



MACMAHON

MACMAHON HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT
31 DECEMBER 2020



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CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

For the six months ended 31 December 2020

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DIRECTORS' REPORT

For the six months ended 31 December 2020

The Directors present their report, together with the condensed consolidated interim financial statements, of Macmahon Holdings Limited and its controlled entities (the Group or Macmahon) for the six months ended 31 December 2020 including the review report thereon.

DIRECTORS

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

E Skira	(Non-Executive Chair)
A Ramlie	(Non-Executive Director)
A Sidarto	(Non-Executive Director)
V Vella	(Non-Executive Director)
B Munro	(Non-Executive Director)
H Tyrwhitt	(Non-Executive Director)
M Finnegan	(Managing Director and Chief Executive Officer)

PRINCIPAL ACTIVITIES

Macmahon is an ASX listed company that has been offering mining and construction services to clients for more than 55 years. We seek to develop strong relationships with our clients in which both parties can work together in an open, flexible and transparent way. Our approach to doing business, together with our capabilities in surface and underground mining, civil design and construction, performance enhancement, and mine site maintenance and rehabilitation services, has established Macmahon as a trusted partner on resources projects throughout Australia and internationally.

OPERATIONAL OVERVIEW

Macmahon derives revenue from activities including surface and underground mining, civil design and construction (primarily on mine sites), equipment repair and maintenance, mining advisory services, design and fabrication of mining infrastructure, and mine site maintenance and rehabilitation services.

Surface Mining

Macmahon's surface mining division offers a broad range of services including mine planning, drill and blast, bulk and selective mining, crushing and screening, water management as well as equipment operation and maintenance. During the period, Macmahon provided surface mining services to the following projects:

- **Tropicana Gold Mine** – Macmahon is fulfilling a life of mine contract at the Tropicana project in Western Australia for AngloGold Ashanti and IGO Limited.
- **Telfer Gold Mine** – Macmahon is fulfilling a life of mine contract at the Telfer project in Western Australia for Newcrest.
- **Batu Hijau Copper / Gold Mine** – Macmahon is fulfilling a life of mine contract to provide all mining services at the Batu Hijau mine in Indonesia for PT Amman Mineral Nusa Tenggara (AMNT).
- **Byerwen Coking Coal Mine** – Macmahon is fulfilling a three year contract expansion (awarded in June 2020) for the provision of open cut mining at the Byerwen project for QCoal in Queensland (forecast to November 2023).
- **Mt Morgans Gold Mine** – Macmahon is fulfilling a five year contract for the provision of open pit mining services, including drilling and blasting, loading, hauling and technical services at the Mt Morgans project in Western Australia for Dacian Gold. In July 2020, Macmahon finalised a variation for additional work at the Mt Marven pit (forecast to December 2022).
- **Martabe Gold Mine** – Macmahon is part of a 50:50 joint venture contracted by PT Agincourt Resources to provide mining services at the Martabe gold mine in the North Sumatra province of Indonesia (forecast to March 2023).
- **Langkawi Quarries** – Macmahon is fulfilling a mining services quarry contract on Langkawi Island, Malaysia, for YTL Cement (forecast to December 2025).
- **Argyle Diamond Mine** – During the period through its Indigenous employment subsidiary, Doorn-Djil Yoordaning, Macmahon provided tailing dams earthworks and haulage of coarse tailings to the tailings storage facilities for Rio Tinto in Western Australia.
- **Mogalakwena Platinum Mine** – Macmahon provided advisory services for an operational transformation project to the Mogalakwena project in South Africa for Anglo America. The contract concluded in November 2020.

DIRECTORS' REPORT

For the six months ended 31 December 2020

- **Foxleigh Mine** – In December 2020, Macmahon was awarded an equipment hire and maintenance services contract at the Foxleigh Mine located in Queensland's Bowen Basin. The project is scheduled to commence in March 2021.

Underground Mining

Macmahon's underground mining division offers underground development and production services, a broad range of ground support services, as well as services to facilitate ventilation and access to underground mines including shaft sinking, raise drilling and shaft lining. During the period, Macmahon provided underground services to the following projects:

- **Boston Shaker Gold Mine** - Macmahon is fulfilling a five year contract to develop an underground mine at the Tropicana project in Western Australia for AngloGold Ashanti and IGO Limited.
- **Ballarat Gold Mine** - Macmahon provides production drilling and cablebolting for Castlemaine Goldfields in Victoria.
- **Granny Smith Gold Mine** - Macmahon provides cablebolting services to Goldfields in Western Australia.
- **Fosterville Gold Mine** - Macmahon provides cablebolting services to Kirkland Lake Gold in Victoria.
- **Leinster Nickel Mine** - Macmahon provides cablebolting services to BHP in Western Australia.
- **Olympic Dam Mine** - Macmahon provides raise drilling services to BHP in South Australia.

