

Interim Financial Report

For the six months ended 31 December 2013

Issued 18 February 2014



MACMAHON

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Appendix 4D

Results for Announcement to the Market

For the six months ended 31 December 2013

Name of entity

MACMAHON HOLDINGS LTD

ACN

007 634 406

Compared with six months ended 31 December 2012

<i>All figures expressed in Australian dollars unless otherwise stated</i>				\$m
Revenue from continuing operations	up	4%	to	549.5
Profit from continuing operations after income tax	down	24%	to	17.5
Profit from discontinued operations after income tax	up	103%	to	1.8
Profit for the period attributable to equity holders of the company	up	151%	to	19.4
Dividends	Amount per security		Franked amount per security %	
Interim dividend declared	nil		n/a	
	31-Dec-13		31-Dec-12	
Net tangible assets per ordinary share	\$0.32		\$0.31	

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

Condensed consolidated interim financial report For the six months ended 31 December 2013

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Directors' report

The directors present their report together with the condensed consolidated interim financial statements for the six months ended 31 December 2013 including the review report thereon.

Directors

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

K B Scott-Mackenzie	(Chairman, Non-executive)
B L Cusack	(Deputy Chairman, Non-executive)
R A Carroll	(Chief Executive Officer and Managing Director)
C R G Everist	(Non-executive)
B R Ford	(Non-executive) (resigned 14 November 2013)
E Skira	(Non-executive)
D M Smith	(Non-executive) (resigned 14 November 2013)
V A Vella	(Non-executive)
J A Walker	(Non-executive) (appointed 11 October 2013)

Key financial indicators

For the six months ended 31 December:

<i>A\$ million except where stated</i>	Dec-13	Dec-12	Change
Operating revenue from continuing operations	549.5	528.1	4%
Joint venture revenue (net of joint venture recoveries)	0.6	5.2	(88%)
Total revenue from continuing operations	550.1	533.3	3%
Earnings before interest and tax (EBIT) from continuing operations	37.1	43.2	(14%)
Interest	(8.7)	(10.8)	(19%)
Profit before tax from continuing operations	28.4	32.4	(12%)
Tax expense	(10.9)	(9.3)	17%
Profit after tax from continuing operations	17.5	23.1	(24%)
Profit / (loss) from discontinued operations (net of tax)	1.8	(60.7)	103%
Profit / (loss) for the period attributable to equity holders of the Company	19.4	(37.6)	152%
Earnings per share – basic (cents)	1.5	(4.9)	131%
Earnings per share – basic (cents) – continuing operations	1.4	3.0	(53%)
Dividends declared per share (cents)	nil	nil	
Mining order book as at 31 December	2,826	1,840	54%

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

Review of operations

The Company reported a creditable result in what continues to be a difficult market. Total revenue (including joint venture revenue) for the half year was \$574.9 million. Consolidated profit after tax was \$19.4 million, which includes a profit after tax of \$1.8 million from discontinued operations.

Macmahon's transition to a dedicated full service mining contractor was completed during the period with its remaining construction contracts either completed or sold.

Macmahon had a cash at bank balance of \$105.9 million at the half year end with headroom available under its syndicated funding facility. The Company's order book has over \$2.8 billion of work secured¹.

Continuing operations – Mining Business

\$ million	Dec-13	Dec-12	Change
Segment revenue	550.1	533.3	3%
Segment profit before tax	33.5	38.4	(13%)
Profit before tax margin	6.1%	7.2%	
Order book	2,826	1,840	54%

The Mining Business reported half year revenue of \$550.1 million, an increase of 3% on the prior corresponding period. This result was achieved despite difficult market conditions which increased competition for new work and placed greater pressure on margins.

Profit before tax decreased by 13% to \$33.5 million, resulting in a profit before tax margin of 6.1%, compared to 7.2% in the prior corresponding period. This result includes a provision for doubtful debts against the Tavan Tolgoi project in Mongolia, with the Company taking a conservative approach to the recovery of outstanding debtors. Normalising profit to exclude this provision, the segment profit would have been \$39.6 million and the profit before tax margin would have been 7.2%, which is in line with the prior corresponding period.

Revenue from surface mining operations was substantially higher than the prior corresponding period with the Christmas Creek and Tropicana projects driving much of this growth.

