting of performance rights	-	1,062	(996)	66
Dividends paid (note 33)	-	-	(18,286)	(18,286)
Balance at 30 June 2013	**391,390**	**(8,304)**	**18,115**	**401,201**

	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Consolidated				
Balance at 1 July 2011	307,963	(9,057)	24,217	323,123
Profit after income tax expense for the year	-	-	56,051	56,051
Other comprehensive loss for the year, net of tax	-	(6,492)	-	(6,492)
Total comprehensive income for the year	-	(6,492)	56,051	49,559
Transactions with owners in their capacity as owners:				
Share-based payments (note 48)	-	-	4,516	4,516
Treasury shares purchased, net of tax	-	(3,657)	-	(3,657)
Treasury shares allocated on vesting of performance rights	-	3,632	(3,632)	-
Transactions with non-controlling interest	-	-	(5,790)	(5,790)
Dividends paid (note 33)	-	-	(10,940)	(10,940)
Balance at 30 June 2012	**307,963**	**(15,574)**	**64,422**	**356,811**

The notes on pages 66 to 123 are an integral part of these consolidated financial statements.

Statement of cash flows

For the year ended 30 June 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Cash flows from operating activities			
Receipts from customers		1,943,896	1,647,641
Payments to suppliers		(1,793,815)	(1,564,643)
Net (payment)/receipts from joint venture entities		(13,104)	17,776
Interest received		2,804	2,978
Interest and other finance costs paid		(21,561)	(12,152)
Income taxes paid		(9,588)	(4,833)
Net cash from operating activities	46	**108,632**	**86,767**
Cash flows from investing activities			
Payments for property, plant and equipment [1]	19	(201,719)	(186,356)
Proceeds from sale of property, plant and equipment		59,083	7,205
Acquisition of non-controlling interest in subsidiary		-	(5,792)
Net cash used in investing activities		**(142,636)**	**(184,943)**
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	31	83,427	-
Purchase of own shares		(247)	(5,224)
Dividends paid	33	(18,286)	(10,940)
Proceeds from borrowings		97,043	224,053
Repayment of borrowings		(103,410)	(77,000)
Repayment of hire purchase and finance lease liabilities		(5,955)	(4,247)
Payment of transaction costs related to loans and borrowings		(1,498)	(7,108)
Net cash from financing activities		**51,074**	**119,534**
Net increase in cash and cash equivalents		17,070	21,358
Cash and cash equivalents at the beginning of the financial year		134,894	115,634
Effects of exchange rate changes on cash		1,486	(2,098)
Cash and cash equivalents at the end of the financial year	11	**153,450**	**134,894**

1 The consolidated entity acquired plant and equipment under finance leases and hire purchase agreements amounting to $9,273,000 (2012: $1,134,000) during the year which have been excluded from the statement of cash flows.

The notes on pages 66 to 123 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Reporting entity

The financial report covers Macmahon Holdings Limited as a consolidated entity consisting of Macmahon Holdings Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Macmahon Holdings Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the Directors' declaration.

Macmahon Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 3
27-31 Troode Street
West Perth
Western Australia, 6005

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 report.

The financial report was authorised for issue, in accordance with a resolution of Directors, on 20 August 2013.

2. 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 accounting standards and interpretations issued and effective

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operation and effective for the current annual reporting period. None of these have had any significant impact on the consolidated financial statements.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by all entities in the consolidated entity.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the 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.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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 40.

Notes to the financial statements continued

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Macmahon Holdings Limited ('Company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries and special purpose entities for the year then ended. Macmahon Holdings Limited, its subsidiaries and special purpose entities together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. 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.

Investments in associates and jointly controlled entities (equity accounted investees)
Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the consolidated entity holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the consolidated entity has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The cost of investment includes transaction costs.

The consolidated financial statements include the consolidated entity's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the consolidated entity, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the consolidated entity's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the consolidated entity has an obligation or has made payments on behalf of the investee.

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 and special purpose entities have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Special purpose entities
The consolidated entity has established a special purpose entity (SPE) for investment purposes. The consolidated entity does not have any direct or indirect shareholdings in this entity. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the consolidated entity and the SPE's risks and rewards, the consolidated entity concludes that it controls the SPE. A SPE controlled by the consolidated entity was established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the consolidated entity receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks related to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

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 Chief Executive Officer (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.

Foreign currency translation

The financial report is 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 to Australian dollars at 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 to Australian dollars at the average exchange rate for the period. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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

Revenue recognition

Revenue is recognised at the fair value of 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.

Construction revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

Revenue is recognised in profit or loss in proportion to the work performed or stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. In addition, for construction contracts, the following specific recognition criteria are applied:

- For cost reimbursable, alliance and joint venture contracts, where profit is reliably measurable from the outset, contract revenue and expenses are recognised in profit or loss in proportion to the costs incurred.
- For all other construction contracts, contract revenue and expenses are progressively recognised based on the percentage cost of completion. Profit earned is only recognised after reaching a minimum of 15% completion. Percentage of completion is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract. Cost includes all costs directly related to specific contracts. On an individual contract where a loss is deemed to be unavoidable on completion, the projected loss is recognised immediately.

Mining and maintenance services revenue is recognised when the services are provided.

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 apply 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 investments in subsidiaries, associates or interests in 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 assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

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

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 Company as an equity contribution or distribution.

The Company 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.

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 co-ordinated 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.

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.

Trade and other receivables

Construction work in progress
Construction work in progress represents the gross unbilled amount expected to be collected from customers for construction work performed to date. It is measured at cost plus profit recognised to date (see revenue accounting policy) less an allowance for foreseeable losses and progress billings. Costs include all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the consolidated entity's contract activities based on normal operating capacity.

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 impairment of 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 impaired. The amount of the impairment 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.

Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

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.

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.

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, 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, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Hedges of a net investment
Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

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 continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. 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 to sell. A gain is recognised for any subsequent increases in fair value less costs to sell 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.

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. Income earned from joint venture entities is recognised as revenue in the parent entity's profit or loss, whilst in the consolidated financial statements they reduce the carrying amount of the investment.

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. The fair values of quoted investments are based on current bid prices.

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. 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.

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.

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.

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 a 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 below).

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

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

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

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

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 fulfillment 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 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.

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 amortisation 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
Software development activities include the design of the Global Information System. 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.

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 to sell 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.

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.

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.

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 hire purchases; and
- interest on finance leases.

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.

Employee benefits

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual 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.

Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual 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.

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

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

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, they are treated as if they have vested on the date of modification, and any remaining expense is recognised immediately. 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, they are treated as if they have 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.

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.

Dividends

Dividends are recognised when declared during the financial year.

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.

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 Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off' of amounts. 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.

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 2013. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent activity, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value and hierarchy of financial instruments
The consolidated entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value, and therefore which category the financial instrument is placed in, can be subjective.

The fair value of financial instruments 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.

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, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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 to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement 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.

Long service leave provision
As discussed in note 2, the liability for long service leave is 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.

4. Operating segments

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

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

Construction
Provided government and resource sector clients a diverse and comprehensive range of construction capabilities that incorporated roads and bridges, rail, water and environment, marine and resource infrastructure.

Intersegment transactions
Intersegment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing borrowings and expenses, and corporate assets and expenses.

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 or losses is recognised.

The consolidated entity's share of revenue from joint venture entities is excluded from the income statement in accordance with Accounting Standards. The delivery of a number of projects by the consolidated entity is in the form of joint ventures. Details of the consolidated entity's share of joint venture entities' revenue are provided as additional information in these financial statements.

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 Chief Executive Officer 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 - 2013	Mining $'000	Discontinued operation Construction $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Total reportable segment revenue	1,173,397	581,704	-	1,755,101
Elimination of joint venture revenue	(7,892)	(201,570)	-	(209,462)
Elimination of joint venture recoveries	-	60,460	-	60,460
Total revenue	1,165,505	440,594	-	1,606,099
Earnings before interest, tax, depreciation and amortisation	165,327	(104,479)	6,640	67,488
Depreciation and amortisation	(81,017)	(7,609)	(4,622)	(93,248)
Impairment of assets	(1,796)	(11,085)	-	(12,881)
Interest revenue	198	51	2,555	2,804
Finance costs	(13,229)	(2,833)	(7,777)	(23,839)
Profit/(loss) before income tax benefit	69,483	(125,955)	(3,204)	(59,676)
Income tax benefit				30,192
Loss after income tax benefit				(29,484)
Assets				
Segment assets	740,551	18,450	185,517	944,518
Total assets				944,518
Liabilities				
Segment liabilities	213,549	73,435	256,333	543,317
Total liabilities				543,317
Capital expenditure	196,883	12,249	1,860	210,992

Consolidated - 2012	Mining $'000	Construction $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Total reportable segment revenue	880,062	990,666	-	1,870,728
Elimination of joint venture revenue	(3,994)	(242,281)	-	(246,275)
Elimination of joint venture recoveries	-	37,019	-	37,019
Total revenue	876,068	785,404	-	1,661,472
Earnings before interest, tax, depreciation and amortisation	146,210	32,389	(10,771)	167,828
Depreciation and amortisation	(68,417)	(5,401)	(4,387)	(78,205)
Interest revenue	236	167	2,575	2,978
Finance costs	(5,760)	(1,245)	(10,381)	(17,386)
Profit/(loss) before income tax expense	72,269	25,910	(22,964)	75,215
Income tax expense				(19,164)
Profit after income tax expense				56,051
Assets				
Segment assets	552,309	297,550	139,137	988,996
Total assets				988,996
Liabilities				
Segment liabilities	340,148	197,290	94,747	632,185
Total liabilities				632,185
Capital expenditure	134,139	51,232	2,119	187,490

Geographical information

	Sales to external customers		Geographical non-current assets	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Australia	1,497,237	1,587,570	417,999	395,142
Overseas	108,862	73,902	91,209	64,978
	1,606,099	1,661,472	509,208	460,120

The Mining and Construction segments operate in two principal geographical areas - Australia and Overseas. 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 27% (2012: 15%) of the consolidated entities revenue is attributable to sale transactions with two mining customers.