Through its wholly owned subsidiary GBF, Macmahon provided the following underground services during the period:

- **Daisy Milano, Maxwells, Cock-eyed Bob, Deflector and Santa Gold Mines** – GBF provides underground mining and development services for Silver Lake Resources at both its Mt Monger and Deflector operations in Western Australia. In February 2021, Macmahon was awarded a four year contract extension from Silver Lake Resources for mining works at the Deflector operation. Refer to ASX announcement dated 12 February 2021.
- **Bellevue Gold Mine** - In August 2020, Macmahon was awarded a contract for the construction of a new portal to enable large-scale mining equipment to access historical underground workings for Bellevue in Western Australia.
- **Nicolsons Gold Mine** - Macmahon provides fleet rental and equipment maintenance support for Pantoro in Western Australia. In December 2020, Macmahon was awarded a two year contract extension from Pantoro for additional works at its Nicolsons and Wagtail projects to October 2023.
- **Comet Vale Gold Mine** - Macmahon provided mining services for Mineral Ventures at the Comet Vale Project owned by Orminex and Sand Queen, with works completed in July 2020.

In addition to a wide range of underground mining services, GBF subsidiary BOST, provides design and development of mine support infrastructure, such as underground refuge chambers, refuelling stations, escape ladderways along with underground loader buckets, truck trays, ute bodies and other machinery attachments.

Civil Construction, Mining Infrastructure and Rehabilitation

Macmahon provides consulting, design, civil construction, equipment hire, maintenance and site rehabilitation services through the TMM Group. During the period, Macmahon provided services to the following projects:

- **Peak Downs Coking Coal Mine** - TMM provides mine services works, top soil stripping, rehabilitation, tailings dam remediation and civil works to BHP Mitsubishi Alliance (BMA).
- **Saraji Coking Coal Mine** - TMM provides equipment, a full workshop with maintenance services and civil infrastructure design, construction and mine rehabilitation works to BMA.
- **South Walker Creek Coking Coal Mine** - TMM provides civil infrastructure design, construction and mine rehabilitation works and clearing services to BHP Billiton Mitsui Coal.

Equipment Maintenance and Management

Macmahon owns and operates world-class equipment maintenance facilities, giving it the ability to support front line contracting services with plant maintenance services.

Macmahon's primary workshop, located in Perth, Western Australia, is a key operational asset with the ability to rebuild both plant and components. This facility allows Macmahon to keep maintenance activities in-house and to rapidly and efficiently deploy supplies to client locations and conduct essential maintenance work.

DIRECTORS' REPORT

For the six months ended 31 December 2020

FINANCIAL OVERVIEW

Profit or Loss

The Mining segment consolidates the results of the Group's Surface Mining, Underground Mining and International Mining segments.

Revenue for the Group, excluding non-cash consideration of \$53.1 million (31 December 2019: \$104.5 million), increased by 2.95% to \$599.4 million (31 December 2019: \$582.2 million).

This increase is primarily attributed to the growth in the Company with the expansion of existing contracts (Mt Morgans, Byerwen, Daisy Milano and Cock-eyed Bob) and commencement of new projects (Bellevue and Santa).

Non-cash consideration represents the consumable materials contributed by PT AMNT to facilitate the services for which the Group obtains control but receives no margin. Due to COVID-19, from 1 July 2020, the movement of tyres and lubricants was limited, resulting in the Group not having direct control of these materials. As a result, these materials were not recognised as revenue or expenses during the period. Given these materials are passed through at cost, there is no margin attached and earnings at Batu Hijau remain unchanged.

Under AASB 15 if a customer contributes goods, to facilitate fulfilment of the contract, an assessment is required as to whether it obtains control of these contributed goods. Where supplied consumables are controlled by the Group, their cost and use are required to be recognised as a revenue and cost.

Profit before taxes increased by 8.88% to \$36.8 million (31 December 2019: \$33.8 million).