The half included a full six months of production at Christmas Creek with around 660 people now employed on site and approximately 170 major items of equipment commissioned. Disappointingly, safety performance at the project has declined and the Company has implemented a range of initiatives to ensure it improves.

Material movement at the Tropicana Gold Project tripled when compared to the prior corresponding period following the commencement of the third excavation fleet in July 2013. Shortly after commencement, the Company began introducing the Caterpillar MineStar system which is designed to maximise haulage and excavator fleet productivity through real-time monitoring and analysis. The technology will allow the Company to optimise operations to meet client expectations on productivity and safety.

The Eaglefield mine continued to operate three fleets until October 2013. A transition to two fleets has taken place as the project winds down and the Lenton pit nears the end of its mine life.

Following the completion of works at Wheelarra in November 2013, works at Orebody 18 are likely to continue over the near term. The contract was recently extended to March 2014 and the Company is in discussions with BHP Billiton Iron Ore about a further short term extension beyond this date.

1. "Secured" in the context of work or revenue means work or revenue estimated to come from existing contracts. These estimates are subject to fluctuation for contract variations, termination, and other risk factors described in the disclaimer slide in the Company's 2014 half year results presentation.

The Waihi project in New Zealand, where Macmahon has been operating since 1998, progressed steadily during the period, exceeding the client's production schedule.

Revenue from underground mining operations was lower. Pleasingly however, increased revenue was achieved at both the Olympic Dam and Ranger 3 Deeps projects.

Increased revenue was also achieved across all the Company's international operations in spite of lower client demand at our Nigerian projects. South East Asian operations continued to deliver consistent production and profit in line with expectations.

Mongolia

The Company has been working closely with its client Erdenes Tavan Tolgoi (ETT) to resolve an ongoing issue relating to payment delays for work undertaken by Macmahon on the Tavan Tolgoi project.

Presently, the Company is pursuing an option with ETT to offset the purchase of US\$22 million property plant and equipment (PPE) against outstanding progress payments to reduce trade debtors. This PPE is required to be purchased from the client under the terms of the existing mining services contract. Discussions with ETT regarding this option are ongoing.

Discontinued operations – Construction Business

\$ million	Dec-13	Dec-12
Segment revenue	24.8	503.6
Segment profit/(loss) before tax	0.5	(110.1)

The exit from construction was completed early this financial year with the sale of Macmahon's 25% share of the XRL-822 rail project in Hong Kong in October 2013 and the completion of the Trangie Nevertire Irrigation Scheme in November 2013.

Dividend

The Company is focused on reducing debt and strengthening its balance sheet and as a result the Directors have not declared an interim dividend. The Board remains committed to a 50% dividend payout ratio and payment of any final dividend will be determined following due consideration of the Company's cash reserves, capital commitments and franking credits.

Interest

Net interest expense for the half year was \$8.7 million, a decrease of \$2.1 million from the prior corresponding period due to lower average debt balances over the period.

Tax

The Group recorded a tax expense of \$10.9 million for continuing operations, compared to \$9.3 million for the prior corresponding period. The tax expense position represents an effective tax rate for the half year of 38.3%. The effective tax rate for continuing operations in the six months ended 31 December 2013 has been impacted by the non-recognition of \$2.6 million of deferred tax assets in relation to overseas operations. If this adjustment was excluded, the effective tax rate would be 29.0%.

Balance sheet and cash flow

Strengthening the Company's balance sheet remains a key priority for the Company. Cash at bank totalled \$105.9 million at 31 December 2013. Gearing (net debt / equity) increased to 25.7%, from 15.4% at 30 June 2013 due to the reduction in operating cash flow resulting from \$50.1 million of cash outflows related to the discontinued construction business.

Group cash from operations was a net outflow of \$13.6 million, compared to an inflow of \$77.5 million in the prior corresponding period, which included \$64.0 million in overdue debtors from the June 2012 period. The net outflow from operations in the current period was a result of residual forecast construction outflows of \$50.1 million. Operating cash flow from continuing operations was \$36.5 million, which was lower than the prior corresponding period primarily due to disputed and delayed collection of claims from the CSA and Tavan Tolgoi projects.