5. Revenue from continuing operations

	Consolidated	
	2013	2012
	$'000	$'000
Revenue from mining services	1,165,505	876,068

The consolidated entity's revenue excludes its share of revenue from joint ventures accounted for as equity accounted joint ventures, in accordance with Accounting Standards. The delivery of a number of projects by the consolidated entity is in the form of equity accounted joint ventures.

6. Share of profits of joint ventures accounted for using the equity method

	Consolidated	
	2013	2012
	$'000	$'000
Share of profit - joint ventures	979	636

7. Other income

	Consolidated	
	2013	2012
	$'000	$'000
Net gain on disposal of property, plant and equipment	250	883
Other	1,082	621
Other income	1,332	1,504

8. Expenses

	Consolidated 2013 $'000	Consolidated 2012 $'000
Profit before income tax from continuing operations includes the following specific expenses:		
Cost of Sales		
Materials and consumables used	366,708	254,045
Employee benefits expense	523,896	401,254
Subcontractor costs	65,609	49,178
Total cost of sales	956,213	704,477
Depreciation and amortisation expense		
Buildings and freehold land	856	567
Leasehold improvements	699	1,011
Plant and equipment	77,691	66,374
Equipment under finance lease	3,197	567
Software	3,196	4,003
Other intangible assets	-	282
Total depreciation and amortisation expense	85,639	72,804
Impairment of assets		
Plant and equipment	1,796	-
Rental expense relating to operating leases		
Minimum lease payments	19,106	19,522
Finance costs		
Interest income on financial assets (bank deposits)	(2,753)	(2,811)
Transaction costs written off	2,278	4,518
Interest expense on financial liabilities carried at amortised cost	18,728	11,623
Finance costs expensed	18,253	13,330
Superannuation expense		
Defined contribution superannuation expense	40,934	41,680
Defined benefit superannuation expense	114	268
Total superannuation expense	41,048	41,948
Share-based payments expense		
Share-based payments expense	1,600	4,516

9. Income tax

	Consolidated 2013 $'000	Consolidated 2012 $'000
Current tax	13,345	15,030
Adjustment recognised for prior periods	(15,829)	(4,267)
Deferred tax - origination and reversal of temporary differences	(26,966)	8,401
Share of income tax of equity-accounted investees	(742)	-
Aggregate income tax expense/(benefit)	(30,192)	19,164
Income tax expense/(benefit) is attributable to:		
Profit from continuing operations	22,696	12,561
Profit/(loss) from discontinued operations (note 10)	(52,888)	6,603
Aggregate income tax expense/(benefit)	(30,192)	19,164
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit before income tax expense from continuing operations	66,279	49,305
Profit/(loss) before income tax expense/benefit from discontinued operations	(125,955)	25,910
Profit/(loss) before income tax	(59,676)	75,215
Tax at the statutory tax rate of 30%	(17,903)	22,565
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	480	1,355
Non-deductible expenses	1,247	294
Foreign tax rate differential	747	(353)
Utilisation of foreign and domestic income tax losses not previously recognised	(169)	(412)
Current year losses for which no deferred tax asset recognised	723	-
Other	512	(18)
	(14,363)	23,431
Adjustment recognised for prior periods	(15,829)	(4,267)
Income tax expense/(benefit)	(30,192)	19,164

Reconciliation of amounts recognised directly in equity and other comprehensive income

	2013			2012		
	Before tax	Tax benefit/ (expense)	Net of tax	Before tax	Tax benefit/ (expense)	Net of tax
Share-based payment transactions	(246)	73	(173)	(5,224)	1,567	(3,657)
Derivatives	3,277	(983)	2,294	(8,093)	2,428	(5,665)
Capital raising costs	(3,799)	1,140	(2,659)	-	-	-
	(768)	230	(538)	(13,317)	3,995	(9,322)

10. Discontinued operations

Description

On 12 December 2012, the Company announced its intention to exit from the Construction Business as it pursues its new strategy of becoming a dedicated full service mining contractor. The majority of the construction projects including equipment and people were sold to Leighton Holdings on the 28 February 2013 with effect from 31 December 2012. Progressing the exit, the Company's rail assets were sold to McConnell Dowell on the 26 April 2013. The residual assets within the business are classified as held for sale. The segment was not a discontinued operation or classified as held for sale as at 30 June 2012 and the comparative consolidated statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

Financial performance information

	Consolidated	
	2013	2012
	$'000	$'000
Revenue	440,594	785,404
Total revenue	440,594	785,404
Share of (losses)/profits of joint ventures accounted for using the equity method	(37,006)	36,235
Net gain on disposal of property, plant and equipment	-	87
Total other income	(37,006)	36,322
Expenses	(551,695)	(795,816)
Total expenses	(551,695)	(795,816)
Profit/(loss) before income tax expense/benefit	(148,107)	25,910
Income tax (expense)/benefit	59,534	(6,603)
Profit/(loss) after income tax expense/benefit before asset disposal	(88,573)	19,307
Gain on disposal before income tax	22,152	-
Income tax expense	(6,646)	-
Gain on disposal after income tax expense	15,506	-
Profit/(loss) after income tax expense/benefit from discontinued operations	(73,067)	19,307

Cash flow information

	Consolidated	
	2013	2012
	$'000	$'000
Net cash used in operating activities	(9,321)	(4,661)
Net cash from/(used in) investing activities	10,016	(32,884)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	695	(37,545)

Carrying amounts of assets and liabilities sold to Leighton Holdings and McConnell Dowell

	Consolidated	
	2013	2012
	$'000	$'000
Property, plant and equipment	20,085	-
Equity accounted investments	11,091	-
Total assets	31,176	-
Provision for employee benefits	4,923	-
Other liabilities	14,828	-
Total liabilities	19,751	-
Net assets	11,425	-

Details of the disposal

	Consolidated	
	2013	2012
	$'000	$'000
Total sale consideration	33,577	-
Carrying amount of net assets sold	(11,425)	-
Gain on disposal before income tax	22,152	-
Income tax expense	(6,646)	-
Gain on disposal after income tax	15,506	-

Undisposed assets and liabilities of discontinued operations are disclosed in notes 16 and 28.

11. Current assets - cash and cash equivalents

	Consolidated	
	2013	2012
	$'000	$'000
Cash on hand	27	39
Cash at bank	153,423	134,855
	153,450	134,894

12. Current assets - trade and other receivables

	Consolidated	
	2013	2012
	$'000	$'000
Trade receivables	87,012	148,858
Less: doubtful debts provision	(17,998)	(775)
	69,014	148,083
Construction work in progress	2,927	119,988
Other receivables and prepayments	10,272	11,936
Accrued revenue	87,185	68,664
	169,398	348,671

Impairment of receivables
The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2013	2012
	$'000	$'000
Past due 31+ days	95	775
Past due 0 - 30 days	5,908	-
Current	11,995	-
	17,998	775

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2013	2012
	$'000	$'000
Opening balance	775	85
Additional provisions recognised	17,913	690
Unused amounts reversed	(690)	-
Closing balance	17,998	775

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $34,690,000 as at 30 June 2013 ($76,470,000 as at 30 June 2012).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2013	2012
	$'000	$'000
Past due 0 - 30 days	15,520	63,290
Past due 31+ days	19,170	13,180
	34,690	76,470

13. Current assets - inventories

	Consolidated	
	2013	2012
	$'000	$'000
Spare parts and consumables - at cost	81,229	47,807
Less: provision for obsolescence	(3,540)	(2,496)
	77,689	45,311

14. Current assets - derivative financial instruments

	Consolidated	
	2013	2012
	$'000	$'000
Forward foreign exchange contracts - cash flow hedges	1,497	-

Refer to note 34 for further information on financial instruments.

Foreign exchange forward contracts with a notional value of $59.7 million (2012: $119.2 million), measured at fair value through other comprehensive income are designated as hedging instruments in cash flow hedges of committed forecast purchase transactions in United States Dollars, Japanese Yen and Hong Kong Dollars. The foreign exchange forward contract balances vary with the level of committed forecast purchases and changes in foreign exchange forward rates.

The cash flow hedges of committed forecast transactions were assessed to be highly effective, and as at 30 June 2013 a net unrealised gain of $1.5 million (2012: unrealised loss of $1.9 million), with a related deferred tax liability of $0.4 million (2012: deferred tax asset of $0.6 million) related to foreign exchange forward contracts is included in other comprehensive income.

15. Current assets - income tax

	Consolidated	
	2013	2012
	$'000	$'000
Income tax refund	14,826	-

The current tax receivable for the consolidated entity of $14.8 million (2012: nil) and current tax liability (refer note 25) of $2.5 million (2012: $2.1 million) represent the amounts of income tax receivable and payable in respect of current and prior periods.

16. Current assets - assets of disposal group classified as held for sale

	Consolidated	
	2013	2012
	$'000	$'000
Trade and other receivables	12,061	-
Investments accounted for using the equity method	96	-
Property, plant and equipment	6,293	-
	18,450	-

17. Non-current assets - receivables

	Consolidated	
	2013	2012
	$'000	$'000
Prepayments	8,360	-

18. Non-current assets - investments accounted for using the equity method

	Consolidated	
	2013	2012
	$'000	$'000
Investments accounted for using the equity method	960	11,127

Refer to note 42 for further information on investments in associates.

Refer to note 43 for further information on interests in joint ventures.

19. Non-current assets - property, plant and equipment

	Consolidated	
	2013	2012
	$'000	$'000
Buildings and freehold land - at cost	3,099	2,897
Less: accumulated depreciation	(1,850)	(992)
	1,249	1,905
Leasehold improvements - at cost	7,581	7,581
Less: accumulated depreciation	(4,572)	(3,872)
	3,009	3,709
Plant and equipment - at cost	839,848	725,001
Less: accumulated depreciation and impairment	(384,462)	(323,679)
	455,386	401,322
Equipment under finance lease	30,060	26,621
Less: accumulated depreciation	(18,621)	(15,803)
	11,439	10,818
	471,083	417,754

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 $'000	Leasehold improvements $'000	Plant & equipment $'000	Equipment under finance lease $'000	Total $'000
Consolidated					
Balance at 1 July 2012	1,905	3,709	401,322	10,818	417,754
Additions	182	-	201,537	9,273	210,992
Classified as held for sale	-	-	(6,293)	-	(6,293)
Disposals	-	-	(59,923)	-	(59,923)
Exchange differences	18	-	6,046	114	6,178
Impairment of assets	-	-	(8,628)	-	(8,628)
Transfers in/(out)	-	-	5,570	(5,570)	-
Depreciation expense	(856)	(700)	(84,245)	(3,196)	(88,997)
Balance at 30 June 2013	**1,249**	**3,009**	**455,386**	**11,439**	**471,083**
Balance at 1 July 2011	2,108	4,720	284,236	20,137	311,201
Additions	373	-	185,983	1,134	187,490
Disposals	-	-	(6,235)	-	(6,235)
Exchange differences	(9)	-	(1,239)	466	(782)
Transfers in/(out)	-	-	7,560	(7,560)	-
Depreciation expense	(567)	(1,011)	(68,983)	(3,359)	(73,920)
Balance at 30 June 2012	**1,905**	**3,709**	**401,322**	**10,818**	**417,754**

Profit on disposal of property, plant and equipment from continuing operations was $250,000 (2012: $883,000). Loss on disposal of property, plant and equipment from discontinued operations was $1,090,000 (2012: gain of $87,000).

