Insert Agent Details | Go To Guide | Clear Form | Print | Save | User Guide | Annexure | Close Form

ASIC registered agent number

lodging party or agent name MACMAHON HOLDINGS LIMITED
office, level, building name **or** PO Box no. PO BOX 198
street number & name 44 KURNALL ROAD
suburb/city WELSHPOOL state/territory WA postcode 6106
telephone (08) 9365 1183
facsimile (08) 9365 1186
DX number suburb/city

ASS. ☐ REQ-A ☐
CASH. ☐ REQ-P ☐
PROC. ☐

Australian Securities & Investments Commission

copy of financial statements and reports

form 388
Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Name MACMAHON HOLDINGS LIMITED
ACN / ARBN / ARSN/PIN 007 634 406

Reason for lodgement of statements and reports

tick the appropriate box

- ☒ A public company **or** a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- ☐ A registered scheme* (B)
- ☐ Amendment of financial statements or directors' report (company) (C)
- ☐ Amendment of financial statements or directors' report (registered scheme)* (D)
- ☐ A large proprietary company that is not a disclosing entity (H)
- ☐ A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- ☐ A small proprietary company that is requested by ASIC to prepare and lodge statements and reports (J)
- ☐ A prescribed interest undertaking that is a disclosing entity (K)

Dates on which financial year begins 01 / 07 / 2002 and ends 30 / 06 / 2003 *(d/m/y)*
Date of Annual General Meeting (if applicable) 20 / 10 / 2003

Details of large proprietary company

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated gross operating revenue of the large proprietary company and the entities that it controls?

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C How many employees are employed by the large proprietary company and the entities that it controls?

D How many members does the large proprietary company have?..

Auditor report

Were the financial statements audited? **Yes** ☒ **No** ☐

If yes: Does the auditor's report (section 308) **for the financial year contain a statement of:**

* reasons for the auditor not being satisfied as to the matters referred to in section 307? Yes ☐ No ☒
* details of the deficiency, failure or shortcoming concerning any matter referred to in section 307? Yes ☐ No ☒

If no: Is there a class order exemption current for audit relief? **Yes** ☐ **No** ☐

*** NOTE:** Where a new auditor has been appointed to a Registered Scheme, **Form 5137 - Appointment of Scheme Auditor** must be lodged

Details of current auditor*

The auditor can be a person or a firm.

If a person

name (family & given names)

Auditor Registration no:

office | level | building name

street number & name

suburb / city | state / territory | postcode

date of appointment (d/m/y) / /

or

If a firm

name of firm DELOITTE TOUCHE TOHMATSU

office | level 16 | building name CENTRAL PARK

street number & name 152 - 158, ST GEORGE'S TERRACE

suburb / city PERTH | state / territory WA | postcode 6000

Business Registration number (if applicable) 14062 | State / Territory registered in WA

date of appointment (d/m/y) 21/ 11 /2000

Statements and reports to be attached to this form

Financial statements for the year (as per ss295(2))
statement of financial performance for the year (profit and loss statement)
statement of financial position as at the end of the year (balance sheet)
statement of cash flows for the year
if required by accounting standards - consolidated profit & loss statement, balance sheet and statement of cash flows

Notes to financial statements (as per ss295(3))
disclosures required by the regulations
notes required by the accounting standards
any other information necessary to give a true and fair view (see s297)

The directors' declaration about the statements and notes (as per ss 295(4))

The directors' report for the year (as per s 298 to 300)

Auditor's report required under sections 308 and 314

Certification

I certify that the attached documents marked ( ) are a true copy of the annual reports required under Section 319.

print name ELIZABETH BEE HIANG LEE | capacity COMPANY SECRETARY

sign here | date 16/09/2003

*** NOTE:** Where a new auditor has been appointed to a Registered Scheme, **Form 5137 - Appointment of Scheme Auditor** must be lodged

Small Business (less than 20 employees), please provide an estimate of the time taken to complete this form
Include
- The time actually spent reading the instructions, working on the question and obtaining the information
- The time spent by all employees in collecting and providing this information

hrs mins

Macmahon Holdings Limited

ACN 007 634 406

MACMAHON

ANNUAL REPORT 2003

MACMAHON

CONTENTS

Geoff Liddle was born and bred in Alice Springs and joined Macmahon in the late 60's.

The next few years were times of significant growth in the NT when Macmahon built large subdivisions in Alice Springs, some 150km of the Stuart Highway to the SA border, mine haulroads and dams in Tennant Creek and the Darwin River Dam.

Geoff was involved in many of these projects, initially as a scraper operator and ultimately as a Supervisor.

By the time Macmahon closed it's Alice Springs office in the early 90's, Geoff had also supervised many other projects throughout the NT and Qld including roadworks on the Barkly Highway and the Jackson gas field, tourist development at Ayers Rock, dual highways in Darwin and two stages of the Tarcoola - Alice Springs railway.

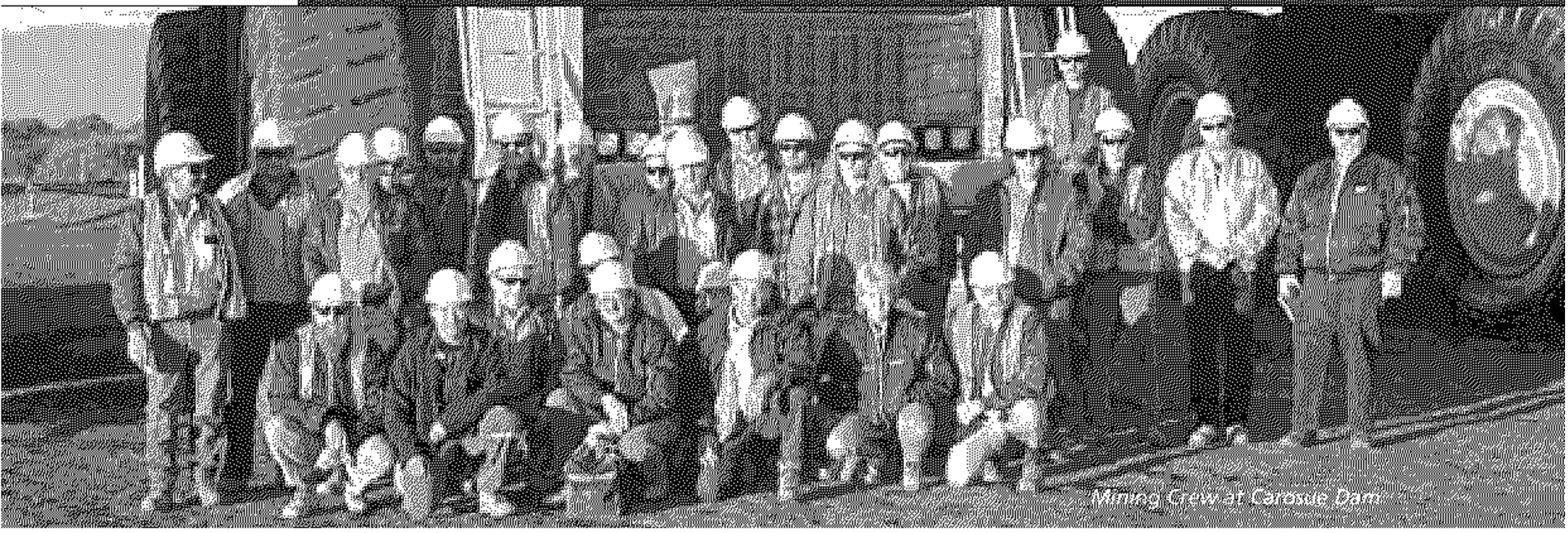
When the Alice Springs to Darwin Railway looked like becoming a reality in 2000, Geoff was an obvious choice to lead a team to clear an initial access track for the surveyors. Once construction started in 2001, he joined one of the earthworks fleets and is currently completing the final rehabilitation between Katherine and Alice Springs.

Despite working on many remote projects, Geoff also managed to fit in an eventful sporting career as a front rower in rugby union and an Aussie rules ruckman. Nowadays, golf is his passion.

Geoff and high school teacher wife Jeanne, have also raised a family of high achievers with three daughters, all of whom are university graduates and a son who is a first officer with Cathay Pacific International airlines.

Front cover: Geoff Liddle Earthworks Supervisor. Location: Rock excavation near Mud Creek on the Alice Springs to Darwin Railway.

THE COMPANY



Macmahon is an Australian listed company that is entering its 40th year of operation from its initial beginnings as a civil engineering contractor founded in South Australia.

The company has grown from a privately owned business to be one of Australia's specialist civil construction and mining contracting services group with four core businesses:

- **Civil construction**
- **Open Cut mining**
- **Underground mining**
- **Hire**

With nearly 1200 employees, Macmahon has operations in Australia, New Zealand and Malaysia.

At Macmahon we aim to satisfy our clients' requirements by building businesses that deliver shareholder value, operating in a safe environment and providing opportunities to motivate and develop our people.

Values :

- To act fairly and honestly;
- To be professional and act with integrity in our business dealings;
- To promote a safe, positive and enjoyable work environment;
- To consider the impact of our decisions on our colleagues;
- To work harmoniously within the communities in which we operate.

2003 YEAR HIGHLIGHTS

	2003	2002
Financial		
Group Revenue	$416.1 million	$441.0 million
Joint Venture Revenue	$69.1 million	$39.2 million
Total Revenue	$485.2 million	$480.2 million
Profit After Tax	$8.5 million	$7.1 million
Cashflow from Operations	$21.8 million	$43.4 million
Asia Pacific Transport Investment	$11 million	Nil
Return on Shareholders Funds	14.6%	14.3%
Safety		
Lost Time Injury Frequency Rate	3.3	2.5
Number of Full Time Employees	1184	1865
Work on Hand		
New contracts and extensions won	$343 million	$324 million
Work on Hand (June)	$341 million	$488 million

Macmahon

Civil Construction
- Roadworks
- Railways
- Ports
- Mine Development
- Dams
- Maintenance

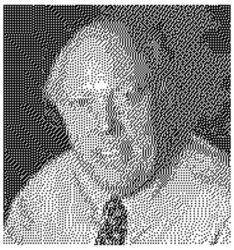
Open Cut Mining
- Open Cut Mining
- Drill & Blast
- Crushing

Underground Mining
- Mine Development
- Mine Production
- Production Drilling
- Ground Support
- Diamond Drilling

Hire
- Plant Hire
- Labour Hire

Alice Springs to Darwin Railway
- Construction
- Ownership

CHAIRMAN'S report



David Humann, Chairman

I am confident the 2003 Annual Report will please all shareholders.

We have improved our net profit after tax by 20% in a very competitive market, with returns on shareholder equity at just under 15%.

This performance is set against a backdrop where the economic performance of the world markets shows early signs of improvement. As far as the mineral commodity markets are concerned the real vigour of the People's Republic of China's (PRC) economy provides a major emerging and long term opportunity for Australian exports and investment.

We are seeing clearly in the announcements from our iron ore, nickel, copper and liquid natural gas producers massive new investment in facilities to serve the PRC as well as other growing economies in the global market. This investment should result in a flow of work to Macmahon.

The Australian economy continues to lead the developed world in steady sustainable growth and given the current federal budget trends, taxation surpluses are available for investment in tangible infrastructure assets such as road, rail, port and water conservation projects. Macmahon expects to win its share of these projects.