Underlying earnings (before interest, tax and customer contracts amortisation (EBIT(A))) increased by 5.44% to \$46.5 million (31 December 2019: \$44.1 million). Similarly, underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 6.32% to \$121.2 million (31 December 2019: \$114.0 million).

Balance Sheet and Cash Flows

Net assets increased to \$516.6 million as of 31 December 2020 (30 June 2020: \$497.8 million). This was primarily due to execution of expansions and commencement of new projects, offset with the impact of a stronger Australian Dollar against the US Dollar on the balance sheet of foreign subsidiaries as recognised in the foreign currency translation reserve.

The Group's net tangible assets (NTA) increased by 3.56% across the half-year from \$476.5 million to \$493.5 million at 31 December 2020. As a result, NTA per share rose from 22.1 cents per share to 22.9 cents per share.

Working Capital

Investment in net working capital increased during the half-year by \$17.5 million primarily due to the increase in receivables as a result on the expansions on existing projects and commencement of new projects. At 31 December 2020, current trade and other receivables and inventories increased by \$9.4 million and \$1.3 million to \$212.0 million (30 June 2020: \$202.6 million) and \$58.6 million (30 June 2020: \$57.3 million), respectively, whereas current trade and other payables decreased by \$6.7 million to \$147.2 million (30 June 2020: \$153.9 million).

Capital Expenditure

Capital expenditure (excluding intangible assets) for the half-year was \$138.9 million (31 December 2019: \$132.6 million), comprising of \$37.6 million acquired through leases, \$100.3 million funded in cash and \$1.0 million of deferred other payables.

Net Financing

At 31 December 2020, cash on hand totalled \$148.4 million (30 June 2020: \$141.8 million) offset by borrowings of \$277.4 million (30 June 2020: \$202.7 million) resulting in net debt at 31 December 2020 of \$129.0 million.

The increase in net debt of \$68.1 million was primarily due to the purchase of plant and equipment to support new and existing projects and payment of the final FY2020 dividend, offset partially by the generation of positive operating cash flows.

In December 2020, the Group extended and increased its existing \$75.0 million debt facility into a new enhanced \$170.0 million debt facility. The maturity date of the facility was extended from July 2021 to July 2023. At 31 December 2020, \$60.0 million was drawn as cash and \$0.4 million for bank guarantees (30 June 2020: \$19.0 million drawn for bank and credit card guarantees).

Cash Flow

Operating cash flows (excluding interest, tax and acquisition costs) for the half-year was \$96.7 million (31 December 2019: \$90.7 million), representing a conversion rate from underlying EBITDA of 79.8% (31 December 2019: 79.5%).

The cash flow conversion was impacted by the increase in receivables due to delayed receipts of \$9.9 million (31 December 2019: \$6.2 million) from trade receivables, which were paid within the first 7 days after month end. Including these receipts the cash conversion would increase to 88.0% (31 December 2019: 85%).

DIRECTORS' REPORT

For the six months ended 31 December 2020

DIVIDENDS

Subsequent to half-year end, the Directors have declared an interim dividend of 0.30 cents per share.

EVENTS SUBSEQUENT TO THE REPORTING DATE

The Directors are not aware of any other matter or circumstance arising since 31 December 2020 not otherwise dealt with within the condensed consolidated financial statements that has significantly affected or may significantly affect the operations of the Group and the results of those operations or the state of affairs of the Group in subsequent financial periods.

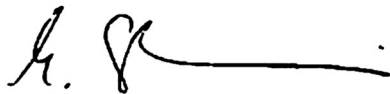
ROUNDING OF AMOUNTS

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to "rounding-off". Amounts in this report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 7 of the condensed interim financial report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the *Corporations Act 2001*.



EVA SKIRA

Chair

23 February 2021

Perth



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

To the Directors of Macmahon Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Macmahon Holdings Limited for the half-year ended 31 December 2020 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



R Gambitta
Partner

Perth

23 February 2021

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Independent Auditor's Review Report

To the shareholders of Macmahon Holdings Limited

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Macmahon Holdings Limited.

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:

- Giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of 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*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2020
- 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 15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Macmahon Holdings Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Responsibilities of the Directors for the Interim 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*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period 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.

KPMG.