The impairment of assets of $8,628,000 (2012: nil) represents a reduction in the carrying amounts of assets to reflect the estimated fair value less cost to sell. This includes a reduction in carrying amounts of assets held for sale of $6,832,000 (2012: nil).

Property, plant and equipment secured under finance leases
Refer to note 38 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 29).

20. Non-current assets - intangibles

	Consolidated 2013 $'000	Consolidated 2012 $'000
Goodwill - at cost	22,550	22,550
Less: impairment	(4,253)	-
	18,297	22,550
Software development costs - at cost	19,905	19,905
Less: accumulated amortisation	(15,894)	(11,978)
	4,011	7,927
Other intangibles - at cost	3,203	3,203
Less: accumulated amortisation	(2,949)	(2,614)
	254	589
	22,562	31,066

Reconciliations

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

	Goodwill $'000	Software development costs $'000	Other intangible assets $'000	Total $'000
Consolidated				
Balance at 1 July 2012	22,550	7,927	589	31,066
Impairment of assets	(4,253)	-	-	(4,253)
Amortisation expense	-	(3,916)	(335)	(4,251)
Balance at 30 June 2013	**18,297**	**4,011**	**254**	**22,562**
Balance at 1 July 2011	22,550	11,930	871	35,351
Amortisation expense	-	(4,003)	(282)	(4,285)
Balance at 30 June 2012	**22,550**	**7,927**	**589**	**31,066**

The following cash-generating units ("CGU") have significant carrying amounts of goodwill:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Underground Mining and Maintenance Services	6,791	6,791
Australian Raised Drilling (ARD) / Combined Resource Engineering (CRE)	11,506	11,506
Macmahon Rail (formerly MVM Rail)	-	4,253
	18,297	22,550

The recoverable amounts of CGU's are based on value-in-use calculations. Those calculations use cash flow projections based on actual operating results and sensitised future cash flow projections for a 3 year forecast period (2012: 3 years), incorporating various annual revenue growth rates, ranging from -20% to 27% (2012: 9% to 37%), estimated for each CGU. Additionally, for each CGU, perpetual growth rates between 0% and 2% (2012: 2%) were incorporated after three years and a terminal value was calculated after five years. Pre-tax discount rates ranging from 10.9% - 16.6% (2012: 17.7% - 19.0%) were used in discounting the sensitised projected cash flows, based on industry weighted average cost of capital and a gearing ratio of 25% (2012: 23%).

The goodwill in Macmahon Rail was written-off in February 2013 following the sale of construction projects.

21. Non-current assets - deferred tax

Deferred tax asset comprises temporary differences attributable to:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Amounts recognised in profit or loss:		
Inventories	(22,360)	(13,302)
Trade and other receivables	(225)	(238)
Property, plant and equipment	(9,614)	(19,392)
Unbilled work	(25,473)	(20,185)
Employee benefits	35,839	23,894
Other creditors and accruals	1,529	1,877
Other items	6,218	(1,305)
Tax losses carried forward	20,099	3,704
Set off of deferred tax liabilities	-	21,125
	6,013	(3,822)
Amounts recognised in equity:		
Other items	230	3,995
Deferred tax asset	6,243	173

22. Current liabilities - trade and other payables

	Consolidated 2013 $'000	Consolidated 2012 $'000
Trade payables	54,462	107,907
Accrued expenses	80,325	129,098
Other payables	21,561	69,301
	156,348	306,306

Refer to note 34 for further information on financial instruments.

23. Current liabilities - borrowings

	Consolidated	
	2013	2012
	$'000	$'000
Term facility, net of borrowing costs	-	47,734
Lease liability	3,658	1,673
Hire purchase	-	3,426
Other loans	-	2,367
	3,658	55,200

24. Current liabilities - derivative financial instruments

	Consolidated	
	2013	2012
	$'000	$'000
Forward foreign exchange contracts - cash flow hedges	-	1,921
Interest rate swap contracts - cash flow hedges	6,354	6,213
	6,354	8,134

Refer to note 34 for further information on financial instruments.

At 30 June 2013, the consolidated entity has interest rate swap agreements in place with a total notional amount of $209.3 million (2012: $152.2 million), whereby the consolidated entity pays a weighted average fixed rate of interest of 4.16% before margin and receives a variable rate of interest on the notional amount. The swaps are being used to hedge the consolidated entity's exposure to changes in the fair value of its term facility (see note 34).

The cash flow hedges of interest rate exposures on the term facility were assessed to be highly effective, and as at 30 June 2013 a net unrealised loss of $6.4 million (2012: $6.2 million) with a related deferred tax asset of $1.9 million (2012: $1.9 million) with respect to the interest rate swaps is included in other comprehensive income.

25. Current liabilities - income tax

	Consolidated	
	2013	2012
	$'000	$'000
Provision for income tax	2,474	2,066

26. Current liabilities - employee benefits

	Consolidated	
	2013	2012
	$'000	$'000
Annual leave	32,266	37,814
Long service leave	7,481	11,423
Sick leave	557	1,277
Other employee benefits	977	8,210
	41,281	58,724

Accrued wages and salaries between the last pay date and 30 June 2013 of $6,057,000 (2012: $6,583,000) are included within the trade payables and accrued operating expenses balance as disclosed in note 22.

27. Current liabilities - provisions

	Consolidated 2013 $'000	Consolidated 2012 $'000
Project closure	8,490	10,130
Warranties	89	59
Project bonus	382	4,066
Client plant maintenance	25,663	-
Other	9,414	-
	44,038	14,255

Project closure provision
The provision represents the present value of estimated costs of the remediation work that will be required to comply with environmental and legal obligations.

Client plant maintenance provision
The provision represents the Company's contractual obligation to maintain client supplied plant and equipment as per manufacturers' specifications.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Project closure $'000	Warranties $'000	Project bonus $'000	Client plant maintenance $'000	Other $'000	Total $'000
Consolidated - 2013						
Carrying amount at the start of the year	10,130	59	4,066	-	-	14,255
Additional provisions recognised	3,409	302	766	25,663	9,414	39,554
Payments	(3,204)	(272)	(594)	-	-	(4,070)
Amounts transferred to disposal group	(1,845)	-	(3,856)	-	-	(5,701)
Carrying amount at the end of the year	8,490	89	382	25,663	9,414	44,038

28. Current liabilities - liabilities directly associated with disposal group classified as held for sale

	Consolidated 2013 $'000	Consolidated 2012 $'000
Trade payables	6,963	-
Other payables	27,684	-
Employee benefits	66	-
Provisions - project closure	36,757	-
Provisions - onerous lease	1,965	-
	73,435	-

29. Non-current liabilities - borrowings

	Consolidated 2013 $'000	Consolidated 2012 $'000
Term facility, net of borrowing costs	203,676	159,212
Lease liability	7,847	2,384
Hire purchase	-	678
	211,523	162,274

Refer to note 34 for further information on financial instruments.

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

	Currency	Interest rate range	Calendar Year of maturity	2013 $'000	2012 $'000
Total current and non-current					
Term facility	AUD	5.5% - 6.5%	2015 & 2016	203,676	206,946
Finance lease liabilities	NGN	16.00%	2016	11,505	3,230
Finance lease liabilities	AUD	7.0% - 8.0%	2012	-	827
Hire purchase liabilities	AUD	7.0% - 8.0%	2012	-	4,104
Other loans	AUD	5.0%	2012	-	2,367
				215,181	217,474

Term facilities
On 19 March 2013, the consolidated entity cancelled $40.5 million of the guarantee facility which formed part of the Group's $475 million Syndicated Facility Agreement (SFA). At 30 June 2013, $434.5 million remains in the SFA. The SFA is led by Commonwealth Bank of Australia Limited and HSBC Bank Australia Limited, and is secured by fixed and floating charges over the consolidated entity's assets. The facility is used for general corporate requirements and equipment financing and attracts a variable rate of interest, which is typically hedged through interest rate swaps.

As at 30 June 2013, the domestic operating lease facility was drawn down by $51.5 million (2012: $37.8 million). Outstanding individual lease agreements drawn under the facility remain in place until their expiry date. Information about operating leases is disclosed in note 38.

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.

Hire purchase and finance lease liabilities - minimum repayment, interest and principal amounts split by:

	Minimum lease payments 2013 $'000	Minimum lease payments 2012 $'000	Interest 2013 $'000	Interest 2012 $'000	Principal 2013 $'000	Principal 2012 $'000
Hire purchase liabilities:						
Less than one year	-	3,626	-	200	-	3,426
Between one and five years	-	685	-	7	-	678
More than five years	-	-	-	-	-	-
	-	4,311	-	207	-	4,104
Finance lease liabilities:						
Less than one year	5,371	2,164	1,713	491	3,658	1,673
Between one and five years	9,165	2,864	1,318	480	7,847	2,384
More than five years	-	-	-	-	-	-
	14,536	5,028	3,031	971	11,505	4,057

30. Non-current liabilities - employee benefits

	Consolidated 2013 $'000	Consolidated 2012 $'000
Long service leave	3,884	3,779
Other employee benefits	322	322
	4,206	4,101

Superannuation
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 2013, 6 members (2012: 7 members) remained in the defined benefit section.