We are already seeing an increase in the number and value of new projects for which we are being invited to bid.

To ensure Macmahon continues to grow profitably we will continue to focus on our four key operating divisions; civil construction, open cut and underground mining services as well as labour and plant hire predominantly in Australia and New Zealand.

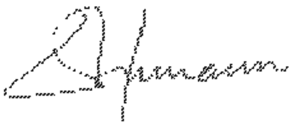
In addition to generic growth we have already commenced looking for potential business acquisitions which compliment our core skills and improve returns per share.

Macmahon also now has a significant 7.5% investment in the Alice Springs to Darwin rail project. This infrastructure and freight logistics business is entering an exciting phase with the first train scheduled for January 2004. We will over the next 12 months evaluate our options to maximise the value of our investment.

We consider our financial position is now very solid and in order to grow profitably we have taken steps to increase the capacity and range of skills in our management team.

In all these conditions our people have maintained an excellent safety record and a thoroughly professional approach to their work. Our safety record is an important indicator of the great importance our people place on applying the highest safety and operating standards to all our work.

All our staff deserve high praise. Their unceasing work and creative approach in providing mining, engineering and construction solutions to our clients has led to our success. We applaud their dedication.



DAVID J HUMANN

CHAIRMAN

CHIEF EXECUTIVE OFFICER'S report

Earnings

I am pleased to report that Macmahon has continued to build on our 2002 earnings base by recording a 20% increase in profit after tax to $8.5 million for the 2003 year.

The latest profit was achieved on Total Revenue (including attributable joint venture revenue) which increased from $480 million to $485 million and consisted of $416 million revenue from group operations and $69 million from joint venture operations.

Profit after tax on Total Revenue was 1.7% compared to 1.5% in the previous year which is within the short term target range of 1.5% to 2.0%.

Nick Bowen, Chief Executive Officer

Financial Ratios

Earnings per share increased from 2.9 cents per share to 3.4 cents per share and return on shareholders funds improved from 14.3% to 14.6% which is considered to be an excellent return.

Cashflow

Cashflow from operations was $21.8 million which enabled the group net debt to be reduced by a further $13.2 million. Gearing (net debt/equity) reduced from nearly 170% to 120% and is well on track to meet our June 2004 target of less than 100%.

Drilling and mining activity at Martha Pit, Waihi (NZ)

Scorecard

In June 2002 Macmahon established a number of targets for the 2003 year. Performance compared to these targets in shown in the table below.

	Target Established June 2002	Actual Result	Comments
After tax margin on Total Revenue	2%	1.7%	Improvement on 2002 actual of 1.5% but below target. Competition remains strong for new mining work.
Net Debt	Under $70.0 million	$69.3 million	Achieved notwithstanding $11.0 million early commitment of Alice Springs to Darwin railway funding.
LTIFR	2.0	3.3	No serious accidents but target not achieved. However result still well below industry average of 5.

Safety

Macmahon's safety performance remains a key focus for the benefit of all our stakeholders. Employees are entitled to the highest levels of health and safety and our clients demand exceptional performance.

The 12 month rolling Lost Time Injury Frequency Rate (number of lost time injuries per million man hours involved) was 3.3 at year end. This is a slight increase on our 2002 figure of 2.5 but remains well below the industry

average of 5. The more complete Total Recordable Injury Frequency Rate (a combination of Lost Time, medical and alternate duties injuries) improved a significant 35% to 25.1.

Community Involvement

Macmahon's operations are typically located in outback Australia and as part of our community commitment and support a number of initiatives were undertaken during the year including:

- $50,000 sponsorship spread over 4 years for equipment replacement with the Royal Flying Doctor Service.
- $10,000 support to the Living Works programme in the Pilbara of WA to assist in the prevention of suicide.
- $7,000 of community and education support across Australia in the communities in which we operate.

Investment (Asia Pacific Transport - APT)

Construction of the Alice Springs to Darwin railway by the ADrail joint venture (Macmahon 10%) proceeded ahead of schedule and completion will be achieved before the end of 2003. The first freight train is scheduled for January 2004.

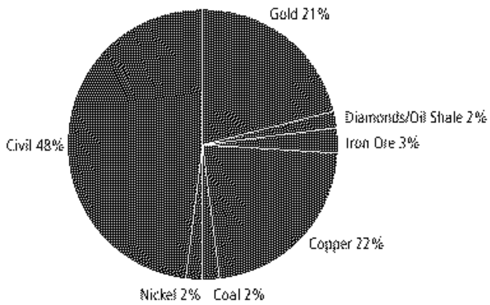
During the year, the rail project debt facilities were restructured which resulted in a partial early call of equity plus additional equity.

At 30 June 2003, $11 million of equity had been contributed and in the next 12 months, a further $15.5 million of equity will be contributed, taking Macmahon's total contribution by June 2004 to $26.5 million. This represents approximately 7.5% equity shareholding in Asia Pacific Transport (APT), owner of the railway track infrastructure and operator of the freight business for the 50 year concession of the Alice Springs to Darwin railway.

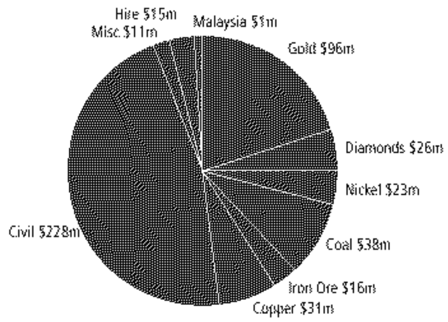
Dividends

Due to the earlier than anticipated equity investment into the Alice Springs to Darwin railway, the need to continue to reduce overall debt and the target to reduce the debt to equity to below 100%, Directors considered a dividend for the 2003 year would not be appropriate.

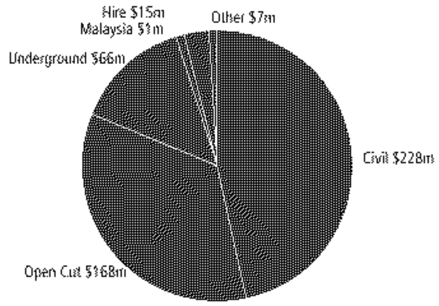
Order Book by Commodity



Total Revenue by Activity



Total Revenue by Division



Order Book

At June 2003 the work in hand stood at $341 million which was below the corresponding figure of $480 million in June 2002. In the first 2 months of 2004 a further $80 million of new work was won including a 5 year Open Cut contract for WMC Resources at its Phosphate Hill project in Queensland, taking the order book at the end of August 2003 to $370 million.

While the order book at year end was below desired levels, the Company has maintained its disciplined approach to tendering and is not prepared to win work below acceptable margins, including return on capital hurdles.

Business Strategy

Macmahon continues to focus on its three core businesses of Open Cut and Underground mining and Civil Construction in Australia and New Zealand.

During 2003, the Company introduced a hire business which supplies both mobile plant and labour to the mining and civil sectors.

The Hire Division is the fourth operating division which, apart from having its own dedicated fleet, has the ability to hire out plant that may be idle in one of the other operating divisions.

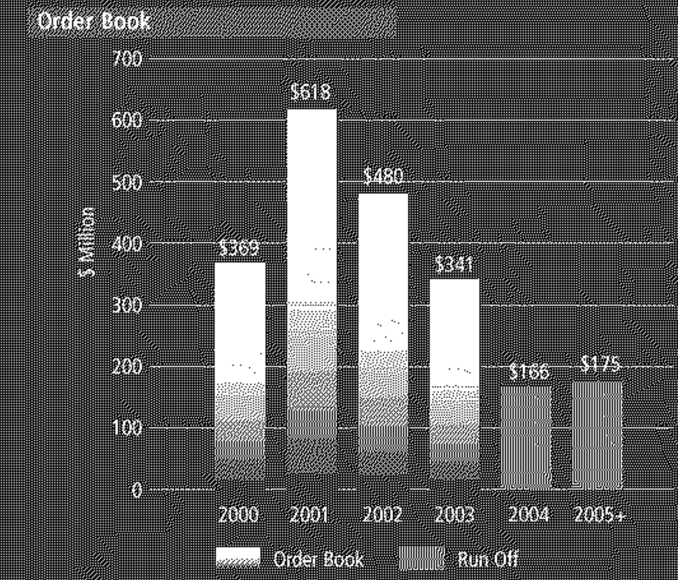
Operations

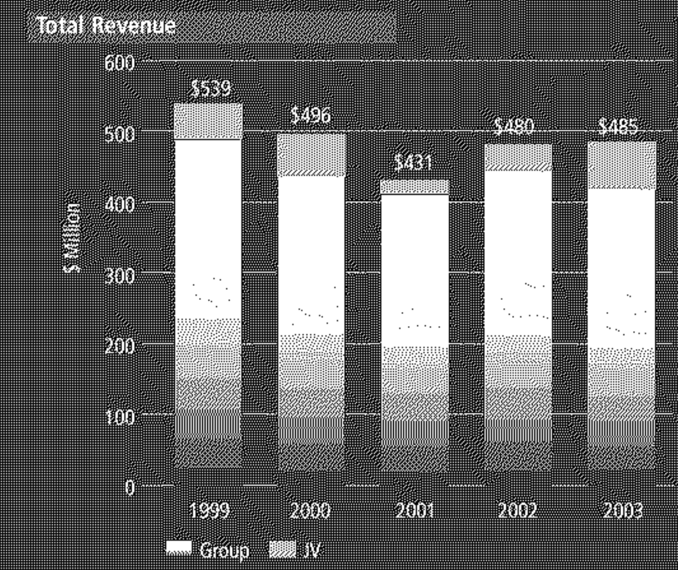
- **Civil Construction** – Activity in the civil division was strong during the year with total revenue (including joint ventures) up 79% to $228 million. In Western Australia a number of contracts associated with iron ore and gold projects were awarded and completed during the year. Two major road contracts were won in Perth. Construction of the Alice Springs to Darwin railway (Macmahon 10%) proceeded extremely well with the project over 90% complete at year end.

  Profit for the civil division was very strong for the year and was boosted by the contribution from the Alice Springs to Darwin railway joint venture.

- **Open Cut Mining** – Revenue was down 26% to $168 million as a result of insufficient new work. The lack of new work also impacted profitability due to higher idle equipment charges. Additionally, losses on one major contract impacted the result. Improvements are now being achieved on this project. Opportunities in coal continued during the year with further work won.

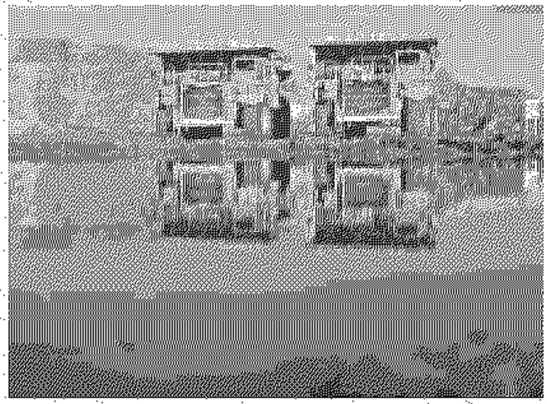
- **Underground Mining** - Revenue was down 30% to $66 million, again as a result of insufficient new work. The operations all performed well and contributed to profit. Margins for major new work are in our view below acceptable levels considering the risk and capital involved and consequently we were not successful in winning any significant work during the year. The division is continuing to target specialist work for owner miners, which is delivering acceptable returns.