KPMG

R Gambitta
Partner

Perth

23 February 2021

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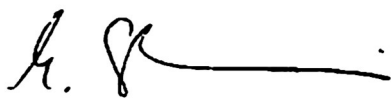
DIRECTORS' DECLARATION

For the six months ended 31 December 2020

In the opinion of the Directors of Macmahon Holdings Limited;

1. The condensed consolidated interim financial statements and notes of the Group set out on pages 11 to 22 are in accordance with the *Corporations Act 2001* including:
 - a) giving a true and fair view of the financial position of the Group as at 31 December 2020 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:



EVA SKIRA

Chair

23 February 2021

Perth

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Revenue		652,472	686,739
Other income		2,345	2,280
		654,817	689,019
Expenses			
Materials and consumables used		(223,215)	(275,855)
Employee benefits expense		(246,547)	(220,101)
Depreciation and amortisation expense		(74,894)	(70,108)
Equipment and other short-term lease expenses		(18,243)	(23,656)
Subcontractor costs		(18,267)	(20,902)
Share based payments expense	12	(192)	(1,299)
Other expenses	6	(31,481)	(36,888)
Operating profit		41,978	40,210
Net finance costs		(6,192)	(7,567)
Share of profit of equity-accounted investees, net of tax		1,058	1,110
Profit before income tax		36,844	33,753
Income tax benefit / (expense)	7	7,926	(5,032)
Profit after income tax for the period		44,770	28,721
Other comprehensive income items that are or may be reclassified subsequently to profit and loss			
Foreign currency translation		(18,988)	229
Other comprehensive (loss) / income, net of tax		(18,988)	229
Total comprehensive income for the period		25,782	28,950
Earnings per share for profit attributable to the owners of Macmahon Holdings Limited			
Basic earnings per share (cents)		2.13	1.37
Diluted earnings per share (cents)		2.08	1.32

The accompanying notes form part of the condensed half-year financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	31 December 2020 \$'000	30 June 2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		148,431	141,837
Trade and other receivables	8	212,042	202,639
Inventories		58,603	57,277
Income tax receivable		299	-
Assets classified as held for sale		222	829
Total current assets		419,597	402,582
Non-current assets			
Investments accounted for using the equity method		9,050	10,482
Trade and other receivables	8	6,250	8,574
Property, plant and equipment	9	508,791	456,996
Intangible assets and goodwill		23,108	21,330
Deferred tax asset		35,542	23,058
Total non-current assets		582,741	520,440
Total assets		1,002,338	923,022
Liabilities			
Current liabilities			
Trade and other payables		147,170	153,933
Borrowings	10	63,562	49,258
Income tax payable		1,904	5,640
Employee benefits		41,950	45,594
Provisions		14,784	14,154
Total current liabilities		269,370	268,579
Non-current liabilities			
Trade and other payables		819	1,500
Borrowings	10	213,857	153,492
Employee benefits		1,721	1,620
Total non-current liabilities		216,397	156,612
Total liabilities		485,767	425,191
Net assets		516,571	497,831
Equity			
Issued capital		563,118	563,118
Reserves		(19,605)	145
Net accumulated losses		(26,942)	(65,432)
Total equity		516,571	497,831

The accompanying notes form part of the condensed half-year financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2020

<i>In thousands of AUD</i>	Note	Share capital	Reserve for own shares*	Foreign currency reserve, net of tax	Share based payments	Accumulated losses	Retained profits	Total equity
Balance at 1 July 2020		563,118	(16,159)	10,898	5,406	(192,396)	126,964	497,831
Profit after income tax for the period		-	-	-	-	-	44,770	44,770
Other comprehensive income, net of tax		-	-	(18,988)	-	-	-	(18,988)
Total comprehensive income for the period (net of tax)		-	-	(18,988)	-	-	44,770	25,782
Transactions with owners, recorded directly in equity:								
Treasury shares purchased for compensation plans		-	(36)	-	-	-	-	(36)
Treasury shares allocated on vesting of performance rights		-	1,508	-	(907)	-	(448)	153
Dividends (0.35 cents per ordinary share)		-	-	-	-	-	(7,351)	(7,351)
Share-based payments expense	12	-	-	-	192	-	-	192
Transfer of lapsed performance rights		-	-	-	(1,519)	-	1,519	-
Total transactions with owners		-	1,472	-	(2,234)	-	(6,280)	(7,042)
Balance at 31 December 2020		563,118	(14,687)	(8,090)	3,172	(192,396)	165,454	516,571

*During the reporting period 129,294 shares were purchased from the open market for \$35,879 for compensation plans (31 December 2019: no shares were purchased). As at 31 December 2020, there are 54,839,003 (30 June 2020: 60,365,895) unallocated Macmahon shares held in trust.