	1-Jul-13 to 31-Dec-13				1-Jul-12 to 31-Dec-12		
(\$ millions)	Continuing	Discontinued	Total		Continuing	Discontinued	Total
Reported Operating Cash Flows	36.5	(50.1)	(13.6)		93.4	(15.9)	77.5
Less: Delayed debtors collected in July	(18.9)	(1.1)	(20.0)		(7.0)	(57.0)	(64.0)
Add: Delayed debtors collected in January	16.2	0	16.2		9.5	4.1	13.7
Normalised operating cash flow	33.7	(51.2)	(17.4)		95.9	(68.8)	27.1

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

Mining capital expenditure for the half year totalled \$59.3 million, a 26% decrease from the prior corresponding period. The majority of expenditure related to the purchase of replacement surface mining equipment including a heavy duty transport float, a production drill rig, haul trucks and other earth moving and ancillary equipment.

The Company also purchased four haul trucks, a loader and a jumbo for the Olympic Dam contract, where the scope of works expanded.

All equipment purchases were cash funded, leaving the Company with headroom in its debt facilities.

Funding

Following the completion and novation of several construction contracts, the Company reduced its bank guarantee line by a further \$36.6 million, bringing the total syndicated funding facility to \$397.9 million.

As at 31 December 2013, the Company had \$230.9 million drawn under its syndicated funding facility, comprising \$209.0 million for equipment financing and \$21.9 million for bank guarantees. The working capital facility remains undrawn and headroom is available across the facility positioning the Company to take advantage of growth opportunities as they arise. All banking covenants continue to remain within limits. The outstanding balance for operating leases at 31 December 2013 was \$59.6 million.

Whilst the syndicated funding facility remains in effect until 6 January 2015, the Company will initiate the refinancing process in the coming months.

People

As at 31 December, the Company employed a workforce of approximately 2,900 people, down from 3,495 direct employees in June 2013. The reduction in employee numbers was due mainly to the completion of the Cameby Downs, Trangie and Wheelara projects and the reduction of scope at Argyle.

Leadership has been a key focus with the intent of up-skilling employees to deliver improved performance. The leadership program includes a number of initiatives designed to develop and expand the skills of the future leaders of the Company.

Macmahon continued to deliver its graduate and apprenticeship programs for people keen to pursue a career in mining. The Company's award winning apprenticeship program was once again recognised for excellence, with Macmahon awarded the 2013 Employer of the Year (Northern Region) at the WA Chamber of Commerce and Industry's 'Apprenticeship Solutions Employer Excellence Awards'.

The Company also remained committed to offering genuine training and employment opportunities for Indigenous people through the ROCKSTAR program. The success of the program was highlighted recently, with a Macmahon trainee winning the 2013 WA Aboriginal and Torres Strait Islander Student of the Year at the WA Training Awards.

Softer employment market conditions have allowed the Company to focus on further developing its existing workforce and attracting highly skilled candidates for new positions.

Senior Management changes

In November 2013, Ms Theresa Mlikota resigned from the position as Chief Financial Officer. The Company thanks Ms Mlikota for her commitment and dedication throughout her time at Macmahon. The Company has undertaken an extensive search to find a suitable replacement and is expected to make an appointment shortly.

On 18 February 2014, the Company announced that Mr Sybrandt Van Dyk would assume the position Chief Financial Officer. Mr Van Dyk joins Macmahon from the WesTrac Group, where he has held a number of senior operational roles, including Chief Operating Officer Western Australia and most recently Chief Financial Officer.

Board renewal

On 11 October 2013, the Company welcomed the appointment of Mr Jim Walker to the Board as an Independent, Non-executive Director. Mr Walker has over 40 years' of experience in the resource sector, most recently holding the position of Managing Director and Chief Executive Officer of WesTrac. Mr Walker has served as a Director of Seven Group Limited, National Hire Group Limited and Coates Hire Group Holdings Pty Ltd.

The appointment was an important part of the Macmahon Board renewal process and preceded the resignation of Mr Barry Ford and Dr David Smith on 14 November 2013. The Board thanks Mr Ford and Dr Smith for their contributions and wish them well for the future.

Subsequent to 31 December 2013 Macmahon Chairman Ken Scott-Mackenzie announced he will retire from the Board of Directors at the conclusion of the March Board meeting. Mr Walker will assume the Chairmanship at this time. The Board thanks Mr Scott-Mackenzie for his valuable contribution.