- **Hire** – Plant hire revenue increased by 33% to $15.0 million. Growth opportunities continued to present themselves during the year and this area of the business is targeted for growth.
- **Malaysia** - During the year the Kepong quarry contract in Kuala Lumpur was completed. The contract completion necessitated the sale of the quarry crushing and screening plant which resulted in a loss of $0.6 million.

  Macmahon has considerable experience in quarry operations and is pursuing a number of opportunities to work for major international companies in Malaysia. Unlike the Kepong contract these contracts would not involve ownership of fixed plant (crushing units).



Outlook

The outlook in the civil construction industry remains very strong due to a combination of Government infrastructure projects and mine development/expansion. The strong outlook is expected for the next few years and Macmahon will benefit from this.

Commodity prices are improving and the mining industry is showing strong signs of growth.

In mining there are a number of Open Cut opportunities presently in the coal and iron ore sectors. Both the Open Cut and Underground divisions are finding increasing opportunities to work with owner miners providing specialist activities.

At year end tendering activity was very strong and several projects well suited to Macmahon are available. A number of contract extensions are currently being negotiated and further new work is expected in the coming months.

Based on anticipated new work revenue above $400 million is forecast in 2004. The reduced margin from the Alice Springs to Darwin railway joint venture project as it reaches completion is expected to be offset by growth in the civil division and an improved result from mining and the hire division.

A key focus in the next 12 months will be to improve the returns from the existing business. In addition acquisitions will be targeted in specialist areas within our sphere of core competencies to improve our overall profit margin.

Equity contributions to the Alice to Darwin railway and equipment replacement will result in significant cash investments during the year but debt levels are expected to reduce further.

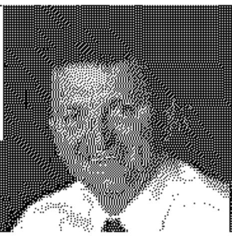
The following Group targets have been established:

- Annual profit and EPS growth
- Long term Debt/Equity of 75% - under 100% in 2004
- Return on Capital of 13% to 15%
- A 20% annual reduction in Total Recordable Injury Frequency Rate
- Be a dividend paying company

NICK BOWEN

CHIEF EXECUTIVE OFFICER

FINANCE report



Rick Blair, Chief Financial Officer

Minor Bridge, Alice Springs

Finance Report

Financial Performance Indicators

	2003	2002
Net Tangible assets per share	**20.6 cps**	17.0 cps
Return on shareholders equity	**14.6%**	14.3%
Shareholder funds	**$57.9 million**	$49.4 million
Cash flow per share	**8.9 cps**	17.3 cps
Interest cover ratio	**2.1**	1.96
EBITDA	**$39.1 million**	$46.9 million

Earnings and Taxation

The profit after tax for 2003 of $8.5 million was 20% higher than the $7.1 million reported in 2002.

The low rate of company tax reflects the fact that Macmahon does not carry a future income tax asset and is currently utilising carried forward Australian taxation losses, therefore its Australian operations are not tax effected. The extent of the carried forward tax losses of $18.2 million means Macmahon is unlikely to be liable for Australian company tax for some 2 to 3 years. The actual taxation expense of $0.4 million for 2003 relates to foreign operations.

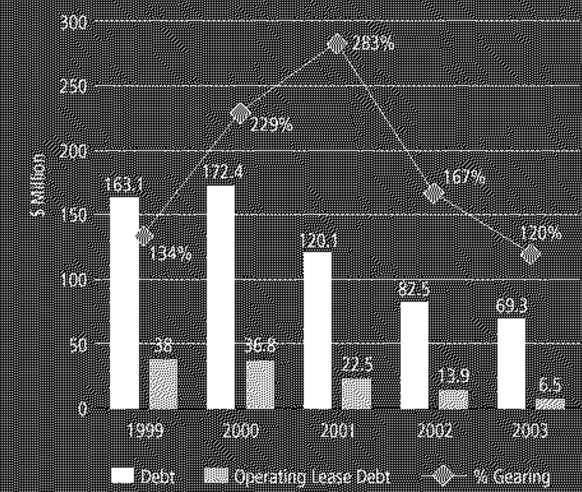
Borrowings and Interest

The reduction of the level of debt continued to be a priority in 2003 with the net balance sheet debt at 30 June 2003, after initial equity investment in APT of $11.0 million, being $69.3 million which was $13.2 million lower than June 2002.

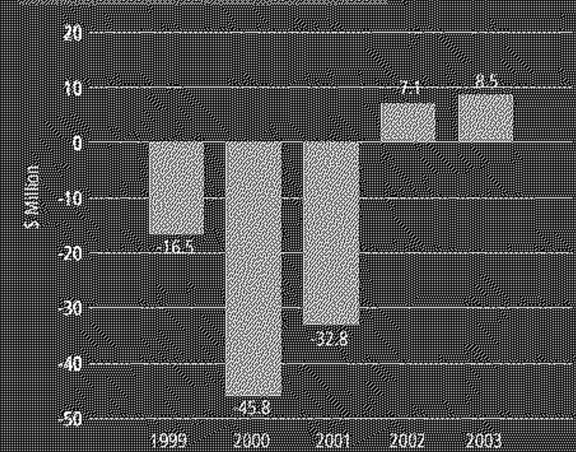
The net balance sheet debt at June 2003 of $69.3 million is some $103 million below its peak at June 2000.

Interest and borrowing costs were $8.1 million ($10.0 million 2002).

Debt/gearing



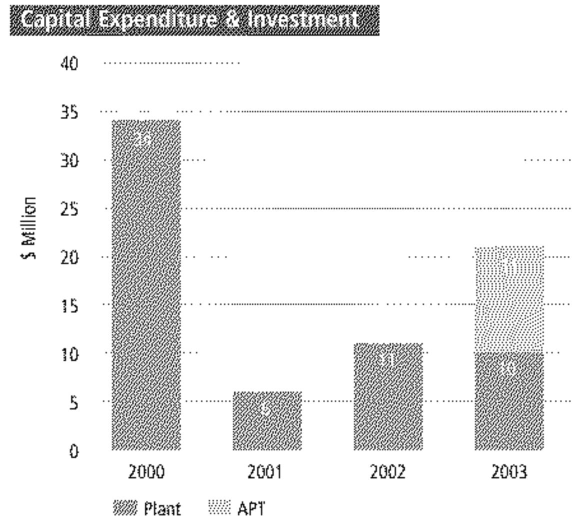
Profit after Tax



Capital Expenditure

Capital expenditure for 2003 was $10.0 million compared to $10.5 million in 2002.

The level of future capital expenditure is largely dependant on the nature and quantum of new work won. The expected level of capital expenditure in 2004 of $15.0 million is below the group's forecast depreciation/amortisation charge.



Financial Returns

The return on shareholder equity increased from 14.3% to 14.6% in 2003.

A key financial driver for a capital intensive business like Macmahon is return on capital employed. The return on capital target varies between divisions but the group target is between 13% -15%.

After including the $11 million equity investment in APT the actual return on capital of 12.9% was slightly lower than 13.4% in 2002. The target of 13% -15% will be difficult to achieve for the next 2 – 3 years until the equity returns from the APT investment start to be realised.

Return on capital employed continues to be a prime focus in directing Macmahon's business.

Macmahon Hire fleet at Finucane Island

Depreciation/Amortisation

Depreciation and amortisation cost for 2003 was $22.1 million compared to $27.4 million in 2002.

The reduction in depreciation is due to the sale of idle plant, better equipment utilisation, lower level of open cut mining activity and the higher proportion of earnings being derived from civil projects (including joint ventures) which utilise lower levels of Macmahon plant.

Contract Performance Securities

Macmahon utilises both bank guarantees and insurance bonds to provide clients (mainly on civil projects) with performance security.

With the high level of civil projects the source of suitable credit rated insurance bonds is an issue for the industry as is the management of bonding facilities and effective use of the bonds within Macmahon. Macmahon will continue to source the most cost effective options.

Risk Management and our Business Processes

Macmahon Business System

To ensure Macmahon operates in an environment where risk is properly managed, the company has successfully progressed with the integration of its business management systems. From January 2003 management have had access to the Macmahon Business System (MBS) electronically via the company's intranet.

This has been a key step in providing the tools for management to continually improve our business and provide industry leading processes while effectively managing risks within the business. The MBS integrates all the key business areas (processes) to provide an overall coordinated approach to the way we manage and conduct our businesses.

To meet our clients' requirements our quality, environmental and safety management systems have been assessed and independently certified by NATA Certification Services International (third party certification body) as meeting the requirements of the following management system standards:

- AS/NZS ISO 9001:2000 - Quality Management System
- AS/NZS ISO 14001:1996 - Environmental Management System
- AS/NZS 4801:2001 - Occupational Health and Safety Management System

This certification includes our core business areas of civil construction, open cut and underground mining across Australia and New Zealand operations.

Macmahon management systems are an essential element of the way we manage our business processes to meet customer requirements, reduce business risk, improve profitability and demonstrate responsible management to our stakeholders.

The key elements of the MBS management risk are: -

- **Tendering**

  Macmahon focuses on ensuring that a formalised and standard approach is taken in bidding and pricing new work or extensions to existing contracts.

  The key elements addressed in preparing a bid are: -

  - country sovereign risk
  - financial capacity of prospective client
  - project viability assessment
  - specific operational risks related to the physical conditions on the project

- financial risk and adequate risk return for the project. Return on Capital is a key measure and projects need to meet certain hurdle rates before a tender is lodged. The Return On Capital required may vary between divisions depending on the nature of the project and its location.

- **Interest Rates**

  Macmahon utilises fixed interest rate leasing to match the tendered interest rate. The level of borrowings subject to variable interest rates is approximately $30 million of which there is a short term interest rate cap on 6.25% at $20 million expiring in December 2003. It is intended to extend this interest rate protection.

- **Insurance**

  Macmahon protects its insurable risks with a comprehensive insurance programme.

  The insurance renewal at June 2003 was undertaken in a very difficult insurance market in Australia and overseas and resulted in increases in both professional indemnity and public liability premiums. These increases were partly offset by a continuing reduction in workers compensation premiums (largely Western Australia) as a result of the company's excellent safety performance. Capacity in the insurance market for professional and public liability has also become a short term issue.

  Strategies for reducing premiums for liability insurance are being considered for the next renewal programme.

- **Credit Risk - Accounts Receivable**

  In addition to normal credit reviews of potential customers, Macmahon has in place a credit insurance policy to assist in the mitigation of loss in the event of any large defaults.

- **Selection and Training**

  A key element to Macmahon achieving its business plan with manageable risk is ensuring our people have the appropriate skills and competencies to undertake the required tasks in a competent, proficient and safe manner.

  This is achieved through the MBS where Macmahon has developed key processes that effectively select, induct and train our people for the required tasks.

  These areas of selection, induction and training for Macmahon are recognised among the best within the industry and have been one of the keys for success of a number of projects including ADrail.