Members of the old defined benefit section of the Fund who transferred to the accumulation section will continue to have their benefits assessed against the defined benefit section of the Fund to ensure that at any time when a condition of release is satisfied a member is not disadvantaged (as outlined in the Deed of Guarantee). The consolidated entity has entered into a Deed of Guarantee with each of these members to ensure that they are not disadvantaged by the transfer and accordingly, provides for the liability of these members, if any.

An actuarial assessment of the defined benefit section as at 30 June 2012 was undertaken by Dennis E. Barton F.I.A.A. of Barton Consultancy. The accumulation section of the Fund has 4,477 members at 30 June 2013. Members can choose both death and total and permanent disablement cover within the Fund. The Australian Superannuation Group (WA) Pty Ltd is the Funds administrator. TAL and Hanover Re underwrite the insured benefits of the Fund.

All assets are invested with professional investment managers via Equitysuper Pooled Superannuation Trust. Atchison Consultants act as asset consultant to the Fund. The Fund has equal representation of both employer and member representatives by way of the policy committee which meets regularly to discuss any issues.

Based on the assessment by the Fund's administrator, the defined benefit section of the Fund has adequate net assets to meet vested benefits as at 30 June 2013. The differences between the accrued benefits and the net market value of plan assets are recognised in the financial statements in accordance with accounting policy.

	Consolidated 2013 $'000	Consolidated 2012 $'000
Fair value of defined benefit plan assets	2,004	1,670
Present value of the defined benefit obligation	(1,822)	(1,723)
	182	(53)

The amount recognised as current service expense in respect of the defined benefit section of the Fund during the year was $114,000 (2012: $268,000).

31. Equity - issued capital

	Consolidated		Consolidated	
	2013	2012	2013	2012
	Shares	Shares	$'000	$'000
Ordinary shares - fully paid	1,261,699,966	738,631,705	391,390	307,963

Movements in ordinary share capital

Details	Date	No. of shares	$'000
Balance	1 July 2011	733,711,705	307,963
Issued during the year		4,920,000	-
Balance	30 June 2012	738,631,705	307,963
Issued during the year		523,068,261	83,427
Balance	30 June 2013	1,261,699,966	391,390

Ordinary shares

On 23 July 2012, the Company issued 2.7 million ordinary shares pursuant to the vesting of CEO Class B performance rights (2012: 4.9 million ordinary shares issued).

On 17 October 2012, the Company issued 15.7 million ordinary shares under the Dividend Reinvestment Plan (DRP) in relation to the dividend paid on the same day, raising proceeds of approximately $5.3 million.

On 12 December 2012, the Company announced a fully underwritten 2 for 3 pro rata accelerated non-renounceable Entitlement Offer of new ordinary shares in the Company. The offer consisted of an accelerated Institutional Entitlement Offer and a Retail Entitlement Offer. Funds raised were used to strengthen the balance sheet following recent construction project write-downs and to fund the future growth of the Mining Business.

On 20 December 2012, the Company issued 263.5 million shares under the Institutional Entitlement Offer, raising gross proceeds of approximately $42.1 million. Transaction costs associated with this share issue were approximately $1.6 million.

On 22 January 2013, the Company issued 241.2 million shares under the Retail Entitlement Offer, raising gross proceeds of approximately $38.6 million. Transaction costs associated with this share issue were approximately $1.0 million.

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

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

Capital risk management

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

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangement 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. This 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.

The gearing ratio at the reporting date was as follows:

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Current liabilities - borrowings (note 23)	3,658	55,200
Non-current liabilities - borrowings (note 29)	211,523	162,274
Total borrowings	215,181	217,474
Current assets - cash and cash equivalents (note 11)	(153,450)	(134,894)
Net debt	61,731	82,580
Total equity	401,201	356,811
Gearing ratio (net debt/equity)	15%	23%

32. Equity - reserves

	Consolidated 2013 $'000	Consolidated 2012 $'000
Reserve for own shares	(3,879)	(4,768)
Foreign currency reserve	(1,025)	(5,112)
Hedging reserve - cash flow hedges	(3,400)	(5,694)
	(8,304)	(15,574)

	Reserve for own shares $'000	Foreign currency $'000	Hedging $'000	Total $'000
Consolidated				
Balance at 1 July 2012	(4,768)	(5,112)	(5,694)	(15,574)
Foreign currency translation	-	4,087	-	4,087
Net investment hedge	-	-	2,294	2,294
Treasury shares purchased for compensation plans	(173)	-	-	(173)
Treasury shares allocated on vesting of performance rights	1,062	-	-	1,062
Balance at 30 June 2013	**(3,879)**	**(1,025)**	**(3,400)**	**(8,304)**
Balance at 1 July 2011	(4,743)	(4,285)	(29)	(9,057)
Foreign currency translation	-	(827)	-	(827)
Net investment hedge	-	-	(5,665)	(5,665)
Treasury shares purchased for compensation plans	(3,657)	-	-	(3,657)
Treasury shares allocated on vesting of performance rights	3,632	-	-	3,632
Balance at 30 June 2012	**(4,768)**	**(5,112)**	**(5,694)**	**(15,574)**

Reserve for own shares
The reserve for the Company's own shares comprises the cost (net of tax) of the Company's shares held by the trustee of the consolidated entity's equity compensation plans which were purchased on-market in anticipation of vesting of share-based payment awards under the equity compensation plans. During the year, 725,809 shares (2012: 6,980,000 shares) were purchased for a total cost of $0.2 million (2012: $5.2 million). As at 30 June 2013, there are 7,880,159 (2012: 9,877,075) unallocated Macmahon shares held in the trust.

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

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 are determined to be an effective hedge.

33. Equity - dividends

	Consolidated	
	2013	2012
	$'000	$'000
Interim dividend declared and paid for 2013 of nil cents (2012: 1.5 cents) per ordinary share	-	10,940
Final dividend declared and paid for 2012 of 2.5 cents (2011: nil cents) per ordinary share	18,286	-
	18,286	10,940

34. 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 Committee, to which internal audit reports. Internal audit undertakes reviews of controls and procedures, the results of which are reported to the Audit 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), Hong Kong Dollar (HKD), Nigerian Naira (NGN), Ghanaian Cedi (GHS), Indonesian Rupiah (IDR) and Mongolian Tugrik (MNT). The consolidated entity is also exposed to foreign currency risk on plant and equipment purchases that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily USD, European Euro (EUR) and Japanese Yen (JPY).

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 2013, 35% of the notional value of the foreign exchange forward contracts have maturities of less than one year after the balance sheet date, and 65% of the notional value have maturities between 1 year and 5 years after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity and generally relate to changes in delivery date of major plant and equipment.

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

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

	Average exchange rates		Reporting date spot rates	
	2013	**2012**	**2013**	**2012**
Australian Dollars				
EUR	0.7946	0.7893	0.7095	0.8092
USD	1.0277	1.0377	0.9275	1.0191
NZD	1.2496	1.2843	1.1871	1.2771
MYR	3.1714	3.1953	2.9383	3.2331
HKD	7.9713	8.0664	7.1946	7.9040
JPY	89.5504	81.1717	91.6400	80.8900
NGN	159.5786	159.8482	143.9944	158.3783
MNT	1,433.8384	1,363.8213	1,341.3227	1,364.4400
IDR	9,927.2917	9,348.7083	9,208.0000	9,659.0000

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

	Assets		Liabilities	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Consolidated				
EUR	-	-	-	(1,989)
USD	2,622	-	-	(495)
HKD	10	-	(27,684)	(26,822)
JPY	-	563	(1,136)	-
MNT	22	7	(248)	(3,463)
IDR	510	-	(698)	-
	3,164	570	(29,766)	(32,769)

The following analysis demonstrates the increase / (decrease) to profit or loss and equity at the reporting date, assuming a 10% strengthening and a 10% 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 2012.

		AUD strengthened		AUD weakened	
Consolidated - 2013	**% change**	**Effect on profit before tax**	**Effect on equity**	**Effect on profit before tax**	**Effect on equity**
USD	10%	-	(5,581)	-	6,821
HKD	10%	2,768	(160)	(2,768)	196
JPY	10%	-	(839)	-	1,025
MNT	10%	23	-	(23)	-
IDR	10%	19	-	(19)	-
		2,810	(6,580)	(2,810)	8,042

		AUD strengthened		AUD weakened	
Consolidated - 2012	**% change**	**Effect on profit before tax**	**Effect on equity**	**Effect on profit before tax**	**Effect on equity**
EUR	10%	-	(1,789)	-	1,789
USD	10%	-	(7,530)	-	9,203
HKD	10%	2,682	-	(2,682)	-
JPY	10%	-	(1,281)	-	1,569
MNT	10%	346	-	(346)	-
		3,028	(10,600)	(3,028)	12,561

Price risk
The consolidated entity is not directly 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 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.

As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

	2013 $'000	**2012 $'000**
Consolidated		
Variable financial assets	153,450	134,894
Variable financial liabilities [1]	(209,000)	(213,000)
Net exposure to cash flow interest rate risk (before hedging)	(55,550)	(78,106)

1 Term facility excluding borrowing costs.

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

Fair value sensitivity analysis for fixed rate instruments
The consolidated entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

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 2012.

		Basis points increase		Basis points decrease	
Consolidated - 2013	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Effect on profit before tax**	**Effect on equity**
Variable rate instruments	100	(556)	-	556	-
Interest rate swap	100	-	1,852	-	(1,917)
		(556)	1,852	556	(1,917)

		Basis points increase		Basis points decrease	
Consolidated - 2012	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Effect on profit before tax**	**Effect on equity**
Variable rate instruments	100	(781)	-	781	-
Interest rate swap	100	-	1,343	-	(1,340)
		(781)	1,343	781	(1,340)

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 12% (2012: 15%) 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 36% (2012: 32%) 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 has established a process to review for impairment that represents its estimate of expected / incurred losses in respect of trade and other receivables. At 30 June 2013 the consolidated entities aggregate impairment on its trade receivables was $17,998,000 (2012: $775,000).

Guarantees

The consolidated entity's policy is to provide financial guarantees only to or for subsidiaries. Details of outstanding guarantees are provided in note 37.