Safety performance

Following the recent completion of the Company's remaining construction projects, Macmahon has amended its safety reporting to encompass its mining operations only. At 31 December 2013, the rolling 12 month Total Recordable Injury Frequency Rate (TRIFR) was 10.5 and Lost Time Injury Frequency Rate (LTIFR) was 1.22. This represents a slight deterioration from the previous corresponding period. Management remains committed to reversing this trend and has embarked on a number of initiatives during the period.

Accordingly, during the year Macmahon continued to implement its Group safety improvement plan, under which a framework for senior management to coach and mentor on-site managers was established. This program has enabled senior management to better identify safety risks, challenge old ideas and eliminate poor practices. Additionally, the Executive Team has also continued to work closely with operational staff at all levels of the business to further embed the importance of operating safely and to reinforce the Company's safety culture. Initiatives such as CEO Significant Incident Review meetings continued to drive accountability and reinforce to all, the Company's commitment to safety and its values.

The Company has also increased its focus on conducting Safe Act Observations (SAO). This process is being championed by the Executive Team and all senior leaders are required to conduct SAOs on a regular basis. The process seeks to drive improvements in the Company's safety culture by demonstrating the Executive Team's commitment to the safety of all employees.

Pleasingly, operations at the Eaglefield/Lenton mine recorded six years lost time injury (LTI) free. International operations continued to perform well with over 3,000 LTI free days achieved at Kanthan and over 1,000 LTI free days achieved at Lhok Nga and Rawang. Additionally, the Company's shotcreting activities are approaching seven years LTI free.

Strategy

Following the sale of the construction business, the primary drivers for Management have been: stabilising the business, successfully delivering on existing contracts and returning Macmahon to sustainable profitability.

To deliver on these priorities, the Company's strategy is currently focused on four key pillars:

- improving safety performance across all operations,
- bolstering business development capabilities,
- driving margin growth through business improvement, process efficiencies and productivity gains; and
- up-skilling our people

Business development

A structured client engagement program was implemented during the half and the Company is working to ensure that clients are aware of Macmahon's full suite of capabilities. This has already seen positive results, particularly in the area of fixed plant and maintenance.

This increased focus on client engagement, coupled with the Company's business improvement program, is laying a foundation for the Company to remain competitive under tougher market conditions.

Business improvement program

Business improvement activities have been formalised through the creation of the Company's REACH program. This program provides a group-wide governance and reporting structure and addresses how the business will target both short and long-term business improvement initiatives.

Activity to date includes:

- A cost reduction program consisting of two individual initiatives - Rapid Sourcing and Strategic Sourcing. The Rapid Sourcing initiative, which is now completed, focused on the renegotiation of supplier contracts on the back of softening demand. This initiative identified numerous opportunities for cost reductions delivering annualised savings of \$6 million across the business which are now being realised. The Strategic Sourcing initiative has since commenced and will be an extensive 12 month project aimed at critically assessing the nature of our spending in key areas of our business.
- Value driver mapping of major sites has been undertaken. Individual site initiatives include loader utilisation improvements, cycle time optimisation, drilling maintenance cost reductions and idle time reduction.
- An independent high level review of operations across a number of projects was completed, including an assessment of fly-in day processes at five major sites. This identified a number of areas for improvement, and initiatives to realise these opportunities have commenced.

Market outlook - Australia

Current market conditions continue to present challenges for the Australian resources industry. The decline in most commodity prices over the past 18 months continues to weigh on new investment and the number of projects at the feasibility stage has declined over the past six months.

The broad industry consensus is that the outlook for the sector will remain subdued over the short to medium term, however with more than 250 projects still planned¹ there is the potential for an early rebound.

Despite the challenging environment, mining production in Australia has increased and is forecast to continue to rise at a steady pace, with growth averaging 3.8% per year over the next five years. Market analysts anticipate that from 2014/15, the combination of strengthening commodity prices and rising production volumes will see the overall size of the contract mining market rise to a peak of

\$13.4 billion in 2017. If this eventuates, it will certainly provide a positive outlook for the Company. The Company's pipeline contains a number of potential opportunities but the timing and certainty of these remains subject to variation.

1. Bureau of Resources and Energy Economics, Australian Government, October 2013

Market outlook - international

Internationally, the outlook remains positive. Strong economic growth is forecast for much of Asia and Africa, and the Company's strategy is to build on its existing footprint in these markets.