RICK BLAIR

CHIEF FINANCIAL OFFICER

Safety and Training

The Macmahon safety management system is based upon the requirements of AS/NZS 4801:2001 Safety Management Systems and integrates the principles of AS/NZ4360 Risk Management. These systems provide a framework for the effective management of safety across our operations and allow for the establishment of objectives and targets. There is a clear demonstration of objectives and targets addressing significant safety aspects which cover our legal and contractual obligations. We pride ourselves on the fact that our systems are flexible and provide a seamless interface with the requirements of our clients.

The performance of Macmahon in the areas of occupational health and safety is driven by the Company's commitment to its people, the effective management of risk and our continued pursuit of our ultimate goal which is an injury free workplace.

As part or our commitment to safety, a Group Safety Manager reporting directly to the CEO was appointed during the year.

A number of initiatives were implemented during the year:

- Integration and the establishment of our MBS
- Focus on supervisory safety training
- Subcontractor and client selection safety reviews.
- Project risk assessment

Achievements and awards

In our ongoing efforts towards injury elimination, a number of our operations achieved safety performance milestones:

- Total of 6 sites have achieved one year without a lost time injury being incurred.
- Total of 12 sites have been LTI free since commencement.

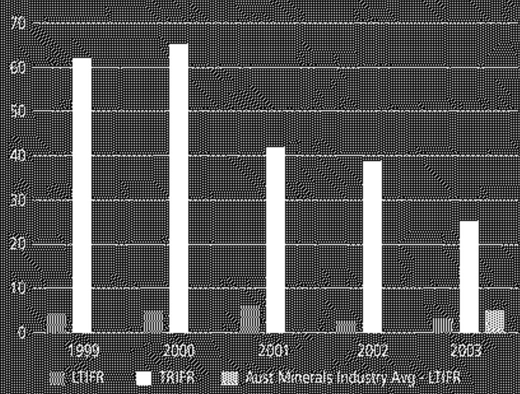
External recognition for excellence in safety management was awarded to the organisation in the sustainment of our certification to the requirements of AS/NZS 4801:2001 Occupational Health and Safety Management Systems.

Macmahon was awarded the IFAP Gold award for excellence in safety management systems in 2003.

Safety Audits

Macmahon has established a rigorous auditing protocol and schedule requiring that all operations undergo an internal audit every three months. In addition external audits are carried out by third party organisations at the request of clients.

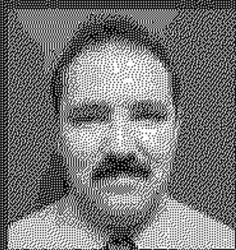
Group Safety Results



DEFINITIONS

LTIFR Lost Time Injury Frequency Rate - Number of Lost Time Injuries per million hours worked.

TRIFR Sum of Lost Time injuries + Alternate duties injuries + medical treatments per million man-hours worked



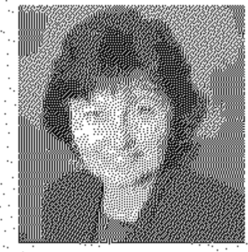
Neil Wilson
Group Safety Manager

Safety Objectives for 2004

A minimum 20% reduction in the TRIFR through a combination of:

- Proactive implementation and audits of the Macmahon Safety Management System.
- Implement hazard identification and risk assessment training.
- Implement behavioural based observation programs.

Human Resources

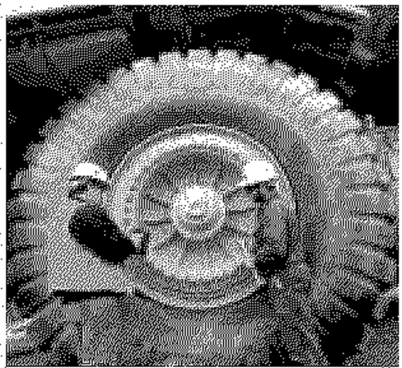


Janette Woodham,
General Manager Human Resources

The recruitment, training and retention of personnel is fundamental to the company's ability to conduct work and provide services meeting client requirements. As such, Macmahon has established comprehensive and rigorous processes to ensure these goals are met.

Our commitment to training continued this year with the expansion of the Frontline Management Initiative. In 2003, 4 managers graduated and 18 project managers have commenced training.

The Frontline Management Initiative is a nationally accredited certificate and diploma qualification which requires significant commitment on the part of the employees who complete project work in their own time as well as employer contribution through mentoring and training. As all the projects are workplace based the pay-back for the organisation is both immediate and ongoing.



Young people were also included in our recruitment and training initiatives with 4 new apprentices and 4 graduate engineers commencing employment during the year. The company has a total of 67 qualified engineers and 13 apprentices.

Macmahon maintained a strong direct relationship with its employees this year and continued its excellent industrial relations record with no lost time due to disputes during the year.

Indigenous & Local Employment

Macmahon's policy is to work with local communities wherever possible.

The Alice Springs to Darwin railway project remained the largest employer of indigenous people with 120 indigenous people employed on the project throughout the year.

A number of formal agreements with indigenous companies were in place during the year including:

- **Nghulin** - A joint venture established in 1998 at the Stuart Oil Shale project in Queensland involving plant and labour hire with the local community.
- **Indigenous Mining Resources** - Established in 2001 for the provision of indigenous employees on contracts in the Pilbara region including BHP Billiton's Area C bulk sample, Yandi Airstrip and Finucane Island.
- **Carey Mining** - Established in 2000 for the provision of indigenous employees in the Goldfields region including 6 full time plant operators at Sons of Gwalia's Carosue Dam operations.

In addition Macmahon encourages local employment opportunities by working closely with local community agencies. The BHP Billiton Finucane Island project at Port Hedland achieved 20% local hire giving local people access to valuable training and employment opportunities.

Environment

Since 1997 Macmahon has been a signatory to the Australian Minerals Industry Code for environment management. One of the requirements of our voluntary commitment to the Code is the production of an annual Public Environmental Report (PER). A copy of the full report will be available on the Macmahon website at www.macmahon.com.au

Macmahon is committed to openness, transparency and improved accountability through public environment reporting and engagement with the community.

Highlights during 2003 included:

- Implementation of the majority of environmental targets set in 2002 PER;
- Implementation of qualitative prioritisation of the identified environmental risks to the business. Improved risk assessment methodology applied to all projects by including residual risk, as well as inherent risk, to align with AS/NZS 4360:1999 risk management standard; and
- Maintenance of third-party certification to AS/NZS ISO 14001:1996 – Environmental Management Systems.

In 2004 Macmahon will develop its strategy and plans for sustainability, increase employee awareness on environmental issues and implement an Environmental Management Plan for its head office operations.

Relocating Zamia Palms on the Roe Highway Stage 6 Joint Venture Project

Macmahon's policy is to work with local communities

Bruce Adams, Khan Godsmark, Glen Kiernan at Waihi

Plant

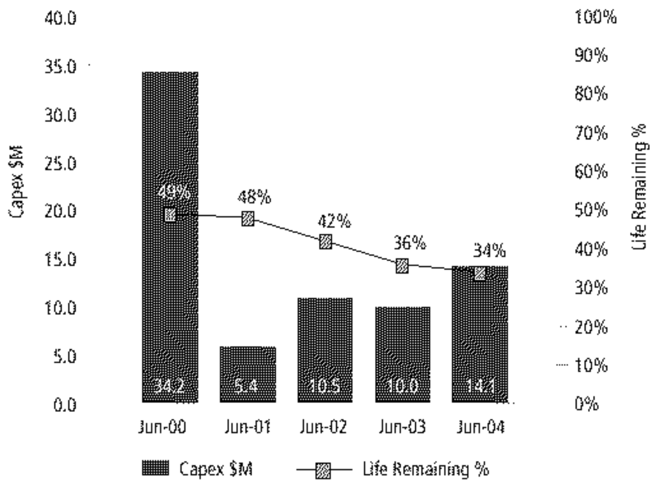
Operating Highlights

	2003	2002
Plant and equipment value	**$109 million**	$125 million
Plant sales value	**$12.7 million**	$5.0 million
Loss on plant sales	**$0.5 million**	$0.4 million
Capital expenditure	**$10.0 million**	$10.5 million
Fleet average life remaining	**36%**	42%

The average fleet remaining life reduced to 36% but overall fleet availability and operating costs were maintained at acceptable levels.

A minimum fleet average remaining life of 30% has been established. Capital expenditure of $15 million in 2004 will maintain the remaining life above 30% and in subsequent years capital expenditure at levels below total depreciation will improve the position.

Fleet Average Life Remaining/Capex

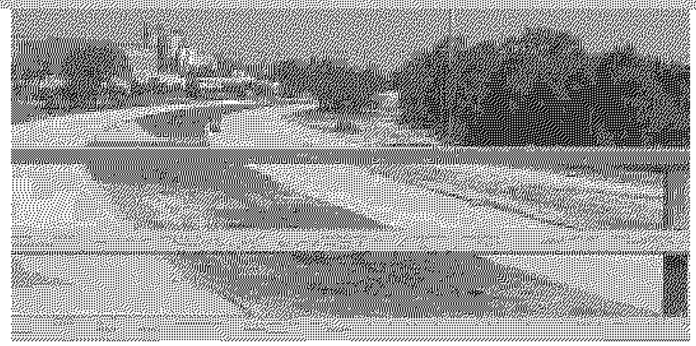


Capital expenditure in 2003 was only $10 million as there was insufficient new work in the mining divisions to justify additional capital expenditure.

Peter Harris at Perth workshop

CIVIL construction


ADrail: Tracklaying over the Katherine River Bridge


Roe Highway Stage 6

Revenue for the year was up significantly to $228 million due to a combination of our extensive involvement in the Alice Springs to Darwin railway and activity in Western Australia. Our targeted margins are being achieved for new work and the division returned a significant profit for the year.

The key issue in the successful completion of works during the year has been the performance of Macmahon's management and labour in the projects and their professional skills.

During the year a key target was to win work in Queensland to provide an entry into the eastern states market which is seen as necessary to expand our business. This was achieved by year end with the award of work at Moura.

Revenue

	Macmahon	Joint Venture (Macmahon Share)	Total
2003	**$158.6 million**	**$69.1 million**	**$227.7 million**
2002	$87.8 million	$39.3 million	$127.1 million
2001	$68.0 million	$21.2 million	$89.2 million


Roe Highway Stage 6 - Bridge construction


Willie Rooney, General Manager
Civil Division

Significant new contracts were awarded during the year including:

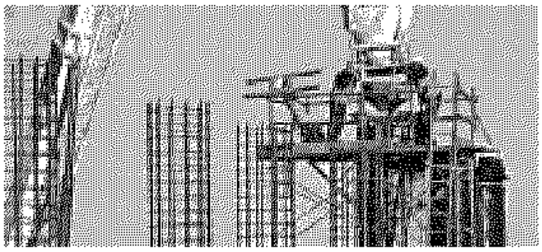
• Finucane Island bulk earth works and port expansion	BHP Billiton
• Yandi Airstrip construction	BHP Billiton
• Telfer Access Road	Newcrest
• Roe Highway Joint Venture	MRWA
• Tonkin Highway Joint Venture	MRWA
• Happy Valley Dam	SA Water
• Mt Monger Road	KCGM
• Theodore Road	Anglo coal/Mitsui

A number of complex projects were completed during the year including:

- Yandi Airstrip – Construction of 2km long runway and associated terminal facilities.
- Jervoise Bay – construction of 2 heavy lift jetties and reclamation works involving 1.5 million cubic metres of earthworks.
- Gull to Tunkawanna Rail – 22km of rail embankment involving numerous culverts and 800,000 cubic metres of earthworks.
- Finucane Island – 2.5 million cubic metres of earthworks involved in the construction of new stacker reclaimer area and an environmental berm.
- Mt Monger Road – 5km road construction in Kalgoorlie.
- Telfer Road – Construction and upgrade of 135km of road for the Telfer Gold mine.