<i>In thousands of AUD</i>	Note	Share capital	Reserve for own shares*	Foreign currency reserve, net of tax	Share based payments	Accumulated losses	Retained profits	Total equity
Balance at 1 July 2019		563,118	(17,755)	12,481	3,270	(192,396)	78,900	447,618
Profit after income tax for the period		-	-	-	-	-	28,721	28,721
Other comprehensive income, net of tax		-	-	229	-	-	-	229
Total comprehensive income for the period (net of tax)		-	-	229	-	-	28,721	28,950
Transactions with owners, recorded directly in equity:								
Treasury shares allocated on vesting of performance rights		-	1,700	-	(454)	-	(1,142)	104
Dividends (0.50 cents per ordinary share)		-	-	-	-	-	(10,475)	(10,475)
Share-based payments expense	12	-	-	-	1,299	-	-	1,299
Total transactions with owners		-	1,700	-	845	-	(11,617)	(9,072)
Balance at 31 December 2019		563,118	(16,055)	12,710	4,115	(192,396)	96,004	467,496

The accompanying notes form part of the condensed half-year financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers		677,971	657,734
Payments to suppliers and employees		(584,683)	(569,967)
Receipts from joint venture entities		1,866	-
Payments to joint venture entities		(69)	-
Earn-out in relation to previous acquisition	6	(2,850)	-
Acquisition costs	6	(209)	(1,274)
Interest and transaction costs paid		(8,375)	(7,793)
Interest received		177	226
Dividends received from equity-accounted investments		1,595	2,911
Income taxes paid		(7,569)	(3,631)
Net cash from operating activities		77,854	78,206
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		3,852	929
Payment for plant and equipment	9	(100,321)	(36,654)
Payment for intangible assets		(2,974)	(3,205)
Investment in joint venture		(124)	-
Acquisition of a subsidiary, net of cash acquired		(1,717)	(18,907)
Net cash used in investing activities		(101,284)	(57,837)
Cash flows from financing activities			
Dividends paid		(7,351)	(10,475)
Proceeds from interest-bearing loans	10	73,762	22,141
Repayment of interest-bearing loans	10	(3,081)	(6,330)
Repayment of lease liabilities	10	(30,226)	(24,501)
Purchase of treasury shares		(36)	-
Net cash from / (used in) financing activities		33,068	(19,165)
Net increase in cash and cash equivalents		9,638	1,204
Cash and cash equivalents at beginning of period		141,837	113,165
Effect of exchange differences		(3,044)	(200)
Cash and cash equivalents at end of period		148,431	114,169

The accompanying notes form part of the condensed half-year financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2020

1. General information

Macmahon Holdings Limited (the Company) is a for-profit public company limited by shares, incorporated and domiciled in Australia. The condensed half-year financial statements of the Company as at 31 December 2020 and the six months then ended consist of Macmahon Holdings Limited and the entities it controlled at the end of, or during, the half-year (collectively, the Group).

The principal activities of the Group for the six months ended 31 December 2020 consisted of providing mining and consulting services to mining companies throughout Australia and Southeast Asia.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2020 (2020 Financial Statements) are available on request at the Group's registered office at 15 Hudswell Road, Perth Airport, 6105, Western Australia or at www.macmahon.com.au.

2. Basis of preparation

These condensed half-year financial statements for the half-year ended 31 December 2020 were prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these condensed half-year financial statements should be read in conjunction with the 2020 Financial Statements for the year ended 30 June 2020.

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 2020 Financial Statements.

The amounts contained in the condensed half-year financial statements were rounded to the nearest thousand dollars under the option available to the Group under Australian Securities and Investment Commission (ASIC) *Corporations Instrument (Rounding in Financial/Directors' Report) 2016/191*, unless otherwise stated.

The condensed half-year financial statements provide comparative information in respect of the previous period. For consistency with the current year's presentation, reclassification of items in the financial statements have been made in accordance with the classification of items in the condensed half-year financial statements of the current period.

3. Changes in significant accounting policies

The accounting policies are consistent with those disclosed in the 2020 Financial Statements and corresponding interim reporting period.

The Group has not elected to early adopt any new or amended standards or interpretations that are issued but not yet effective.