In West Africa, Macmahon has continued to cement its position in the region with current projects in Nigeria providing a platform for future growth. In Malaysia and Indonesia, the Company's operations have consistently performed well and a number of opportunities in the region are being investigated. In Mongolia, the Company has demonstrated its ability to operate in extremely difficult conditions and as such is well positioned to capitalise on new opportunities as they arise.

Revenue guidance

Macmahon entered the 2014 financial year with a focus on returning the Company to profitability and delivering improved value to its shareholders.

The Company has secured¹ more than \$340 million in revenue for the second half and expects a further \$100 million in revenue from works at Eaglefield/Lenton, Orebody 18, Waihi and various underground mining contracts. Full year revenue is expected to be in line with previous guidance.

Events subsequent to reporting date

Other than personnel changes outlined previously, the Directors are not aware of any matter or circumstance arising since 31 December 2013 not otherwise dealt with within the condensed consolidated financial statements that has significantly affected or may significantly affect the operations of the consolidated entity and the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

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

The lead auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the six months ended 31 December 2013.

Rounding off

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

Signed in accordance with a resolution of the Directors.



Ross Carroll

Director

18th February 2014

Perth

1. "Secured" in the context of work or revenue means work or revenue estimated to come from existing contracts. These estimates are subject to fluctuation for contract variations, termination, and other risk factors described in the disclaimer slide in the Company's 2014 half year results presentation.

Lead auditor's independence declaration



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

To: the directors of Macmahon Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

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



KPMG



Trevor Hart
Partner

Perth

18 February 2014

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

Liability limited by a scheme approved under Professional Standards Legislation.

Independent auditor's review report



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

Report on the financial report

We have reviewed the accompanying interim financial report of Macmahon Holdings Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2013, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Macmahon Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

Liability limited by a scheme approved under Professional Standards Legislation.

Independent auditor's review report (continued)



Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Trevor Hart
Partner

Perth

18 February 2014

Directors' declaration

In the opinion of the directors of Macmahon Holdings Limited;

1. The condensed consolidated interim financial statements and notes of the consolidated entity set out on pages 16 to 25 are in accordance with the Corporations Act 2001 including:
 - a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2013 and of its performance for the six months ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that Macmahon Holdings Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Ross Carroll
Managing Director

18th February 2014
Perth

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December

In thousands of AUD

	Note	2013	2012
Revenue from continuing operations		549,450	528,090
Other income		780	53
		550,230	528,143
Materials and consumables used		(158,319)	(164,995)
Employee benefits expense		(240,674)	(231,290)
Subcontractor costs		(30,401)	(32,476)
Depreciation and amortisation expenses		(52,312)	(38,306)
Equipment and office expenses under operating leases		(10,264)	(9,618)
Other expenses		(21,228)	(8,924)
Results from operating activities		37,032	42,534
Finance income		1,241	1,253
Finance expense		(9,929)	(12,031)
Net finance costs		(8,688)	(10,778)
Share of profit in investments accounted for using the equity method (net of tax)		55	617
Profit before income tax expense from continuing operations		28,399	32,373
Income tax expense	7	(10,891)	(9,320)
Profit after income tax expense from continuing operations		17,508	23,053
Profit/(loss) after income tax expense/benefit from discontinued operations	11	1,845	(60,653)
Profit/(loss) after income tax expense/benefit for the period		19,353	(37,600)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations (net of tax)		1,719	(66)
Effective portion of changes in fair value of cash flow hedges (net of tax)		1,142	(2,801)
Other comprehensive income/(loss) for the period (net of tax)		2,861	(2,867)
Total comprehensive income/(loss) for the period attributable to equity holders of the Company		22,214	(40,467)
Earnings per share			
Basic earnings per share (cents)		1.54	(4.92)
Diluted earnings per share (cents)		1.53	(4.92)
Earnings per share - continuing operations			
Basic earnings per share (cents)		1.39	3.01
Diluted earnings per share (cents)		1.38	2.93

The notes on pages 20 to 25 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of financial position