The challenges facing the division include:

- The availability of suitable qualified staff to take advantage of current opportunities.
- The expectation on the part of some clients that the tender process is part of the approval process and that calling for tenders does not mean the project has been given the go ahead.



Roe Highway: Pouring concrete on the Corfield Bridge

Roe Highway: Eddie Moala (Project Engineer) and Andre Dorrius (Surveyor)

- The cost of preparing large tenders for Design and Construction projects where the significant costs of the design consultation fees are borne by the contractor if its tender is unsuccessful.

Outlook

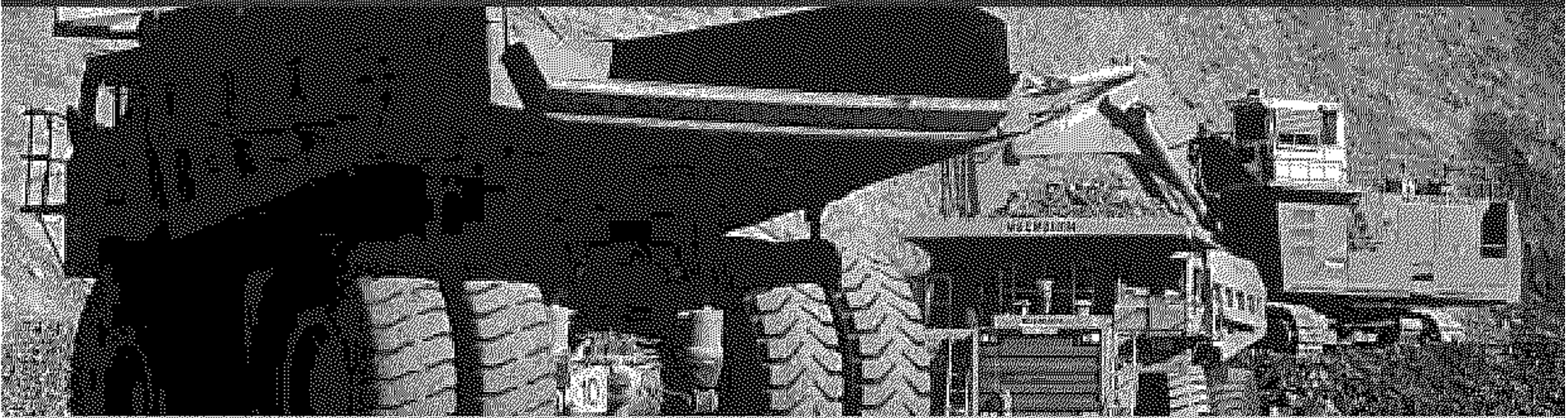
The next few years indicate significant opportunity to grow our civil business. The Commonwealth and State governments are currently spending large amounts on infrastructure including roads, rail, ports and water.

In addition, expansion in the iron ore industry with the need for rail development and port expansion is expected to deliver opportunities for Macmahon.

With the large volumes of work available margins are expected to improve and Macmahon will be targeting growth in Western Australia, Northern Territory, South Australia and Queensland.

The outlook for the division is positive with the amount of work available.

OPEN CUT mining



Revenue for the year was down 26% to $168 million due to the completion of a number of contracts and insufficient new work. Although there were a large number of projects available to tender during the year the number won by Macmahon was small. This was primarily due to the inability to achieve our targeted returns based on the assessed project risk and capital employed. However it is important to recognise that our pricing remains competitive and we are confident that over time we will be successful at winning new work at our hurdle rates.

New work and contracts extensions awarded during the year included:

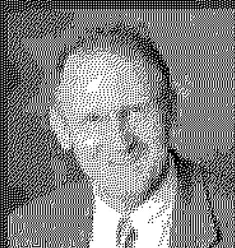
- Dampier Port Bulk Handling (extension) - Hamersley Iron
- Newlands Overburden Removal - Xstrata
- Nifty Copper (extension) - Birla Nifty
- Stuart Oil Shale (extension) - Southern Pacific Petroleum

During the year a major open cut contract incurred significant losses due to a combination of poor tendering practices at the time of award (1999), operational difficulties and client issues. Changes to operating practices at the project and a renegotiation of the contract terms and conditions have enabled an improvement in operational performance. Lessons learnt from the contract have been incorporated onto the MBS.

	Revenue
2003	**$167.4 million**
2002	$226.5 million
2001	$194.4 million

Production Statistics 2003

Tonnes moved	67 million tonnes
Tonnes blasted	24 million tonnes
Tonnes crushed	10 million tonnes
Tonnes screened	1 million tonnes
Tonnes hauled	15 million tonnes



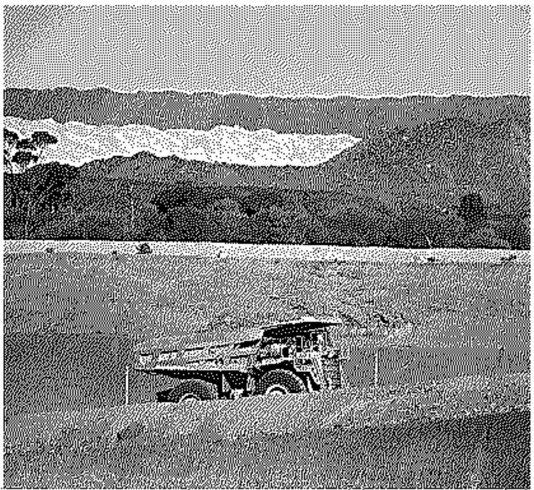
Damien O'Reilly, General Manager Open Cut Division

Outlook

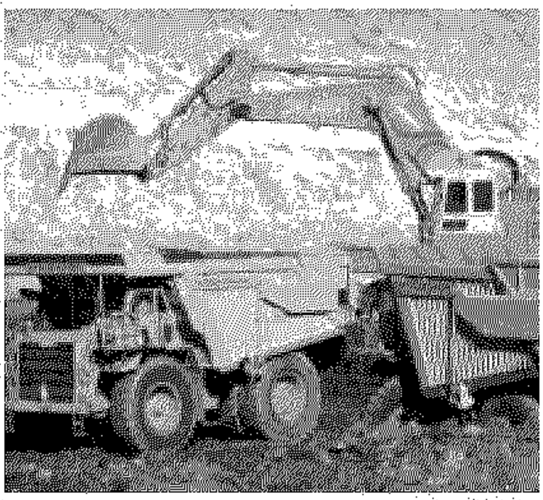
The open cut contracting market has seen rapid change in recent years and Macmahon as a consequence has been adapting its approach to meet the changed requests of clients. We now see our target areas as:

- specialist medium sized contractor
- providing services to owner miners
- a problem solver

At year end the level of enquiries had increased and opportunities across a range of commodities are presenting themselves. An improved result is forecast for 2004.



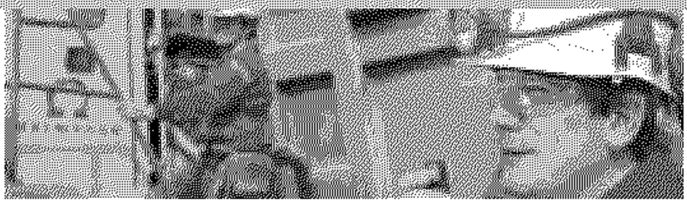
A 135 tonne dump truck



Mining activity at Stuart Oil Shale

UNDERGROUND mining

Dump truck leaving decline portal at Bendigo



Revenue for the year reduced a significant 30% as a result of the completion of the Meekatharra contract and the inability to win sufficient new work.

All existing contracts performed well during the year and a number of contracts were awarded to provide specialist work to owner mining operations.

There were a number of new work opportunities during the year however Macmahon was not successful in securing the work. Our view is that the current tender margins for major projects are inadequate and unsustainable considering the risk and capital involved. These low margins are we believe driven by there being too many contractors in the underground market.

Macmahon's strategy is to remain in the market, price work with appropriate margins and target specialist work. We believe over time the sector will improve and rationalise.

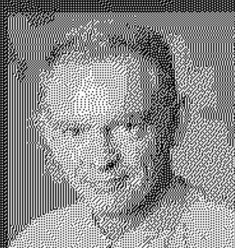
New work and contract extensions awarded during the year included:

• Leinster Labour Hire (extension)	- WMC Resources
• Peak Labour Hire (extension)	- Wheaton River Minerals
• Mt Isa Ground Support	- Xstrata
• Mt Charlotte Development and Ground Support	- KCGM
• Cannington Cable Bolting	- BHP Billiton
• Leonora Mine (extension)	- Sons of Gwalia

	Revenue
2003	**$66.2 million**
2002	$94.3 million
2001	$82.5 million

Production Statistics 2003

Development metres	18 km
Ore tonnes mined	3 million
Longhole drilling	325 km
Cablebolt	61 km



Nick Savage, General Manager Underground Division

Outlook

Industry indications suggest an increase in underground mining activity in the next few years. The increase in owner mining by the major companies has reduced the number of major projects available for contractors however Macmahon is responding by targeting the provision of specialist services to owner miners including development, ground support, diamond and long hole drilling.

We intend to maintain our disciplined approach to tendering and will only take on new work at acceptable margins.

Revenue levels for the next year are expected to remain similar to 2003 due mainly to the level of competition in the sector.

Willie Tapiera, Mine Foreman Bendigo Underground Project

John Wright, truck operator at Leonora

HIRE division

Daniel Powers and Louie Marevic Engine Rebuilders at Perth workshop

A new division for Macmahon which has been developed from the opportunities created to provide equipment and labour hire to the ADrail project.

The Hire division now has two focuses:

- the provision of equipment hire on a 'dry' or 'wet' basis to the construction and mining industries. Key clients are owner miners, other construction/mining contractors and Macmahon's civil division.
- the provision of blue and white collar workers to the construction and mining industries.

Macmahon is utilising its extensive expertise in equipment management and labour recruitment and training to offer specialist hire services in these areas.

The plant hire business also provides the opportunity to reduce the cost impact of idle plant that arises between mining projects.

The development of the Hire business will also provide an opportunity to introduce new equipment into the mining divisions with the older equipment being utilised by the hire division.

	Revenue
2003	**$15.1 million**
2002	$11.3 million

Outlook

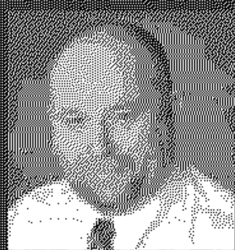
This new division is now fully established and has an allocated fleet of equipment in addition to any idle fleet within the group.

At year end the majority of Macmahon's fleet was either in use by the mining divisions or on external hire.

The outlook for equipment hire is very positive and the expectation is for growth during the 2004 year.

Further industry analysis is being undertaken with the labour hire business to determine the market areas which best suit Macmahon expertise.