Exposure to credit risk

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

	Consolidated	
	2013	2012
	$'000	$'000
Cash and cash equivalents	153,450	134,894
Receivables*	172,053	221,321
Total credit risk exposure	325,503	356,215

* Receivables are shown excluding work in progress and prepayments

The consolidated entity's maximum exposure to credit risk for receivables at the reporting date by geographic region was:

	Consolidated	
	2013	2012
	$'000	$'000
Australia	148,639	203,791
Asia	13,513	10,971
Africa	9,901	6,559
Total credit risk exposure by region	172,053	221,321

* 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:

	Consolidated	
	2013	2012
	$'000	$'000
Mining customers	158,970	122,233
Construction customers	11,830	94,156
Other	1,253	4,932
Total credit risk exposure by customer	172,053	221,321

The consolidated entity's most significant trade receivable, a mining customer, accounts for $18,440,000 of the trade receivables carrying amount at 30 June 2013 (2012: a construction customer, $42,805,000).

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, under both normal and stressed conditions, 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 29. As at 30 June 2013, the undrawn amount on the new term facility was $186.9 million (2012: total undrawn on the previous facility $189.2 million) of which $45.9 million is represented by bank guarantees (2012: $52.2 million). Outstanding individual lease agreements drawn under past facilities remain in place until their expiry date. In addition, the consolidated entity has a $240 million (2012: $240 million) insurance bond facility with $140.4 million (2012: $83.2 million) available at year end.

Remaining contractual maturities

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

Consolidated - 2013	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Non-derivatives					
Non-interest bearing					
Trade payables	(141,750)	-	-	-	(141,750)
Other payables	(49,245)	-	-	-	(49,245)
Interest-bearing - variable rate					
Lease liability	(5,371)	(9,165)	-	-	(14,536)
Term facility	(18,669)	(234,013)	-	-	(252,682)
Total non-derivatives	(215,035)	(243,178)	-	-	(458,213)
Derivatives					
Interest rate swaps net settled	(6,354)	-	-	-	(6,354)
Forward foreign exchange contracts net settled	1,497	-	-	-	1,497
Total derivatives	(4,857)	-	-	-	(4,857)

Consolidated - 2012	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Non-derivatives					
Non-interest bearing					
Trade payables	(237,005)	-	-	-	(237,005)
Other payables	(69,301)	-	-	-	(69,301)
Other loans	(2,367)	-	-	-	(2,367)
Interest-bearing - variable rate					
Hire purchase	(3,626)	(685)	-	-	(4,311)
Lease liability	(2,164)	(2,864)	-	-	(5,028)
Term facility	(59,610)	(176,896)	-	-	(236,506)
Total non-derivatives	(374,073)	(180,445)	-	-	(554,518)
Derivatives					
Interest rate swaps net settled	(6,212)	-	-	-	(6,212)
Forward foreign exchange contracts net settled	(1,922)	-	-	-	(1,922)
Total derivatives	(8,134)	-	-	-	(8,134)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above. The derivative financial liabilities disclosed in the table above are the net undiscounted cash flows. However, those amounts may be settled gross or net.

Fair value of financial instruments

The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:

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

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Consolidated - 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Foreign exchange forward contracts	-	1,497	-	1,497
Total assets	-	1,497	-	1,497
Liabilities				
Interest rate swaps	-	(6,354)	-	(6,354)
Total liabilities	-	(6,354)	-	(6,354)

Consolidated - 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swaps	-	(6,213)	-	(6,213)
Foreign exchange forward contracts	-	(1,921)	-	(1,921)
Total liabilities	-	(8,134)	-	(8,134)

There were no transfers between levels during the financial year.

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:

	2013		2012	
Consolidated	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Assets				
Cash at bank	153,450	153,450	134,894	134,894
Trade and other receivables	181,459	181,459	221,321	221,321
Derivative financial instruments	1,497	1,497	-	-
	336,406	336,406	356,215	356,215
Liabilities				
Trade payables	(141,750)	(141,750)	(237,005)	(237,005)
Other payables	(49,245)	(49,245)	(69,301)	(69,301)
Derivative financial instruments	(6,354)	(6,354)	(8,134)	(8,134)
Other loans	-	-	(2,367)	(2,367)
Hire purchase	-	-	(4,104)	(3,817)
Lease liability	(11,505)	(10,138)	(4,057)	(3,762)
Term facility	(203,676)	(193,887)	(206,946)	(192,790)
	(412,530)	(401,374)	(531,914)	(517,176)

The fair values of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- 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 derivative financial instruments are determined by applying valuation techniques such as forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.
- 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.

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 legal and regulatory requirements and generally accepted standards of corporate behaviour. 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. This responsibility is supported by the development of the overall consolidated entity's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective
- Reporting and review of operational and financial performance against budget or forecast outcomes

Compliance with Company standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the consolidated entity.

35. Key management personnel

Compensation

The aggregate compensation made to Directors and other members of Key Management Personnel of the consolidated entity is set out below:

	Consolidated	
	2013	**2012**
	$	**$**
Short-term employee benefits	6,320,659	9,827,086
Superannuation benefits	350,943	615,050
Long-term benefits	107,778	210,953
Termination payments	2,247,185	-
Share-based payments	763,798	2,372,769
	9,790,363	13,025,858

Individual Directors and Executives compensation disclosures

Information regarding individual Directors' and Executives' compensation and some equity instrument disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report. Apart from the details disclosed in this note or in the Remuneration Report, no Director or Executive has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' or Executives' interests existing at year end.

Notes to the financial statements continued

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

2013	Balance at the start of the year	Purchases*	Received on exercise of options/ granted	Net other changes**	Balance at the end of the year
Ordinary shares					
Directors					
K B Scott-Mackenzie	50,000	-	-	33,334	83,334
R A Carroll	848,463	-	644,900	565,643	2,059,006
B L Cusack	900,000	-	-	600,000	1,500,000
B R Ford	122,782	9,028	-	87,874	219,684
D M Smith	30,000	-	-	20,000	50,000
V A Vella	200,000	14,705	-	143,137	357,842
Executives					
R Barker	-	124,000	-	-	124,000
G J Miller	153,693	-	161,225	-	314,918
T Mlikota	553,807	40,720	322,450	496,352	1,413,329
F E Ramsay	192,116	-	161,225	-	353,341
A C Young	57,635	-	96,735	-	154,370
Executives with changed roles or departing in 2013					
N R Bowen***	21,156,355	-	2,684,333	1,523,287	25,363,975
M H Hamilton***	72,116	-	128,980	-	201,096
S G Maddison***	302,433	103,034	-	121,524	526,991
N J Wilson***	153,693	-	80,613	-	234,306
R C Wilson***	173,386	4,273	96,735	118,440	392,834
	24,966,479	295,760	4,377,196	3,709,591	33,349,026

* Purchases also include shares acquired through the 2012 Dividend Reinvestment Plan.
** Net other changes includes shares acquired as a result of the Company pro-rata equity raise in January 2013 for all Key Management Personnel except N R Bowen whose net change also includes shares sold.
*** Former Executives have been disclosed as if they were Key Management Personnel throughout the period.

2012	Balance at the start of the year	Purchases	Received on exercise of options/ granted	Net other changes*	Balance at the end of the year
Ordinary shares					
Directors					
K B Scott-Mackenzie	50,000	-	-	-	50,000
N R Bowen	16,236,355	-	4,920,000	-	21,156,355
B L Cusack	900,000	-	-	-	900,000
B R Ford	122,782	-	-	-	122,782
D M Smith	30,000	-	-	-	30,000
V A Vella	200,000	-	-	-	200,000
Executives					
R A Carroll	80,000	-	768,463	-	848,463
M H Hamilton	-	-	192,116	(120,000)	72,116
S G Maddison	187,163	-	115,270	-	302,433
G J Miller	-	-	153,693	-	153,693
T Mlikota	553,807	-	-	-	553,807
F E Ramsay	-	-	192,116	-	192,116
N J Wilson	-	-	153,693	-	153,693
R C Wilson	58,116	-	115,270	-	173,386
A C Young	-	-	57,635	-	57,635
	18,418,223	-	6,668,256	(120,000)	24,966,479

* Net other changes relate to shares that were sold during the year

Option holding

The number of options over ordinary shares in the parent entity held during the financial year by each Director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

2013	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the year	Vested during the year	Vested and exercisable at end of the year
Options over ordinary shares							
G J Miller	18,750	-	-	(18,750)	-	-	-
F E Ramsay	75,000	-	-	(75,000)	-	-	-
	93,750	-	-	(93,750)	-	-	-

* Other changes relate to options that lapsed or rights that accelerated during the year.

2012	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other*	Balance at the end of the year	Vested during the year	Vested and exercisable at end of the year
Options over ordinary shares							
R A Carroll	2,000,000	-	(2,000,000)	-	-	-	-
M H Hamilton	100,000	-	(100,000)	-	-	-	-
S G Maddison	375,000	-	(375,000)	-	-	-	-
G J Miller	112,500	-	(93,750)	-	18,750	-	18,750
F E Ramsay	75,000	-	-	-	75,000	-	75,000
N J Wilson	400,000	-	(400,000)	-	-	-	-
R C Wilson	112,500	-	(112,500)	-	-	-	-
	3,175,000	-	(3,081,250)	-	93,750	-	93,750

* Other changes relate to options that lapsed during the year.

Performance rights holding
The number of performance rights over ordinary shares in the parent entity held during the financial year by each director and other members of Key Management Personnel of the consolidated entity, including their personally related parties, is set out below:

2013	Balance at the start of the year	Granted*	Vested	Expired/ forfeited/ other**	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
Performance rights over ordinary shares							
Directors							
R A Carroll	3,231,537	1,645,890	(644,900)	-	4,232,527	644,900	-
Executives							
G J Miller	746,307	732,200	(161,225)	-	1,317,282	161,225	-
T Mlikota	1,000,000	805,720	(322,450)	-	1,483,270	322,450	-
F E Ramsay	807,884	750,045	(161,225)	-	1,396,704	161,225	-
A C Young	392,365	500,648	(96,735)	-	796,278	96,735	-
Executives with changed roles or departing in 2013							
N R Bowen***	6,000,000	-	(2,684,333)	(3,315,667)	-	2,684,333	-
M H Hamilton***	707,884	850,045	(128,980)	(1,428,949)	-	128,980	-
S G Maddison***	584,730	300,000	-	(884,730)	-	-	-
A T Mason***	1,000,000	805,720	-	(1,805,720)	-	-	-
N J Wilson***	496,307	530,770	(80,613)	-	946,464	80,613	-
R C Wilson***	484,730	602,860	(96,735)	(700,650)	290,205	96,735	-
	15,451,744	7,523,898	(4,377,196)	(8,135,716)	10,462,730	4,377,196	-

* Granted includes the uplift of performance rights following the equity raise during 2013.
** Other changes includes performance rights that lapsed or accelerated during the period.
*** Former Executives disclosed as if they were Key Management Personnel throughout the period.