4. Estimates

The preparation of condensed half-year financial statements requires management to make judgments, 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 half-year financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2020 Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2020

5. Operating segments

	Mining \$'000	Unallocated \$'000	Total \$'000
2020			
Revenue			
Revenue from contracts with customers	599,407	-	599,407
Revenue from contracts with customers - non-cash consideration	53,065	-	53,065
Total revenue	652,472	-	652,472
Earnings before interest, tax, depreciation and amortisation (and significant, non-recurring items)	120,376	805	121,181
Depreciation and amortisation expense (excluding customer contracts)	(73,715)	(990)	(74,705)
Earnings before interest and tax (and significant, non-recurring items)	46,661	(185)	46,476
Finance income	-	177	177
Finance costs	(6,002)	(367)	(6,369)
Share-based payments expense	(192)	-	(192)
Earn-out in relation to previous acquisitions	-	(2,850)	(2,850)
Acquisition costs	-	(209)	(209)
Amortisation on customer contracts	(189)	-	(189)
Profit / (loss) before income tax	40,278	(3,434)	36,844
Other segment information			
Segment assets as at 31 December 2020	798,083	204,255	1,002,338
Segment liabilities as at 31 December 2020	470,589	15,178	485,767
Capital expenditure for the 6 months ended 31 December 2020	138,857	-	138,857
2019			
Revenue			
Revenue from contracts with customers	582,234	-	582,234
Revenue from contracts with customers - non-cash consideration	104,505	-	104,505
Total revenue	686,739	-	686,739
Earnings before interest, tax, depreciation and amortisation (and significant, non-recurring items)	113,457	544	114,001
Depreciation and amortisation expense (excluding customer contracts)	(69,010)	(941)	(69,951)
Earnings before interest and tax (and significant, non-recurring items)	44,447	(397)	44,050
Finance income	-	226	226
Finance costs	(7,462)	(331)	(7,793)
Share-based payments expense	(1,299)	-	(1,299)
Acquisition costs	-	(1,274)	(1,274)
Amortisation on customer contracts	(157)	-	(157)
Profit / (loss) before income tax	35,529	(1,776)	33,753
Other segment information			
Segment assets as at 30 June 2020	740,083	182,939	923,022
Segment liabilities as at 30 June 2020	406,232	18,959	425,191
Capital expenditure for the 6 months ended 31 December 2019	69,933	-	69,933

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2020

5. Operating segments (continued)

	Sales to external customers		Geographical non-current assets as at	
	2020 \$'000	2019 \$'000	31 December 2020 \$'000	30 June 2020 \$'000
Australia	472,009	442,149	465,942	382,709
Indonesia	173,459	230,777	107,539	127,192
Other	7,004	13,813	9,260	10,539
	652,472	686,739	582,741	520,440

6. Other expenses

	2020 \$'000	2019 \$'000
Freight expenses	7,063	6,636
Recruitment, training and other employee incidentals	4,882	5,103
Consulting and other professional services	3,237	3,493
Earn-out in relation to previous acquisitions ¹	2,850	-
Acquisition costs	209	1,274
IT costs	2,820	2,461
Travel and accommodation expenses	2,628	5,129
Insurance	2,529	2,596
Administrative and facilities costs	2,410	3,060
Foreign exchange loss	805	-
Remeasurement of ECL allowance (Note 8)	-	2,063
Legal costs in relation to client mediation	-	1,125
Other expenses	2,048	3,948
	31,481	36,888

¹ Refer to ASX announcement made on 13 February 2018 for further details.

7. Income tax

For the half-year ended 31 December 2020, the income tax benefit of the Group was \$7.926 million (31 December 2019: income tax expense of \$5.032 million).

The negative effective tax rate in the current period of (21.51%) (2019: 14.91%) primarily resulted from the recognition of certain deferred tax assets (DTAs) of \$17.854 million previously not recognised and the lower statutory tax rates of foreign operations. The DTAs were recognised as a result of the amendments to the *Income Tax Assessment Act 1997* and *Income Tax (Transitional Provisions) Act 1997* following *Treasury Laws Amendment (2020 Measures No.6) Act 2020* receiving Royal Assent, allowing for the deduction of full cost of eligible depreciating assets. Excluding these adjustments, the effective tax rate for the half-year ended 31 December 2020 approximates 30.00% (2019: 30.00%).