Over the next few years strong growth and excellent returns are expected for the Hire division.



Stewart Maddison, General Manager Hire Division

INVESTMENTS

Asia Pacific Transport (APT)

Asia Pacific Transport Pty Ltd (Macmahon, 7.5% shareholder) is the company contracted to build, own and operate the railway for the 50 year concession period.

The new railway will complete the final link in Australia's rail network and involves:

- Construction of the new 1420km stretch of standard gauge line between Alice Springs and Darwin.
- The lease and maintenance of the existing 830km line between Tarcoola and Alice Springs.
- Integration of the railway line with Darwin's East Arm Port which includes an intermodal container terminal.
- Operation of the completed transcontinental railway from Adelaide through to Darwin for 50 years.

Freight Link Pty Ltd, the company that will run the new railway and the port, is the operating company of APT.

Freight Link operates in two freight market segments:

- Domestic freight between the Northern Territory and interstate locations in Australia.
- International import and export cargo from southern Australia exported through Darwin.

The expected one-way trip time is 43 hours for the 3,000km journey between Adelaide and Darwin. The line is capable of handling double stacked container trains up to 1.8km long.

The new railway will provide a viable alternative for companies involved in international trade to exploit Darwin's proximity to the burgeoning markets to our north and to connect to destinations further afar through hubs in Asia.

Macmahon's 7.5% shareholding is being acquired by:

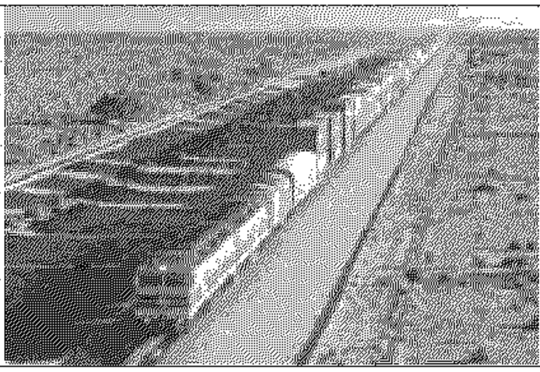
- Contribution of $11.0 million of equity at June 2003.
- A further $15.5 million of equity in 2004 taking the total contribution to $26.5 million.

Macmahon is funding its equity investment via debt facilities provided by ANZ Bank.

The project structure limits any further equity calls on Macmahon to approximately $3.0 million.

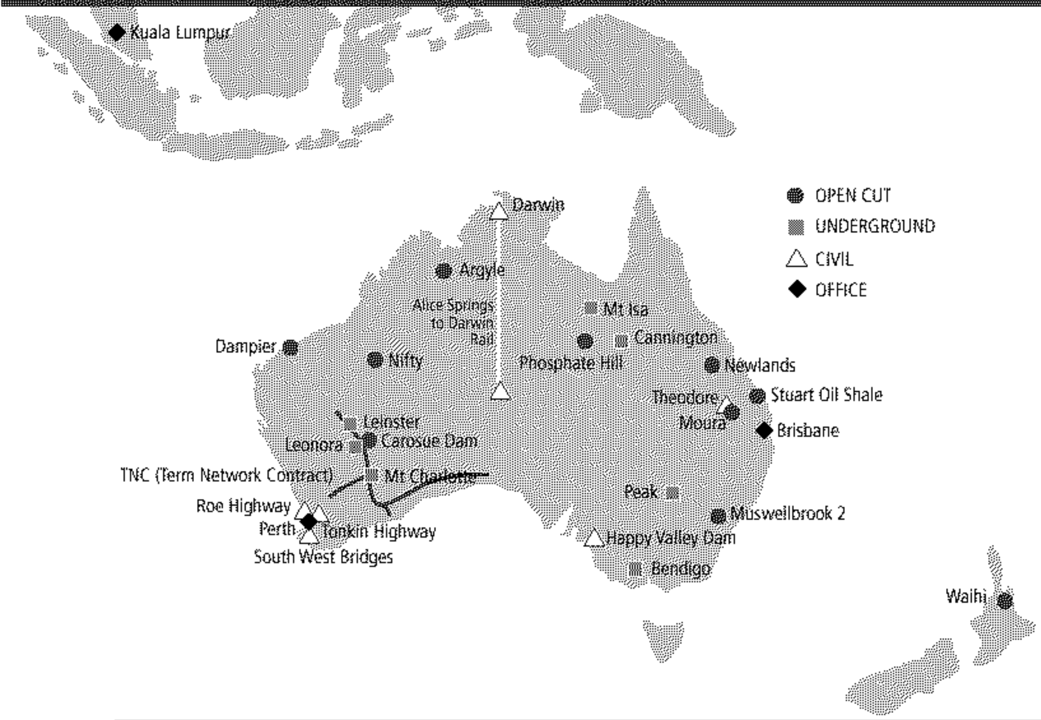
As the project is greenfields, the project plan allows for progressive development and build up of the freight operations and a dividend from APT is not anticipated before 2006.

The ultimate earnings capacity of APT is expected to be above the returns Macmahon achieves from its contracting business. With this in mind, Macmahon will review its options in relation to its APT investment over the next 12 months.



Double stacked container train

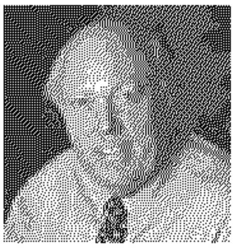
CURRENT contracts AT 31 AUGUST 2003



Location/Project Name	State	Commodity	Description	Client	Original Start Date on Site
CIVIL					
Theodore Road	QLD	Earthworks	Construction of 7km of haul road.	Anglo coal/ Mitsui	2003
Dampier Port Upgrade	WA	Earthworks	Earthworks, drainage for the Accommodation Village at Parker Point.	Hamersley Iron	2003
Happy Valley Dam	SA	Earthworks & Drainage	Remedial work on existing dam.	SA Water	2003
Alice Springs to Darwin Railway Joint Venture	NT	Design & Construct	Earthworks, drainage, bridges and tracklaying for 1420km of new railway	Asia Pacific Transport	2001
TAC of Timber Bridges	WA	Maintenance	Term Asset Contract maintenance and upgrade of timber bridges throughout the south west.	MRWA	2000
Roe Highway Joint Venture	WA	Road & Bridge Construction	Design and construction of dual carriageway road and bridges.	MRWA	2003
Tonkin Highway Joint Venture	WA	Road & Bridge Construction	Design and construct of a 18km section of the Tonkin Highway. Bridges will also be constructed to carry the highway over the Canning and Southern Rivers and the Perth-Armadale railway line.	MRWA	2003
Term Asset Management Goldfields	WA	Maintenance	Asset Management and rehabilitation of road assets within the road reserve on 2,350km of highways and main roads to agreed levels of service.	MRWA	2000

Location/Project Name	State	Commodity	Description	Client	Original Start Date on Site
OPEN CUT					
Carosue Dam	WA	Gold	Mining equipment and labour hire.	Sons of Gwalia	2001
Muswellbrook Stage 2	NSW	Coal	Coal mining and haulage works.	Muswellbrook Coal Company	2001
Newlands	QLD	Coal	Overburden removal.	Xstrata	2003
Waihi	NZ	Gold	Mining/crushing/stacking.	Newmont	1998
Argyle	WA	Diamonds	Tailings removal and dam construction.	Argyle Diamond Mines	1996
Moura Coal Mine	QLD	Coal	Overburden removal.	Anglo coal/Mitsui	2002
Stuart Oil Shale	QLD	Oil	Oil shale mining.	Southern Pacific Petroleum	1998
Dampier Port Bulk Handling	WA	Iron Ore	Bulk ore haulage.	Hamersley Iron	1993
Nifty	WA	Copper	Surface mining & crushing.	Birla Nifty	1999
Phosphate Hill	QLD	Phosphate	Mining, crusher feed and tailings dam construction.	WMC Fertilisers	2003
UNDERGROUND					
Peak	NSW	Gold	Labour supply.	Wheaton River Minerals	1998
Leinster	WA	Nickel	Labour supply.	WMC Resources	1997
Leonora	WA	Gold	Production & development services.	Sons of Gwalia	2000
Bendigo	VIC	Gold	Decline extension, level & vertical development.	Bendigo Mining	1996
Mt. Isa	QLD	Copper	Ground support & rehabilitation.	Xstrata	2003
Mt. Charlotte	WA	Gold	Development & rehabilitation.	KCGM	2003
Cannington	QLD	Silver/Lead	Cablebolting.	BHP Billiton	2002

DIRECTORS



David Humann

Non Executive Chairman appointed July 2000

Mr Humann's experience includes 40 years service with Price Waterhouse (now Price Waterhouse Coopers) including ten years as Chairman and Senior Partner of the Hong Kong firm. He was concurrently Managing Partner of PWC Asia Pacific Region and a member of the world board and management committee of the firm based in London and New York.

Currently, Mr Humann serves as a director of ERG Ltd, Ticor Ltd and West Coast Mining Ltd and is the Chairman of Mincor Resources NL and Matrix Metals Ltd.

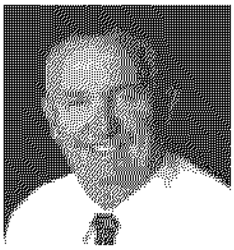
Nick Bowen AIMM, FAICD

Chief Executive Officer & Managing Director appointed February 2000

- Bachelor of Engineering (Mining) Honours Class 1, NSW

Mr Bowen has 21 years experience in the contracting industry. His experience covers open cut, underground and civil engineering in both Australia and overseas.

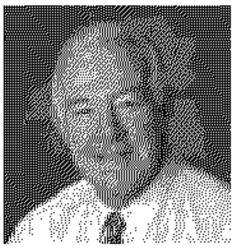
Currently Mr Bowen serves as a director of Asia Pacific Transport Pty Ltd.



Colin McIntyre

Non Executive Director appointed December 1998

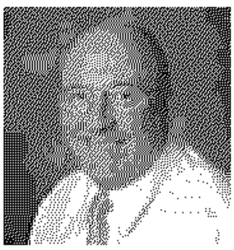
A mining engineer and consultant with 30 years' experience in the industry, Mr McIntyre has experience in senior management positions with Macmahon and WMC. He has been actively involved in the Kambalda nickel and gold projects and was co-founder of Macmahon's underground mining division and became a director of Macmahon in December 1998. He is Chairman of Tectonic Resources NL and a director of Perilya Ltd. Mr McIntyre has announced his intention to resign as a director of Macmahon at the 2003 Annual General Meeting.



Richard (Dick) Carter

Non Executive Director appointed October 2001

A company director and business adviser with special interests in the minerals industry, corporate governance, strategy formulation and occupational health and safety. He is Chairman of Ticor Ltd, a director of ERA Ltd, Chairman and a principal of the leading occupational health and safety consultancy Zeal Consulting and Chair of the Prahran Mission-Uniting-Care. His executive career spanned thirty seven years with the BHP Group from which he retired in 1997 as BHP Minerals Executive General Manager and Chief Executive Officer.



Barry Cusack

Non Executive Director appointed June 2002

Mr Cusack is currently Chairman of Oxiana Limited and a director of Smorgon Steel Group Ltd, immediate past President of the Minerals Council of Australia and a member of the Board of the Global Foundation.

He was formerly a director of Energy Resources of Australia Ltd and has announced his resignation as Chairman of Bougainville Copper Limited effective from October 2003.