2012	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other*	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
Performance rights over ordinary shares							
Directors							
N R Bowen	12,000,000	-	(4,920,000)	(1,080,000)	6,000,000	4,920,000	-
Executives							
R A Carroll	4,000,000	-	(768,463)	-	3,231,537	768,463	-
M H Hamilton	900,000	-	(192,116)	-	707,884	192,116	26,634
S G Maddison	700,000	-	(115,270)	-	584,730	115,270	15,980
A T Mason	1,000,000	-	-	-	1,000,000	-	-
G J Miller	900,000	-	(153,693)	-	746,307	153,693	21,307
T Mlikota	1,000,000	-	-	-	1,000,000	-	-
F E Ramsay	1,000,000	-	(192,116)	-	807,884	192,116	26,634
N J Wilson	650,000	-	(153,693)	-	496,307	153,693	21,307
R C Wilson	600,000	-	(115,270)	-	484,730	115,270	15,980
A C Young	450,000	-	(57,635)	-	392,365	57,635	7,990
	23,200,000	-	(6,668,256)	(1,080,000)	15,451,744	6,668,256	135,832

* Other changes includes performance rights that lapsed or accelerated during the period.

36. Remuneration of auditors

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

	Consolidated	
	2013	2012
	$	$
Audit services - KPMG		
Audit or review of the financial statements	491,281	438,000
Additional audit costs in respect of prior years	50,000	11,375
	541,281	449,375
Other services - KPMG		
Tax services	74,550	81,605
Other regulatory audit services	-	4,273
Other	74,227	44,868
	148,777	130,746
	690,058	580,121
Audit services - network firms		
Audit or review of the financial statements	170,109	109,068
Other services - network firms		
Tax services	161,066	23,655
	331,175	132,723

37. Contingent liabilities

The following identifiable contingencies exist at 30 June 2013:

	Consolidated	
	2013	2012
	$'000	$'000
Bank guarantees	38,546	72,767
Insurance performance bonds	99,636	156,809
	138,182	229,576

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Bank guarantees and insurance bonds are issued in the normal course of business to clients to guarantee the performance of Macmahon under contracts and the period of each guarantee varies by contract agreement.

Claims against the consolidated entity

Certain members of the consolidated entity have the normal contractor's liability in relation to contracts. This liability may include claims by or against the consolidated entity and / or joint venture arrangements in which the consolidated entity has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The Board of Directors is of the opinion that adequate allowance has been made and that disclosure of any further information about the claims would be prejudicial to the interests of the consolidated entity.

Claims by the consolidated entity

The nature of the Company's construction contracts necessarily requires variations and claims to be submitted to clients in the normal execution of these contracts. The Company believes its variations and extension of time claims are valid and applies judgement in the determination of whether any amounts should be recorded as revenue in accordance with AASB 111 Construction Contracts. Actual outcomes may differ from the amounts recognised within profit or loss at reporting date.

38. Commitments

	Consolidated 2013 $'000	Consolidated 2012 $'000
Capital commitments - property, plant and equipment		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	85,569	100,195
One to five years	23,130	132,818
	108,699	233,013
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	18,202	20,114
One to five years	43,671	42,162
More than five years	6,182	10,382
	68,055	72,658
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	3,658	1,673
One to five years	7,847	2,384
Total commitment	11,505	4,057
Net commitment recognised as liabilities	11,505	4,057
Representing:		
Lease liability - current (note 23)	3,658	1,673
Lease liability - non-current (note 29)	7,847	2,384

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.

In October 2007, the consolidated entity entered into a $230 million domestic operating lease facility for plant and equipment. The leases typically ran for a term of 3 to 5 years with an option to extend for up to 1 to 2 years after that date. The consolidated entity has an option to purchase the assets at the expiry of their lease period. This $230 million domestic facility expired on 31 October 2009. Outstanding individual lease agreements drawn under the facility remain in place until their expiry date. As at 30 June 2013, the domestic operating lease facility was drawn down by $51.5 million (2012: $37.8 million).

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of $11.4 million (2012: $10.8 million) under finance leases expiring within 3 to 4 years. 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.

39. Related party transactions

Parent entity
Macmahon Holdings Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 41.

Associates
Investments in associates are set out in note 42.

Joint ventures
Interests in joint ventures are set out in note 43.

Key management personnel
Disclosures relating to key management personnel are set out in note 35 and the Remuneration Report in the Directors' Report.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Transactions with related parties
The following were transactions with related parties during the current and previous financial year:

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Jointly controlled ventures - provision for contract services	60,460	37,019

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

40. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2013	2012
	$'000	$'000
Profit after income tax	29,184	2,994
Total comprehensive income	31,478	(2,671)

Statement of financial position

	Parent	
	2013	2012
	$'000	$'000
Total current assets	24,234	148,522
Total assets	357,916	297,984
Total current liabilities	6,425	59,613
Total liabilities	174,685	216,657
Equity		
Issued capital	391,390	307,963
Hedging reserve - cash flow hedges	(3,400)	(5,694)
Share-based payments reserve	17,510	15,051
Reserve for own shares	(3,879)	(4,768)
Accumulated losses	(218,390)	(231,225)
Total equity	183,231	81,327

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 44.

Contingent liabilities
The parent entity does not have any contingent liabilities (2012: nil).

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2.

41. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name of entity	Country of incorporation	Equity holding 2013 %	Equity holding 2012 %
Incorporated subsidiaries			
Macmahon Contractors Pty Ltd	Australia	100.00	100.00
Macmahon Contractors (WA) Pty Ltd	Australia	100.00	100.00
Macmahon Properties 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
Macmahon Construction Pty Ltd	Australia	100.00	100.00
Macmahon Civil Construction 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 Asia Pty Ltd	Australia	100.00	100.00
Macmahon Malaysia Pty Ltd	Australia	100.00	100.00
Macmahon Rail Pty Ltd (formerly MVM 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
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
MVM (Malaysia) 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
Five Hills Holdings Pte Ltd	Singapore	100.00	100.00
Five Hills Leasing Pte Ltd	Singapore	100.00	100.00
Macmahon Mongolia LLC	Mongolia	100.00	100.00
TT JV CO LLC	Mongolia	100.00	100.00
Macmahon Contracting Ghana Limited*	Ghana	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
Interest in trusts			
Macmahon Holdings Executive Equity Plan Trust A/c	Australia	100.00	100.00
Macmahon Underground Unit Trust	Australia	100.00	100.00

* Macmahon Contracting Ghana Limited was incorporated on 4 March 2013.

** These companies were incorporated to hold the Macmahon obligations in relation to the ownership of the Alice Springs to Darwin railway line and to hold the Macmahon interest in Asia Pacific Transport Pty Ltd. On 6 November 2008, receivers and managers were appointed to the companies. Carrying amounts on these companies have been written down to zero. On 4 July 2012, notifications of Receiver Manager Ceasing to Act (505L) were lodged with the Australian Securities and Investment Commission, removing the companies from receivership.

42. Investments in associates

Associate	Principal activities	Consolidated percentage interest 2013 %	2012 %
Bluff Harbour Pty Ltd	Non-active	50.00	50.00
Encounter Lakes Pty Ltd	Non-active	50.00	50.00

Equity accounting for these investments has been suspended because the consolidated entity's share of losses since acquisition is greater than its cost. The carrying amount of the investments is zero. There are no contingent liabilities for the above associates.

43. Interests in joint ventures

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

Joint venture	Principal activities	Consolidated percentage interest 2013 %	2012 %
XRL 822 Hong Kong Tunnel JV	Tunnel construction	25.00	25.00
Macmahon/ John Holland JV*	Onshore site development civil works	50.00	50.00
Roy Hill Rail JV*	Early contractor involvement	30.00	30.00
Macmahon/ Adasa JV	Irrigation scheme design and construction	50.00	50.00
Urban Superway JV*	Highway construction	40.00	40.00
Glenfield Rail Alliance*	Railway construction	60.00	60.00
Gooring Jimbila Contracting JV	Mine site general maintenance	50.00	50.00
Dhurawine JV	Labour hire	50.00	50.00
Triodia JV	Labour hire and workshop maintenance	50.00	50.00
Malana JV	Labour and plant hire	50.00	50.00
Marapikurrinya JV	Labour and plant hire	45.00	45.00
Pilbara Logistics Macmahon JV**	Infrastructure construction	20.00	20.00
Alkimos Joint Venture**	Water waste treatment plant construction	22.70	22.70
Macmahon/ Leighton Joint Venture**	Railway construction	50.00	50.00
Wyaralong Joint Venture**	Dam construction	60.00	60.00
Southern Improvement Alliance JV**	Railway construction	20.00	20.00
K2RQ Project Alliance**	Railway construction	9.00	9.00
Richmond Line Alliance**	Railway construction	18.00	18.00
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 transferring to Leighton group companies or terminated as part of the construction sale.
** Joint ventures that were terminated during the year.

Summary financial information for equity accounted investees, unadjusted for percentage of ownership held by the consolidated entity:

	Consolidated	
	2013	2012
	$'000	$'000
Current assets	273,960	361,897
Total assets	273,960	361,897
Current liabilities	(285,021)	(322,284)
Non-current liabilities	-	(178)
Total liabilities	(285,021)	(322,462)
Net assets/(liabilities)	(11,061)	39,435
Revenue	563,092	852,242
Expenses	(618,373)	(787,352)
Profit/(loss) before income tax	(55,281)	64,890

Revenue and recoveries from the jointly controlled entities are disclosed in note 4, and share of profits from joint ventures is disclosed in note 6. The jointly controlled entities do not have any capital commitments, other than performance bonds and bank guarantees disclosed in note 37.