As at

In thousands of AUD

	Note	31-Dec-13	30-Jun-13
Assets			
Current assets			
Cash and cash equivalents		105,925	153,450
Trade and other receivables		153,333	169,398
Assets held for sale	11	13,761	18,450
Inventories		88,773	77,689
Derivative financial instruments		2,251	1,497
Current tax receivables		15,380	14,826
Total current assets		379,423	435,310
Non-current assets			
Trade and other receivables		11,111	8,360
Investments accounted for using the equity method		705	960
Property, plant and equipment	8	454,905	471,083
Intangible assets		20,448	22,562
Deferred tax assets		178	6,243
Total non-current assets		487,347	509,208
Total assets		866,770	944,518
Liabilities			
Current liabilities			
Trade and other payables		116,189	156,348
Liabilities related to assets held for sale	11	21,744	73,435
Loans and borrowings	9	3,710	3,658
Employee benefits		36,197	41,281
Current tax liabilities		1,253	2,474
Provisions		45,169	44,038
Derivative financial instruments		5,477	6,354
Total current liabilities		229,739	327,588
Non-current liabilities			
Loans and borrowings	9	211,011	211,523
Employee benefits		2,256	4,206
Total non-current liabilities		213,267	215,729
Total liabilities		443,006	543,317
Net assets		423,764	401,201
Equity			
Share capital		391,390	391,390
Reserves		(6,146)	(8,304)
Retained earnings		38,520	18,115
Total equity attributable to equity holders of the Company		423,764	401,201

The notes on pages 20 to 25 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 31 December

In thousands of AUD

Balance at 1 July 2013

Profit for the period

Foreign currency translation differences (net of tax)

Effective portion of changes in fair value of cash flow hedges (net of tax)

Total comprehensive income for the year (net of tax)

Transactions with owners, recorded directly in equity:

Contributions by and distributions to owners

Treasury shares purchased for compensation plans (net of tax)

Share-based payment transactions

Total transactions with owners

Balance at 31 December 2013

Balance at 1 July 2012

Loss for the period

Foreign currency translation differences (net of tax)

Effective portion of changes in fair value of cash flow hedges (net of tax)

Total comprehensive loss for the year (net of tax)

Transactions with owners, recorded directly in equity:

Contributions by and distributions to owners

Treasury shares purchased for compensation plans (net of tax)

Shares issued

Treasury shares allocated on vesting of performance rights

Dividends to owners

Share-based payment transactions

Total transactions with owners

Balance at 31 December 2012

Share capital	Translation reserve	Hedging reserve	Reserve for own shares	Retained earnings	Total equity
391,390	(1,025)	(3,400)	(3,879)	18,115	401,201
-	-	-	-	19,353	19,353
-	1,719	-	-	-	1,719
-	-	1,142	-	-	1,142
-	1,719	1,142	-	19,353	22,214
-	-	-	(703)	-	(703)
-	-	-	-	1,052	1,052
-	-	-	(703)	1,052	349
391,390	694	(2,258)	(4,582)	38,520	423,764
307,963	(5,112)	(5,694)	(4,768)	64,422	356,811
-	-	-	-	(37,600)	(37,600)
-	(66)	-	-	-	(66)
-	-	(2,801)	-	-	(2,801)
-	(66)	(2,801)	-	(37,600)	(40,467)
-	-	-	(172)	-	(172)
45,828	-	-	-	-	45,828
-	-	-	2	(2)	-
-	-	-	-	(18,286)	(18,286)
-	-	-	-	764	764
45,828	-	-	(170)	(17,524)	28,134
353,791	(5,178)	(8,495)	(4,938)	9,298	344,478

The notes on pages 20 to 25 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

For the six months ended 31 December

In thousands of AUD

	Note	2013	2012
Cash flows from operating activities			
Receipts from customers		624,067	1,124,471
Payments to suppliers and employees		(599,702)	(1,032,204)
Net payments to joint venture entities		(25,772)	(1,909)
Cash (used in)/from operating activities ¹	11	(1,407)	90,358
Interest paid		(9,488)	(10,922)
Interest received		1,241	1,253
Income taxes paid		(3,940)	(3,188)
Net cash (used in)/from operating activities		(13,594)	77,501
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		28,806	37,552
Payments for property, plant and equipment ²		(59,324)	(80,409)
Net cash used in investing activities		(30,518)	(42,857)
Cash flows from financing activities			
Proceeds from issue of equity securities (net of share issue costs)		-	40,489
Purchase of own shares		(1,003)	(247)
Proceeds from borrowings		-	62,023
Repayment of borrowings		-	(67,150)
Repayment of hire purchase and finance lease liabilities		(1,533)	(6,065)
Payment of transaction costs relating to loans and borrowings		-	(69)
Dividends paid (net of dividends reinvested)		-	(12,947)
Net cash (used in)/from financing activities		(2,536)	16,034
Net (decrease)/increase in cash and cash equivalents		(46,648)	50,678
Effect of exchange rate changes on the balance of cash held in foreign currencies		(877)	(2,083)
Cash and cash equivalents at beginning of period		153,450	134,894
Cash and cash equivalents at end of period		105,925	183,489