Mr Cusack is an Honorary Life Member of the Chamber of Minerals and Energy of Western Australia Inc. Mr Cusack joined CRA (now Rio Tinto -Australia) in 1966 and retired from the position of Managing Director of Rio Tinto Australia in December 2001.

CONSOLIDATED FINANCIAL report

Directors' Report

The Directors of Macmahon Holdings Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2003. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

Name	**Particulars**
D J Humann (Non Executive Chairman)	Director since 4 July 2000
N R Bowen (Chief Executive Officer)	Director since 3 February 2000
C A McIntyre (Non Executive Director)	Director since 9 December 1998
R J Carter (Non Executive Director)	Director since 8 October 2001
B L Cusack (Non Executive Director)	Director since 25 June 2002

Details of Directors' qualifications, experience and special responsibilities are set out on page 26 of the annual report.

Principal Activities

The principal activity of the consolidated entity (constituting Macmahon Holdings Limited and the entities it controlled from time to time during the year) consisted of civil construction works, contract mining, crushing, labour hire and plant hire. There were no significant changes in the nature of this activity of the consolidated entity during the year.

Review Of Operations

A review of the operations during the financial year of the consolidated entity and of the results of those operations is contained on pages 8 to 25 of the annual report and forms part of this report.

Changes In State Of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

Disclosures of information regarding likely developments in the operations of the consolidated entity in future financial years are included in the Operations review.

Environmental Regulations

Macmahon's environmental management system is third party certified to the international standard ISO14001. The system is also subject to both external and internal audit. In addition Macmahon is a signatory to the Minerals Council of Australia Code for Environmental Management 2000. An annual public environmental report is produced as a requirement of this code, which contains further information regarding the environmental impact of Macmahon's activities and its environmental performance. No environmental breaches by Macmahon have been notified by any Government agency during the year ended 30 June 2003. A copy of the full report is available on the Macmahon website from October 2003 at www.macmahon.com.au

Directors' Report

Dividends

No dividends have been paid since 30 June 2002 and no dividend is proposed to be paid in respect of the 2003 financial year.

Information on Directors

Set out below is each Director's relevant interest in shares or related body corporate as at the date of this report.

Director Shares/Option in the Company

Director	Fully Paid Ordinary Shares	Executive Option Scheme Options over Ordinary Shares
D J Humann	-	2,000,000 ◆
N R Bowen	2,271,109 *	4,776,860
C A McIntyre	2,000,000 •	-
R J Carter	200,000	-
B L Cusack	-	-

* Includes 300,000 Indirect Interest in Shares
◆ Indirect Interest in Options
• Indirect Interest in Shares

Share Option

Shareholders approved the Executive Option Plan at the 2000 Annual General meeting, a summary of the main aspects of the options issued in November 2000 under the Plan are as follows:

1. Options issued over unissued Macmahon's ordinary shares:
   - Mr N Bowen (Chief Executive Officer) - 6million
   - Mr D Humann (Non Executive Chairman) - 2million
   - Group's Executives - 3.7million in total
2. Grant Price – 15 cents which was 25% greater than the then Macmahon's share price.
3. Based on independent analysis using the Black-Scholes option pricing the deemed value of the above options issued was $491,400.
4. Escrow Period - April 2002
5. Performance Hurdle:
   - 50% of options if Macmahon share price is above 22.5 cents (50% improvement)
   - 50% of options if Macmahon share price is above 30 cents (100% improvement)
6. Expiry date - 30th October 2005

<u>Options granted to Directors and Executives</u>
There have been no options granted to Directors or Executives during or since the end of the financial year.

<u>Unissued shares under Option</u>
At the date of this report the following options over unissued shares exist:

- Mr N Bowen (Chief Executive Officer) - 4,776,860
- Mr D Humann (Non Executive Chairman) - 2,000,000
- Group's Executives - 2,600,000

Directors' Report

Exercised Options

1,323,140 options were exercised in accordance with the provisions of the Executive Options scheme resulting in the issue of 1,323,140 shares at an issue price of 15 cents per ordinary share during the financial year.

Further details of the executive and employee share option plan are disclosed in note 36 to the financial statements.

Indemnification Of Officers

During the financial year, Macmahon Holdings Limited paid an insurance premium to insure certain officers of the company and related bodies corporate. The contract of insurance prohibits the disclosure of the terms of the insurance policy.

The officers of the company covered by the insurance policy include all the Directors listed above and company secretaries, R L Blair and E B H Lee. Other officers covered by the contract are Directors or company secretaries of controlled entities who are not also Directors or company secretaries of Macmahon Holdings Limited, and managers of each of the divisions of the consolidated entity.

The liability insured includes costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or a related body corporate to the extent permitted by the Corporations Act 2001.

Directors' Meetings

The following table sets out the number of meetings of the company's Directors (including meetings of committees of Directors) held during the year ended 30 June 2003, and the number of meetings attended by each Director. During the financial year, 16 board meetings and 3 audit committee meetings were held.

	MEETINGS OF DIRECTORS		MEETINGS OF AUDIT COMMITTEE	
	Attended	Held	Attended	Held
D J Humann (b)	16	16	3	3
N R Bowen	16	16	3 (c)	3 (c)
C A McIntyre (b)	14	16	3	3
R J Carter (a)	14	16	2 (d)	3
B L Cusack (b)	16	16	3	3

(a) Chairman of audit committee

(b) Members of audit committee

(c) Mr NR Bowen and Mr RL Blair (Chief Financial Officer) are not members of the Audit Committee but attend by invitation

(d) Mr R J Carter was appointed Chairman of the audit committee on 22 September 2002

Directors' and Executives' Remuneration

Executives' remuneration and other terms of employment are reviewed annually by the Board having regard to performance and industry averages, supported by independent expert advice as appropriate. Remuneration packages are set at levels that are intended to attract and retain executives of suitable experience and qualifications.

Remuneration of Non-Executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time. The Board assesses its performance no less than once per year as detailed in the corporate governance statement at the back of this report.

Details of remuneration provided to Directors and the five most highly remunerated Executives are as follows:

Directors' Report

Directors

Name	Base Salary	Bonus	Fees	Superannuation	Other (a)	TOTAL
	$	$	$	$	$	$
N R Bowen	624,000	150,000	-	26,000	3,415	803,415
D J Humann	-	-	120,000	10,800	-	130,800
C A McIntyre	-	-	50,000	4,500	-	54,500
R J Carter	-	-	50,000	4,500	-	54,500
B L Cusack	-	-	50,000	4,500	-	54,500

(a) Fringe benefits and applicable fringe benefit tax

Executives

Name	Base Salary	Bonus	Superannuation	Other (a)	TOTAL
	$	$	$	$	$
W Rooney	272,648	53,000	35,288	10,925	371,861
R Blair	262,260	45,000	23,603	4,175	335,038
D O'Reilly	262,334	20,000	23,610	27,725	333,669
K Brown	178,424	85,916	38,442	20,435	323,217
C Manley	187,946	-	24,287	-	212,233

(a) Fringe benefits and applicable fringe benefits tax

Rounding Off Of Amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Macmahon Holdings Limited support and have adhered to the corporate governance guidelines issued by the Australian Stock Exchange. Further details can be found in the Corporate Governance Statement on pages 77 to 80 of the Annual Report.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.
On behalf of the Directors

DJ Humann
Chairman

NR Bowen
Director

Welshpool 28 August 2003

Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2003

	NOTE	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	PARENT ENTITY 2003 $'000	PARENT ENTITY 2002 $'000
Revenue from ordinary activities		416,091	441,026	78	10,731
Share of net profit of associates and joint ventures accounted for using the equity method	15	10,231	6,598	-	-
	2 (a)	426,322	447,624	78	10,731
Materials and consumables used		(155,163)	(182,099)	-	-
Employee benefits expense - general		(183,137)	(167,089)	-	-
Subcontractor costs		(24,604)	(28,476)	-	-
Depreciation and amortisation expenses	2 (c)	(22,058)	(27,442)	(6)	(11)
Borrowing costs expense	2 (c)	(8,115)	(10,046)	(4,735)	(5,672)
Rental expenses relating to operating leases		(7,522)	(9,444)	-	-
Written down value of assets sold		(13,300)	(5,394)	(106)	(1)
Other expenses from ordinary activities		(3,507)	(8,072)	(480)	(415)
Profit/(loss) on loans to controlled entities provided for, forgiven or written off		-	-	13,587	(17,529)
Profit / (loss) from ordinary activities before income tax (expense)/ benefit		8,916	9,562	8,338	(12,897)
Income tax (expense)/benefit relating to ordinary activities	5	(437)	(2,489)	-	-
Net profit/(loss)		8,479	7,073	8,338	(12,897)
Net profit attributable to members of Macmahon Holdings Ltd		8,479	7,073	8,338	(12,897)
Adjustment to retained profits at 1 July 2002 as a result of the adoption of AASB 1028 'Employee Benefits'	30	(177)	-	-	-
Total revenue, expense and valuation adjustments attributable to members of Macmahon Holdings Ltd recognised directly in equity		(177)	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		8,302	7,073	8,338	(12,897)
Earnings Per Share – Basic (cents per share)	43	3.4	2.9		
– Diluted (cents per share)		3.3	2.8		

Notes to the financial statements are included on pages 35 to 72.

Statement of Financial Position

As at 30 June 2003

	NOTE	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	PARENT ENTITY 2003 $'000	PARENT ENTITY 2002 $'000
Current assets					
Cash assets	6	-	4,523	-	5,592
Receivables	7	35,459	50,561	-	-
Inventories	8	10,259	11,670	-	-
Other financial assets	9	1,327	2,661	-	305
Tax assets	10	900	1,072	-	-
Other assets	11	680	505	587	503
Total current assets		48,625	70,992	587	6,400
Non current assets					
Receivables	12	-	-	186,340	168,130
Property, plant and equipment	13	100,557	125,373	23	135
Intangible assets	14	7,081	7,720	-	-
Investments accounted for using the equity method	15	3,300	4,269	-	-
Other financial assets	16	11,011	-	33,025	33,025
Other	17	79	-	79	-
Total non current assets		122,028	137,362	219,467	201,290
Total assets		170,653	208,354	220,054	207,690
Current liabilities					
Payables	18	31,718	57,054	935	811
Interest-bearing liabilities	19	35,896	40,275	25,824	15,000
Tax Liabilities	20	255	233	-	-
Provisions	21	10,321	13,645	-	-
Total current liabilities		78,190	111,207	26,759	15,811
Non current liabilities					
Payables	22	-	-	115,011	119,395
Interest-bearing liabilities	23	33,417	46,804	25,264	28,000
Provisions	24	1,108	905	-	-
Total non current liabilities		34,525	47,709	140,275	147,395
Total liabilities		112,715	158,916	167,034	163,206
Net assets		57,938	49,438	53,020	44,484
Equity					
Contributed equity	28	135,857	135,659	135,857	135,659
Reserves	29	(4,455)	(4,455)	429	429
Accumulated losses	30	(73,464)	(81,766)	(83,266)	(91,604)
Total equity		57,938	49,438	53,020	44,484

Notes to the financial statements are included on pages 35 to 72.