44. 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 lodgement 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 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.

Statement of profit/(loss) and other comprehensive income	**2013 $'000**	**2012 $'000**
Revenue from continuing operations	1,246,144	1,253,360
Share of profits of joint ventures accounted for using the equity method	(37,006)	27,962
Materials and consumables used	(384,977)	(401,849)
Employee benefits expense	(560,668)	(489,730)
Subcontractor costs	(206,678)	(234,756)
Depreciation and amortisation expense	(80,882)	(58,695)
Equipment and office expenses under operating leases	(23,344)	(21,937)
Finance costs	(13,076)	(11,768)
Other expenses	(30,098)	(28,172)
Profit/(loss) before income tax expense/benefit	(90,585)	34,415
Income tax (expense)/benefit	17,375	(5,599)
Profit/(loss) after income tax expense/benefit	(73,210)	28,816
Other comprehensive income		
Cash flow hedges transferred to profit or loss, net of tax	2,294	(5,665)
Foreign currency translation	363	181
Other comprehensive income for the year, net of tax	2,657	(5,484)
Total comprehensive income for the year	(70,553)	23,332

Equity - retained profits/(accumulated losses)	**2013 $'000**	**2012 $'000**
Retained profits at the beginning of the financial year	27,885	9,126
Profit/(loss) after income tax expense/benefit	(73,210)	28,816
Dividends paid	(18,286)	(10,940)
Transfer from capital profits reserve	(17,727)	-
Transfer from share premium reserve	2,459	4,516
Transfer from other reserves	(1,424)	(3,814)
Transfer to options reserve	363	181
Retained profits/(accumulated losses) at the end of the financial year	(79,940)	27,885

Statement of financial position	2013 $'000	2012 $'000
Current assets		
Cash and cash equivalents	132,132	88,440
Trade and other receivables	112,466	276,728
Inventories	59,684	31,956
Income tax	15,856	11,125
Assets of disposal groups classified as held for sale	18,450	-
	338,588	408,249
Non-current assets		
Receivables	299,375	460,465
Investments accounted for using the equity method	-	9,341
Other financial assets	38,797	50,500
Property, plant and equipment	336,605	306,919
Intangibles	16,119	20,370
Deferred tax	4,978	-
	695,874	847,595
Total assets	1,034,462	1,255,844
Current liabilities		
Trade and other payables	143,738	257,121
Borrowings	-	51,520
Derivative financial instruments	4,857	8,134
Employee benefits	29,305	45,458
Provisions	15,754	11,101
Liabilities directly associated with assets classified as held for sale	73,435	-
	267,089	373,334
Non-current liabilities		
Payables	252,179	380,482
Borrowings	207,353	159,762
Deferred tax	-	13,728
Employee benefits	3,398	3,243
	462,930	557,215
Total liabilities	730,019	930,549
Net assets	304,443	325,295
Equity		
Issued capital	391,390	307,963
Reserves	(7,007)	(10,553)
Retained profits/(accumulated losses)	(79,940)	27,885
Total equity	304,443	325,295

45. Events after the reporting period

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

46. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2013	2012
	$'000	$'000
Profit/(loss) after income tax expense/benefit for the year	(29,484)	56,051
Adjustments for:		
Depreciation and amortisation	93,248	78,205
Impairment of property, plant and equipment	8,628	-
Impairment of intangibles	4,253	-
Net loss/(gain) on disposal of property, plant and equipment	840	(970)
Share of (profit)/loss - joint ventures	36,027	(36,871)
Share-based payments	2,459	4,516
Foreign exchange differences	(5,771)	92
Transaction costs capitalised not yet paid	-	(16)
Transaction costs written off	2,278	4,518
Interest expense	21,561	12,868
Net cash received from jointly controlled entities	(13,104)	17,776
Income tax expense/(benefit)	(30,192)	19,164
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	158,852	(180,661)
Increase in inventories	(32,378)	(164)
Interest paid	(21,561)	(12,152)
Increase/(decrease) in trade and other payables	(128,667)	100,782
Income tax paid	(9,588)	(4,833)
Increase in employee benefits and provisions	51,231	28,462
Net cash from operating activities	108,632	86,767

47. Earnings per share

	Consolidated 2013 $'000	Consolidated 2012 $'000
Earnings per share from continuing operations		
Profit after income tax attributable to the owners of Macmahon Holdings Limited	43,583	36,744
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	996,864,802	729, 447,892
Adjustments for calculation of diluted earnings per share:		
Effect of performance rights on issue	9,541,661	23,137,638
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,006,406,463	752,585,530
	Cents	**Cents**
Basic earnings per share	4.37	5.04
Diluted earnings per share	4.33	4.88

	Consolidated 2013 $'000	Consolidated 2012 $'000
Earnings per share from discontinued operations		
Profit/(loss) after income tax attributable to the owners of Macmahon Holdings Limited	(73,067)	19,307
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	996,864,802	729, 447,892
Adjustments for calculation of diluted earnings per share:		
Effect of performance rights on issue	-	23,137,638
Weighted average number of ordinary shares used in calculating diluted earnings per share	996,864,802	752,585,530
	Cents	**Cents**
Basic earnings/(loss) per share	(7.33)	2.65
Diluted earnings/(loss) per share	(7.33)	2.57

	Consolidated 2013 $'000	Consolidated 2012 $'000
Earnings per share for profit/(loss)		
Profit/(loss) after income tax attributable to the owners of Macmahon Holdings Limited	(29,484)	56,051
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	996,864,802	729, 447,892
Adjustments for calculation of diluted earnings per share:		
Effect of performance rights on issue	-	23,137,638
Weighted average number of ordinary shares used in calculating diluted earnings per share	996,864,802	752,585,530
	Cents	**Cents**
Basic earnings/(loss) per share	(2.96)	7.68
Diluted earnings/(loss) per share	(2.96)	7.45

48. Share-based payments

The consolidated entity has four 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
- Macmahon Executive Option Scheme
- Macmahon Employee Share Plan ("ESP")

Macmahon LTI Plan

The LTI Plan provides Executives (including the current 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 specified performance period.

		Performance period			
Performance rights granted 15 January 2010	**Time-based condition only ending 15/1/2012**	**2 years ending 15/1/2012**	**3 years ending 15/1/2013**	**4 years ending 15/1/2014**	**5 years ending 15/1/2015**
Tranche and number of performance rights		Tranche 1	Tranche 2	Tranche 3	Tranche 4
	3,843,750	2,882,812	2,882,812	2,882,812	2,882,812
Vesting performance condition:					
TSR ranking 75% or higher of the TSR of two peer groups (50% weighting to each peer group)	-	2,882,812	2,882,812	2,882,812	2,882,812
TSR ranking 50% - 75% of the TSR of two peer groups (50% weighting to each peer group)	-	1,441,406 plus 2% for each percentile above 50%	1,441,406 plus 2% for each percentile above 50%	1,441,406 plus 2% for each percentile above 50%	1,441,406 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 17 June 2011	Time-based condition only ending 17/6/2013	Performance period 2 years ending 17/6/2013	3 years ending 17/6/2014	4 years ending 17/6/2015	5 years ending 17/6/2016
Tranche and number of performance rights		Tranche 1	Tranche 2	Tranche 3	Tranche 4
	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 1 July 2012	Time-based condition only ending 1/7/2015	Performance period 3 years ending 1/7/2015	4 years ending 1/7/2016
Tranche and number of performance rights		Tranche 1	Tranche 2
	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

The two comparator groups for the TSR calculation are:

- **ASX 200**: the constituents of the ASX 200 index; and
- **Peer group**: a group of eight companies consisting of Ausdrill Limited, Clough Limited, Downer EDI Limited, Leighton Holdings Limited, Monadelphous Group Limited, NRW Holdings Limited, Transfield Services Limited and UGL Limited.

Testing is undertaken annually for the 15 January 2010, 17 June 2011 and 1 July 2012 LTI Plan grants.

Macmahon CEO LTI Plan (relates only to former CEO)
Mr Bowen, the Company's former CEO was granted 12,000,000 performance rights after Shareholders' approval was given at the Annual General Meeting on 30 November 2009. Mr Bowen resigned from the company effective 19 September 2012 and received a payment in accordance with his employment contract. All outstanding performance rights under the long-term incentive scheme were cancelled.

Class B Performance Rights:
On 1 July 2012, 2,684,333 of Mr Bowen's Class B performance rights vested and he became entitled to convert them to shares on 10 August 2012.

Macmahon Executive Option Scheme
The Macmahon Executive Option Scheme provided Executives with options over ordinary shares of the Company under the approval by Shareholders at the 2005 Annual General Meeting.

Each option entitles the holder, upon exercise, to be allotted one fully paid ordinary share in the Company upon satisfaction of the exercise conditions and payment of the exercise price. If not exercised, options expire no later than six years from their grant date. Options also expire if the holder ceases to be employed with Macmahon.

Each grant of options is divided into four equal tranches, which only become eligible for exercise on the 2nd, 3rd, 4th and 5th anniversary respectively of the grant date. Whether or not options comprised in a tranche may be exercised depends on whether the performance hurdles for exercise have been met; briefly these are that the TSR has been at least 15% per annum compound for all of the measurement periods preceding the date the options became eligible for exercise.

The performance hurdles are cumulative. This means, for example, that if the performance hurdle for the first two measurement periods is not met, the first tranche cannot be exercised. However, if the TSR in the next measurement period is such that the cumulative TSR over all three measurement periods is more than a 15% annual compounded return, then all unexercised tranches which subsequently meet the performance hurdle can be exercised.

Unexercised options do not entitle their holder to dividends, and options are not quoted on the ASX. Shares issued upon exercise of options will rank equally in all respects with existing shares.

Macmahon Employee Share Plan ("ESP")
The Macmahon Employee Share Plan ("ESP") was designed to reward the commitment of long serving employees to the Group. Subject to certain eligibility criteria, all employees of the Group are entitled to participate in the ESP. The rules of the ESP permit the Company to make an annual offer of shares in the Company to eligible employees, at the discretion of the Board of Directors. The maximum value of shares which may be offered to any employee in any one financial year is $1,000.