8. Trade and other receivables

	31 December 2020 \$'000	30 June 2020 \$'000
Current		
Trade receivables	42,083	42,684
Contract assets	105,689	117,107
Less: Expected credit loss allowance (ECL)	(589)	(5,582)
	147,183	154,209
Other receivables	58,743	43,095
Prepayments	6,116	5,335
	212,042	202,639
Non-current		
Other receivables	1,629	4,326
Agency receivables	4,621	4,248
	6,250	8,574

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2020

8. Trade and other receivables (continued)

The movement in the expected credit loss allowance in respect of trade receivables and contract assets during the reporting period was as follows:

	\$'000
Balance as at 1 July 2020	5,582
Amounts written off	(4,993)
Balance as at 31 December 2020	589

Other receivables include VAT receivable of \$42.880 million (30 June 2020: \$31.499 million) relating to the PT Amman Mineral Nusa Tenggara (AMNT) asset acquisition and input tax credits collected on goods and services consumed which is expected to be collected. \$41.253 million (30 June 2020: \$27.173 million) has been classified as current to the extent that the Group expects to receive this within the next 12 months. \$1.627 million (30 June 2020: \$4.326 million) continues to be classified as non-current as of 31 December 2020.

9. Property, plant and equipment

Acquisitions and disposals

Capital expenditure for plant and equipment for the half-year totalled \$138.857 million, comprising \$37.592 million acquired through leases and \$100.321 million funded in cash and \$0.944 million of deferred other payables.

Impairment

The Group assessed each cash generating unit (CGU) for indicators of impairment. No indicators of impairment were identified for half-year ended 31 December 2020 (30 June 2020: Nil). The key estimates and judgements used have not materially changed to those disclosed in the 2020 Financial Statements.

Capital commitments

At 31 December 2020, the Group had entered into non-cancellable contracts to purchase plant and equipment of \$7.546 million (30 June 2020: \$4.478 million).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2020

10. Borrowings

For the half-year ended 31 December 2020, the Group's existing \$75.000 million multi-option debt facility was refinanced into a new \$170.000 million syndicated multi-option debt facility. The refinancing has extended the maturity date of the facility by 2 years from July 2021 to July 2023. At 31 December 2020, \$60.000 million was drawn as cash and \$0.411 million was drawn for bank guarantees (30 June 2020: \$18.967 million drawn for bank and credit card guarantees). The Group incurred transaction costs of \$2.210 million in relation to this syndicated multi-option debt facility, which were offset against the initial loan drawdown of \$60.000 million.

In addition, the Group secured a new USD denominated \$13.762 million term facility for its Indonesian operations, which was fully drawn at 31 December 2020 and expires in January 2022.

The Group leases offices, plant and equipment, and vehicles across the countries in which it operates. Lease contracts are for fixed periods between 6 months and 10 years, and may include extension options.

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

The table below summarises movements in borrowings during the six months ended 31 December 2020:

	Interest-bearing loans \$'000	Lease liabilities \$'000	Total \$'000
At 1 July 2020	828	201,922	202,750
New borrowings	73,762	37,592	111,354
Interest expensed	294	5,585	5,879
Interest and transaction costs paid	(2,333)	(5,535)	(7,868)
Principal repayments	(3,081)	(30,226)	(33,307)
Disposal	-	(85)	(85)
Exchange differences	(1,210)	(94)	(1,304)
At 31 December 2020	68,260	209,159	277,419
Current	13,457	50,105	63,562
Non-current	54,803	159,054	213,857

11. Fair value measurement

There were no material financial assets or financial liabilities carried at fair value. The carrying amount of financial assets and financial liabilities approximates their fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2020

12. Share based payments

For the half-year ended 31 December 2020, the Group issued two tranches of performance rights under the Macmahon Executive Equity Plan (EEP) and two tranches of share rights under the Non-Executive Director Salary Sacrifice Plan (SSP).

The EEP provides senior management with the opportunity to receive fully paid shares in the Company for no consideration, subject to specific time restrictions, continuous employment and the satisfaction of certain performance conditions. Each performance right entitles the participant to receive one fully paid ordinary share at the time of vesting. The EEP is designed to assist with employee retention and to incentivise senior management to optimise returns and earnings for shareholders.