The notes on pages 20 to 25 are an integral part of these condensed consolidated interim financial statements.

¹ Refer to Note 11b for information regarding discontinued cash flows included in this item.

² Payment for property, plant and equipment excludes property, plant and equipment acquired under finance lease agreements (six months to 31 December 2013: nil, six months to 31 December 2012: \$9.3 million).

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Macmahon Holdings Limited (the "Company") is a for profit company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

The principal activities of the consolidated entity for the six months ended 31 December 2013 consisted of the provision of contract mining services.

The consolidated financial statements of the consolidated entity as at and for the year ended 30 June 2013 are available upon request at the Company's registered office at Level 3, 27-31 Troode Street, West Perth, Western Australia or at www.macmahon.com.au.

2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2013.

The condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the consolidated entity as at and for the year ended 30 June 2013.

The condensed consolidated interim financial statements were approved by the Board of Directors on 18th of February 2014.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Significant Accounting Policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2013. The following changes in accounting policies will also be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2014.

Changes in Accounting Policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 *Consolidated Financial Statements*

AASB 11 *Joint Arrangements* (see (a))

AASB 13 *Fair Value Measurement* (see (b))

AASB 119 *Employee Benefits*

The adoption of AASB 10 & AASB 119 had no significant impact to the interim financial statements. The nature and the effect of other changes are further explained below.

(a) Joint arrangements

The Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and

Notes to the condensed consolidated interim financial statements

other facts and circumstances. Previously, the structure of the arrangement was the criteria for classification. The adoption of AASB 11 has not had a significant impact to the recognised assets, liabilities and comprehensive income of the consolidated entity.

(b) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurement of the Group's assets and liabilities.

4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2013.

5. Financial risk management

The consolidated entity's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2013.

6. Operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources. Following the exit from the Construction Business, the consolidated entity is organised into one operating segment, Mining Services.

Information about reportable segments for the six months ended 31 December

	Mining		Construction (Discontinued operation)		Other		Total	
<i>In thousands of AUD</i>	2013	2012	2013	2012	2013	2012	2013	2012
Revenue from consolidated entity and joint ventures	550,065	533,330	24,797	503,648	-	-	574,862	1,036,978
Reportable segment profit/(loss) before income tax	33,494	38,364	461	(110,099)	(5,095)	(5,991)	28,860	(77,726)

Notes to the condensed consolidated interim financial statements

Information about reportable segments carrying amounts of assets and liabilities

	Mining		Construction (Discontinued operation)		Other		Total	
<i>In thousands of AUD</i>	31-Dec-13	30-Jun-13	31-Dec-13	30-Jun-13	31-Dec-13	30-Jun-13	31-Dec-13	30-Jun-13
Reportable segment assets	728,311	740,551	13,761	18,450	124,698	185,517	866,770	944,518
Reportable segment liabilities	189,041	213,549	21,744	73,435	232,221	256,333	443,006	543,317

Reconciliation of reportable segment revenues and profit or loss for the six months ended 31 December

<i>In thousands of AUD</i>	2013	2012
Revenues		
Total revenue for reportable segments	574,862	1,036,978
Elimination of joint venture revenues	(20,214)	(177,475)
Elimination of joint venture recoveries	3,092	44,418
Consolidated revenue	557,740	903,921

7. Income tax expense

The continuing operations effective tax rate is 38.3% (for the six months ended 31 December 2012: 28.8%) and is impacted by the non-recognition of \$2.6 million of deferred tax assets in relation to overseas operations. If this adjustment was excluded, the effective tax rate would be 29.0%.

8. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2013, the consolidated entity acquired property, plant and equipment totalling \$59.3 million (six months ended 31 December 2012: \$89.7 million). No finance leases were acquired during the period (six months ended 31 December 2012: \$9.3 million).

Property, plant and equipment with a carrying value of \$28.2 million was disposed during the six months ended 31 December 2013 (six months ended 31 December 2012: \$38.0 million), resulting in a gain on disposal of \$0.6 million (six months ended 31 December 2012 loss on disposal: \$0.4 million) in the condensed consolidated statement of comprehensive income.

Capital commitments

As at 31 December 2013, the consolidated entity had entered into contracts to purchase plant and equipment totalling \$72.0 million (as at 31 December 2012: \$185.0 million).

Notes to the condensed consolidated interim financial statements

9. Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2013:

In thousands of AUD

	Currency	Interest Rate	Carrying Amount
Balance at 1 July 2013	AUD		215,181
Amortisation of borrowing cost	AUD	N/A	1,073
Repayments			
Finance lease liabilities	NGN	16%	(1,533)
Balance as at 31 December 2013	AUD		214,721

Interest on loans drawn down under the Syndicated Facility Agreement (SFA) is charged at the Bank Bill Swap Bid Rate (BBSY) plus a margin. No new issues were entered into during the period to 31 December 2013.

As at 31 December 2013, the domestic operating lease facility was drawn to \$59.6 million (as at 30 June 2013: \$51.5 million).

10. Share capital

	The Company No. ordinary shares ('000)	
	2013	2012
On issue at 1 July	1,261,700	738,632
Issued during the period	-	281,907
On issue at 31 December	1,261,700	1,020,539

11. Discontinued operations

a) Description

On 12 December 2012, the Company announced its planned exit from its Construction Business as it pursues its new strategy of becoming a dedicated full service mining contractor. During the financial year ended 30 June 2013, the majority of the construction and rail projects (including the transfer of equipment and people) were sold to Leighton Holdings and McConnell Dowell respectively. Progressing the exit, the Company sold the XRL-822 project in Hong Kong to Leighton Holdings on 25 October 2013. The residual assets within the business are classified as held for sale.

Financial information relating to the discontinued operation for the period is set out as follows.

Notes to the condensed consolidated interim financial statements

b) Financial performance and cash flow information for discontinued operations

The financial performance and cash flow information presented are for the six months ended 31 December

In thousands of AUD

	2013	2012
Revenue	8,290	375,831
Expenses	(11,804)	(462,795)
Share of profit/(loss) in investments accounted for using the equity method	3,975	(23,135)
Profit/(loss) before income tax	461	(110,099)
Income tax benefit	1,384	49,446
Profit/(loss) after income tax from discontinued operations	1,845	(60,653)
Basic earnings/(loss) per share (cents)	0.15	(7.93)
Diluted earnings/(loss) per share (cents)	0.15	(7.93)
Net cash used in operating activities	(50,104)	(15,881)
Net cash used in investing activities	-	(12,057)
Net decrease in cash from discontinued operations	(50,104)	(27,938)

c) Carrying amounts of assets and liabilities of discontinued operations

In thousands of AUD

	31-Dec-13	30-Jun-13
Trade receivables	7,116	12,061
Property, plant and equipment	5,791	6,293
Investments accounted for using the equity method	854	96
Total assets	13,761	18,450
Trade creditors	3,902	6,963
Other payables	-	27,684
Employee benefits	26	66
Provisions	17,816	38,722
Total liabilities	21,744	73,435
Net liabilities	(7,983)	(54,985)

12. Share-based payments

On 25 July 2013, the Company granted 13,900,000 performance rights under the 2013 Employee Executive Plan to executives (excluding the Chief Executive Officer "CEO") and senior managers.

On the 13 December 2013, the Company granted Class A CEO performance rights of 490,124, Class B CEO performance rights of 735,186, and Class C CEO performance rights of 5,000,000 to the CEO. The Class A and Class B CEO performance rights have the same performance conditions as the 2012 Employee Executive Plan. The Class C CEO performance rights have the same performance conditions as the 2013 Employee Executive Plan.

Notes to the condensed consolidated interim financial statements

13. Subsequent events

The Directors are not aware of any matter or circumstance arising since 31 December 2013 not otherwise dealt with within the condensed consolidated financial statements that has significantly affected or may significantly affect the operations of the consolidated entity and the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.