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 Macmahon CEO LTI Plan and Macmahon EEP LTI Plan respectively:

	CEO performance rights		Executive performance rights	
	2013	2012	2013	2012
Balance at the start of the year	6,000,000	12,000,000	18,186,480	24,362,000
Granted during the year	-	-	13,995,267	-
Vested during the year	(2,684,333)	(4,920,000)	(2,716,655)	(4,110,381)
Expired during the year	-	-	(7,270,458)	-
Forfeited during the year	(3,315,667)	(1,080,000)	(3,293,826)	(2,065,139)
Balance at the end of the year	-	6,000,000	18,900,808	18,186,480

The following unlisted share options were outstanding at year end:

			Number of options	
Grant date	Expiry date	Exercise price	2013	2012
20/04/07	19/4/13	$0.82	-	825,000
14/07/08	14/7/14	$1.62	50,000	125,000
			50,000	950,000

The number and weighted average exercise prices of share options are as follows:

	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the start of the year	950,000	$0.93	7,674,124	$0.72
Expired during the year	(443,000)	$0.82	(6,273,124)	$0.68
Forfeited during the year	(457,000)	$0.95	(451,000)	$0.92
Balance at the end of the year	50,000	$1.62	950,000	$0.93
Exercisable at the end of the year	37,500	$1.62	887,500	$0.88

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	
	2013	2012
	$'000	$'000
Share options	(15)	615
Performance rights	2,469	3,025
2012 Employee share plan	5	876
Total expense recognised in employee benefits expense	2,459	4,516

Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date;
- 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 described in note 44 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

Ross Carroll
Director

20 August 2013
Perth

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 2013, 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 48 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 2, 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.

KPMG

Independence

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

Auditor

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 2013 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 2.

Report on the remuneration report

We have audited the Remuneration Report which forms part of the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth

20 August 2013

Summary of consolidated results

	2013	2012	2011	2010	2009
Profit & Loss ($m)					
Operating revenue - incl. construction	1,606.1	1,661.5	1,089.4	896.4	1,358.5
Joint venture revenue	209.5	246.3	221.4	419.9	153.3
Joint venture recoveries	(60.5)	(37.0)	(56.4)	(61.9)	(26.2)
Total revenue	1,755.1	1,870.8	1,254.4	1,254.4	1,485.6
Underlying EBITDA	172.0	167.8	123.2	99.6	73.6
Depreciation, amortisation and impairment	(87.4)	(78.2)	(57.1)	(44.3)	(43.8)
Underlying EBIT	84.5	89.6	66.1	55.3	29.8
Significant and non-recurring items [1]	(123.2)	-	(57.9)	-	-
Reported EBIT	(38.7)	89.6	8.2	55.3	29.8
Net interest	(21.0)	(14.4)	(12.0)	(5.8)	(8.9)
Reported operating profit / (loss)	(59.7)	75.2	(3.8)	49.5	20.9
Tax (expense) / benefit	30.2	(19.2)	1.1	(10.7)	(2.7)
Reported NPAT	(29.5)	56.1	(2.7)	38.8	18.3
Minority interest ("MI")	-	-	3.8	(0.9)	(1.1)
Reported NPAT attributable to Macmahon	(29.5)	56.1	1.0	37.9	17.2
Add: significant and non-recurring items (net of tax and MI) [1]	73.1	-	37.8	-	-
Underlying NPAT attributable to Macmahon	43.6	56.1	38.8	37.9	17.2
Balance Sheet ($m)					
Plant and equipment	471.1	417.8	311.2	286.3	268.7
Total assets	944.5	989.0	685.7	580.8	632.8
Net assets	401.2	356.8	323.1	339.7	311.0
Equity attributable to Macmahon	401.2	356.8	323.2	336.0	308.2
Net debt / (net cash)	61.7	82.6	(39.5)	(43.8)	1.8
Cash Flow ($m)					
Reported EBITDA	67.5	167.8	65.3	99.6	73.6
Net interest paid	(18.8)	(9.2)	(12.0)	(5.8)	(8.9)
Income tax (paid) / refund	(9.6)	(4.8)	(0.9)	2.1	(14.7)
Working capital and provisions decrease / (increase)	69.5	(67.0)	40.0	21.2	3.4
Operating cash flow including JV	108.6	86.8	92.4	117.1	53.4
Investing and financing cash flows (net)	(91.6)	(65.4)	(76.2)	(125.0)	(64.2)
Effect of exchange rates on cash	1.5	(2.1)	(2.8)	0.8	-
Cash at beginning of financial year	134.9	115.6	102.2	109.3	120.1
Closing cash balance	153.5	134.9	115.6	102.2	109.3

Note: Numbers in the table may not add due to rounding.

1 Significant and non-recurring items in 2013 includes the Construction Business represented as a discontinued operation (2011: Write-down of equity accounted profit in RGP5 project and wet weather impacts).

Summary of consolidated results continued

	2013	2012	2011	2010	2009
People and Safety					
Number of employees	3,495	4,791	3,536	3,021	3,098
LTIFR	0.9	1.4	0.2	0.4	0.8
TRIFR	7.7	7.7	3.5	4.6	7.4
Order Book					
Work in hand ($m) - incl. construction	3,230	3,139	2,013	2,215	1,412
New contracts and extension ($m)	1,846[1]	2,997	1,052	2,057	1,108
Profit & Loss Ratios					
Revenue growth (%)	(6.2)	49.1	-	(15.6)	19.4
Reported NPAT/Total revenue (%)	(1.7)	3.0	0.1	3.0	1.2
Underlying NPAT/Total revenue (%) [2]	2.5	3.0	3.1	3.0	1.2
Net interest cover (x)	(1.8)	6.2	0.7	9.5	3.4
Reported basic EPS (cents)	(3.0)	7.7	0.1	5.2	3.1
Underlying basic EPS (cents) [2]	4.4	7.7	5.3	5.2	3.1
Diluted EPS (cents)	(3.0)	7.5	0.1	5.1	3.1
Balance Sheet Ratios					
Gearing (Net debt/Equity) (%)	15.4	23.1	(12.2)	(12.9)	0.6
Reported ROC (%)	(5.1)	13.8	1.9	13.1	6.8
Underlying ROC (%) [2]	11.0	13.8	11.8	13.1	6.8
Reported ROE (%)	(7.8)	16.5	0.3	11.3	5.6
Underlying ROE (%) [2]	11.5	16.5	10.7	11.3	5.6
Reported ROA (%)	(3.1)	5.7	0.2	6.6	2.7
Underlying ROA (%) [2]	4.6	5.7	5.2	6.6	2.7
NTA per share ($)	0.3	0.4	0.4	0.4	0.4
Cash Flow Ratios					
Operating cash flow per share (cents)	8.6	11.7	12.6	16.0	7.3
Shareholders					
Shares on issue (m) @ 30 June	1,261.7	738.6	733.7	733.7	733.7
Share price @ 30 June (cents)	13.0	57.5	56.0	54.5	34.0
Dividend declared (cents)	-	4.0	-	3.0	1.5
Percentage franked (%)	n/a	100.0	n/a	-	100.0
Market capitalisation ($m)	164.0	424.7	410.9	399.9	249.5
Enterprise value (EV)	225.7	507.3	371.4	356.1	251.3
Price/NTA (x)	0.4	1.3	1.4	1.3	0.9

1 Net of Construction contracts sold.
2 Adjusted for significant and non-recurring items. 2013: Construction Business represented as a discontinued operation (2011: Write-down of equity accounted profit in RGP5 project and wet weather impacts).

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 16 August 2013.

a) The twenty largest Shareholders held 62.82% of the ordinary shares.

b) There were 10,603 ordinary Shareholders as follows:

Size of holdings	Total holders
1 - 1,000	869
1,000 - 5,000	2,477
5,001 - 10,000	1,768
10,001 - 100,000	4,615
100,000 and over	874
	10,603

The number of Shareholders holding less than a marketable parcel of ordinary shares is 2,259.

Twenty largest Shareholders as at 16 August 2013

Name	Number of ordinary shares held	Percentage of capital held
Leighton Holdings Investments Pty Limited	246,631,927	19.55%
J P Morgan Nominees Australia Limited	138,797,888	11.00%
HSBC Custody Nominees <Australia>	115,728,429	9.17%
National Nominees Limited	88,342,614	7.00%
Citicorp Nominees Pty Limited	56,859,022	4.51%
3rd Wave Investors Ltd	26,525,000	2.10%
J P Morgan Nominees Australia Limited <Cash Income A/C>	15,333,820	1.22%
Alkat Pty Ltd <Bowen Welsh A/C>	14,649,390	1.16%
Mr Conway Jeffrey Jones	11,666,667	0.92%
Mr Nicholas Ronald Bowen	10,000,000	0.79%
Mr Paul Anthony Imbree + Mr Paul Johnathon Imbree <Imbree Super Fund Two A/C>	10,000,000	0.79%
BNP Paribas Noms Pty Ltd <Drp>	9,464,750	0.75%
CPU Share Plans Pty Limited <MAH EEP Unallocated A/C>	7,880,159	0.62%
JBWere (NZ) Nominees Limited <45307 A/C>	7,500,000	0.59%
RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C>	6,715,986	0.53%
Choice Investments Dubbo Pty Ltd	5,819,200	0.46%
Mr Allan Douglas Christie + Mrs Patricia Marjorie Christie <Christie Family A/C>	5,670,342	0.45%
Mr Manishkumar Rasiklal Patel	5,215,589	0.41%
RBC Investor Services Australia Nominees Pty Limited <Piselect>	5,080,698	0.40%
QIC Limited	5,075,051	0.40%
	792,956,532	62.82%

Substantial shareholders

As at 16 August 2013, the register of substantial Shareholders disclosed the following information:

Holders giving notice	Number of ordinary shares in which interest is held
Leighton Holdings Limited	246,631,927
Northcape Capital Pty Ltd	103,702,124

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.

Officers

Company secretaries

G P Gettingby
C P Brown

Principal registered office

Level 3
27-31 Troode Street
West Perth
Western Australia, 6005
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

15 November 2013
Annual General Meeting

February 2014
Release of half year results

August 2014
Release of full year results

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 – EBIT / Capital employed, where capital employed is total tangible assets less payables less bank overdraft.
ROE	Return on equity – NPAT / Average net assets
ROA	Return on assets – NPAT / Total assets at year end


EVAC

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