	EEP Performance Rights
Performance rights effective on	01/07/2020
Grant date	01/09/2020
Vesting date	01/07/2023
Service period	3 years
Number of performance rights	13,778,822
Remaining number of rights at 31 December 2020	13,267,710
Fair value on grant date	\$0.142
Performance conditions	
Less than 15% CAGR ¹ in TSR ²	0%
15% CAGR in TSR	50%
Between 15% and 25% CAGR in TSR	Pro-rata between 50% and 100%
At or above 25% CAGR in TSR	100%

¹ CAGR – Compound Annual Growth Rate

² TSR – Total Shareholder Return

Measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans using the Monte Carlo simulation:

	EEP Performance Rights
Fair value at grant date	\$0.142
Share price at grant date	\$0.260
Exercise price	Nil
Expected volatility (weighted average volatility)	45.00%
Option life (expected weighted average life)	2.83 years
Dividend yield	2.90%
Risk-free interest rate (based on government bonds)	0.27%

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

The SSP provides non-executive directors an option to sacrifice a portion of their salary in return for a fixed number of rights over ordinary but restricted shares which will vest equally at two dates approximately 8 months and 14 months from the start of the financial year (NED share rights). Once vested, the shares will be held on trust on behalf of the recipients but will be subject to certain restrictions which limit the recipients' ability to sell the shares. Trading restrictions will generally end on the earliest of ceasing to be a non-executive director, the date a change of control occurs or 15 years after the date the relevant NED share rights were granted.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2020

12. Share based payments (continued)

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

	NED Share Rights	
	Tranche 1	Tranche 2
Grant date	24/06/2020	24/06/2020
Effective on	01/07/2020	01/07/2020
Vesting date	21/02/2020	25/08/2020
Service period	8 months	14 months
Tranche and number of share options	647,563	647,560
Share price at grant date	\$0.245	\$0.245
Discount for lack of marketability	30%	30%
Implied FV of restricted shares	\$0.172	\$0.172
Exercise price	\$0.261	\$0.261
Risk-free interest rate (based on government bonds)	0.25%	0.25%
Volatility factor	45%	45%
Dividend yield	1.45%	2.90%
Implied discount to share price at grant date	98%	96%
Fair value at grant date	\$0.005	\$0.010

The volume of rights outstanding as of 31 December 2020 is reconciled below:

	LTIP and EEP performance rights		NED share rights	
	2020	2019	2020	2019
Balance at 1 July	89,063,957	87,517,607	707,856	492,929
Granted	13,778,822	10,197,059	1,295,123	1,128,528
Vested	(4,948,330)	(5,971,921)	(707,856)	(492,929)
Forfeited	(37,415,743)	(1,760,286)	-	-
Balance at 31 December	60,478,706	89,982,459	1,295,123	1,128,528

13. Contingent assets and liabilities

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

Bank guarantees and insurance bonds are issued to contract counterparties in the ordinary course of business as security for the performance by the Group of its contractual obligations. The Group is also called upon to provide guarantees and indemnities to contract counterparties in relation to the performance of contractual and financial obligations. The value of these guarantees and indemnities is indeterminable.

There were no contingent assets as at 30 June 2020 or 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2020

14. Related party transactions

AMNT (including its related entities) is a significant shareholder of the Group. The following table provides the total amount of transactions entered into with AMNT, for the six months ended 31 December 2020 and 2019, as well as balances as at 31 December 2020 and 30 June 2020:

	2020 \$'000	2019 \$'000
Transaction recognised in profit or loss		
Revenue recognised from shareholder	172,923	227,115
Non-cash materials and consumables utilised from shareholder	(53,065)	(104,505)
	31 December 2020 \$'000	30 June 2020 \$'000
Receivables from significant shareholders		
Trade receivables and contract assets	29,862	44,544

15. Subsequent events

Subsequent to half-year end, the Directors have declared an interim dividend of 0.30 cents per share.

The Directors are not aware of any other matters or circumstances arising from 31 December 2020 not otherwise dealt with within the condensed half-year financial statements that has significantly affected or may significantly affect the operations of the Group and the results of those operations or the state of affairs of the Group in subsequent financial periods.

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COPORATE DIRECTORY

DIRECTORS

E Skira	(Non-Executive Chair)
A Ramlie	(Non-Executive Director)
A Sidarto	(Non-Executive Director)
V Vella	(Non-Executive Director)
B Munro	(Non-Executive Director)
H Tyrwhitt	(Non-Executive Director)
M Finnegan	(Managing Director and Chief Executive Officer)

COMPANY SECRETARIES

G Gettingby
K Nadebaum

PRINCIPAL REGISTERED OFFICE

15 Hudswell Road
Perth Airport, Western Australia 6105

LOCATION OF SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000

SECURITIES EXCHANGE

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

AUDITOR

KPMG
235 St Georges Terrace
Perth WA 6000

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