Statement of Cash Flows

For the year ended 30 June 2003

		CONSOLIDATED		PARENT ENTITY	
	NOTE	2003 $'000 INFLOWS (OUTFLOWS)	2002 $'000 INFLOWS (OUTFLOWS)	2003 $'000 INFLOWS (OUTFLOWS)	2002 $'000 INFLOWS (OUTFLOWS)
Cash flows from operating activities					
Receipts from customers		413,778	436,809	-	4
Payments to suppliers and employees		(394,536)	(387,130)	(298)	(109)
Receipts from joint venture entities		11,200	4,597	-	-
		30,442	54,276	(298)	(105)
Interest received		111	132	20	-
Interest paid		(8,510)	(9,918)	(4,630)	(5,543)
Income tax paid		(243)	(1,114)	-	-
Net cash provided by/(used in) operating activities	42	21,800	43,376	(4,908)	(5,648)
Cash flows from investing activities					
Payments for property, plant & equipment		(10,504)	(10,822)	-	-
Payment for investments		(11,011)	-	-	-
Loans to related parties		-	-	(9,008)	40,035
Proceeds from sales of property & equipment		12,759	5,037	37	5
Net cash inflow provided by/(used in) investing activities		(8,756)	(5,785)	(8,971)	40,040
Cash flows from financing activities					
Proceeds from borrowings		13,824	8,797	8,598	-
Repayment of borrowings		(36,510)	(44,770)	(15,000)	(22,000)
Other		198	-	198	-
Net cash provided by/(used in) financing activities		(22,488)	(35,973)	(6,204)	(22,000)
Net increase/(decrease) in cash held		(9,444)	1,618	(20,083)	12,392
Cash at beginning of the financial year		4,523	2,905	5,592	(6,800)
Cash (overdraft) at end of the financial year	6	(4,921)	4,523	(14,491)	5,592

Notes to the financial statements are included on pages 35 to 72

Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies

Financial Reporting Framework

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost, and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Going Concern

The consolidated entity and the parent entity have working capital deficiencies of $29.5 million and $26.2 million respectively.

The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate. Based upon the strength of current cash flows from operations of $21million for 2003 (2002: $43.4 million), projected cash flows from operations and the amount and term of the company's financing facilities, the Directors believe the company and the consolidated entity can meet their financial commitments as and when they fall due.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies are consistent with those of the previous year unless otherwise specified.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 'Consolidated Accounts'. A list of controlled entities appears in note 38 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Comparative amounts

Reclassification of comparative amounts is permitted only where such reclassifications do not require an adjustment to be made to the balance of retained earnings or accumulated losses as at the end of the preceding reporting period.

The following reclassifications were made to the June 2002 comparative figures:

- Note 15 Share of net profits of associates and joint ventures has been grossed up by $753,000, being expenses incurred by Macmahon in relation to the profit earned, in order to disclose the actual profit rather than a figure net of expenses.
- Note 10 shows net income tax refund due as a separate figure rather than offsetting against income tax payable in Note 20
- Note 18 includes GST payable as a current payable rather than a provision.

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Macmahon has in place a policy of not recognising or carrying claims for revenue that are subject to a dispute with a client.

Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies continued

The following specific recognition criteria must also be met before revenue is recognised:

(1) Civil Construction and Mining projects:

Contract revenue is recognised on the basis of work performed and when revenue is claimable under the Contract.

(2) Interest

Interest revenue is recognised when control of a right to receive consideration for the provision of, or investment in, assets has been attained.

(3) Joint Ventures

(i) Joint Venture Entities

Joint Venture Entities involve the establishment of a corporation, partnership or other form of entity in which each venturer has an interest. A contractual arrangement between the venturers establishes joint control over the economic activity of the entity in order to derive joint or collective revenue or profit.

Interests in joint venture partnerships are accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised as revenue when there is a profit by the Joint Venture. Details relating to the partnerships are set out in note 15.

(d) Profit recognition

(1) Mining Contracts

Profits are determined by comparing incurred costs to date with the amount of revenue claimable for contract work performed.

(2) Civil Contracts

The forecast project margin for the total project is progressively taken up based on the percentage cost of completion after reaching a minimum of 15% complete.

Percentage of completion is measured by the proportion that costs incurred to date compared to the estimated total costs of the contract. Cost includes all costs directly related to specific contracts. Management reviews and reports to the board each individual contract and where a loss is deemed to be unavoidable on completion, the projected loss is recognised immediately.

(e) Depreciation of property, plant and equipment

Assets other than land are depreciated at rates based upon their expected useful economic lives. Estimates of remaining useful lives are made on a regular basis for all assets, with annual re-assessments for major items. The cost of plant and equipment manufactured within the consolidated entity includes the cost of materials, direct labour and supervision overheads.

Depreciation on buildings, leasehold improvements and minor plant and equipment is calculated on a straight-line basis. Depreciation on major plant and equipment is calculated on machinery hours worked over their estimated useful life. The expected useful lives are as follows:

Buildings	40 years
Leasehold improvements	period of the lease
Plant and equipment – major	4–8 years
Plant and equipment – minor	3–5 years

Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies continued

(f) *Foreign currency transactions*

(1) Transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

i. exchange differences which relate to assets under construction for future productive use are included in the cost of those assets; and

ii. exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

(2) Foreign Controlled Entities

Financial statements of integrated foreign operations are translated at reporting date using the temporal method and exchange differences are taken to net profit or loss for the period.

(g) *Taxes*

(1) Income tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable. If it is not 'virtually certain' that the deferred tax asset, in respect of tax losses, will be realised, the future income tax benefit of the losses is not brought to account as an asset. Future income tax benefits of timing differences are not brought to account unless the realisation of the benefit is beyond reasonable doubt.

(2) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense;

or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.
Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) *Cash and cash equivalents.*

Cash on hand and in banks and short term deposits are stated at nominal value.
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

(i) *Receivables*

Trade receivable and other receivables are recorded at amounts due less any allowance for doubtful debts.

(j) *Inventories and construction work in progress*

With the exception of civil construction work in progress, all inventories have been valued at the lower of cost or net realisable value.
Construction work in progress only relates to civil engineering contracts and is stated at cost plus attributable profit to date less progress billing.

Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies continued

(k) *Acquisitions of assets*

Assets are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(l) *Recoverable amount of non-current assets*

Major plant and equipment is valued on a whole of life basis. The carrying value is reviewed annually to ensure that the value of assets is recoverable at the end of their economic life. Expected net cash flows have not been discounted in determining the recoverable amount of non-current assets.

(m) *Investments*

Interests in listed and unlisted securities, other than in controlled entities, are brought to account at cost and dividend income is recognised as revenue when received.

The interest in partnerships is accounted for using the equity method of accounting.

Investments in controlled entities are recorded at cost in the company financial statements. Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

(n) *Goodwill*

Goodwill, representing the excess of the cost of the acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period not exceeding 20 years.

(o) *Accounts payable*

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(p) *Leases*

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

(1) Operating Leases

The lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the periods in which they are incurred.

(2) Finance Leases

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Finance leased assets are amortised based on hours used over the useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies continued

(q) *Employee benefits*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, sick leave and long service leave expected to be settled in 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long service leave which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions made to defined benefit funds are expensed when incurred. The difference between the accrued benefits and net market value of plan assets has not been recognised in the financial statements.

Where there is estimated to be a present obligation to make redundancy payments, a provision is made for such future payments.

Interest rates attaching to government bonds as reported by The Reserve Bank of Australia at the reporting date have been used to discount future cash flows.

(r) *Provisions*

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

(s) *Interest-bearing liabilities*

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

(t) *Off balance sheet derivative financial instruments*

The consolidated entity uses interest rate caps to manage interest rate exposures. Where an interest swap converts a variable interest rate to a fixed rate, interest rate differentials are charged / credited to net interest payable as the underlying interest arises. Interest rate swaps are not revalued to fair value or shown on the Statement of Financial Position at year end.

(u) *Provision for project closure*

At the completion of some projects Macmahon may have a liability for redundancy and the cost of relocating mobile plant. An assessment is undertaken on the probability that such expenses will be incurred in the normal business of contracting services and is provided for in the financial statements.

Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies continued

(v) Changes in accounting policies

In accordance with Accounting Standard AASB 1028 'Employee Benefits', on 1 July 2002 the consolidated entity changed its policy for recognising provisions for annual leave. Under the new policy the amount of the provision is calculated using the remuneration rate expected to apply at the time of settlement, rather than the remuneration rate that applies at reporting date. The statement of financial performance (Note 1) illustrates the information that would have been disclosed in prior financial reporting periods had the new policy always been applied. The effect of this change in accounting policy is to decrease opening retained profits in the consolidated entity by $176,681.

Restated Statement of Financial Performance

	NOTE	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	PARENT ENTITY 2003 $'000	PARENT ENTITY 2002 $'000
Revenue from ordinary activities		416,091	441,026	78	10,731
Share of net profit of associates and joint ventures accounted for using the equity method	15	10,231	6,598	-	-
	2 (a)	426,322	447,624	78	10,731
Materials and consumables used		(155,163)	(182,099)	-	-
Employee benefits expense		(183,137)	(167,266)	-	-
Subcontractor costs		(24,604)	(28,476)	-	-
Depreciation and amortisation expenses	2 (c)	(22,058)	(27,442)	(6)	(11)
Borrowing costs expense	2 (c)	(8,115)	(10,046)	(4,735)	(5,672)
Rental expenses relating to operating leases		(7,522)	(9,444)	-	-
Written down value of assets sold		(13,300)	(5,394)	(106)	(1)
Other expenses from ordinary activities		(3,507)	(8,072)	(480)	(415)
Profit/(loss) on loans to controlled entities provided for, forgiven or written off		-	-	13,587	(17,529)
Profit / (loss) from ordinary activities before income tax (expense)/ benefit		8,916	9,385	8,338	(12,897)
Income tax (expense)/benefit relating to ordinary activities	5	(437)	(2,489)	-	-
Net profit/(loss)		8,479	6,896	8,338	(12,897)
Net profit attributable to members of Macmahon Holdings Ltd		8,479	6,896	8,338	(12,897)
Adjustment to retained profits at 1 July 2002 as a result of the adoption of AASB 1028 'Employee Benefits'	30	-	-	-	-
Total revenue, expense and valuation adjustments attributable to members of Macmahon Holdings Ltd recognised directly in equity		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		8,479	6,896	8,338	(12,897)

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 2 Profit/(Loss) from ordinary activities				
Profit/(Loss) from ordinary activities before income tax includes the following items of revenue and expense:				
(a) Operating Revenue				
Sales revenue:-				
Rendering services	396,387	432,016	-	-
Net foreign exchange gain	481	728	-	-
Joint Venture Entity profits	10,231	6,598	-	-
Dividends received or receivable:-				
Inter-company	-	-	-	59
Debt Forgiveness – inter-company	-	-	-	10,662
Interest received or receivable:-				
Other corporations	111	132	20	-
Rent	-	40	-	-
Other	6,353	3,073	21	5
(b) Non-operating revenue				
Proceeds on sale of assets:-				
Non-Current:-				
Property, plant and equipment	12,759	5,037	37	5
	426,322	447,624	78	10,731
(c) Expenses:				
Depreciation and amortisation:				
Depreciation of buildings	32	90	-	-
Depreciation of plant & equipment	11,428	16,403	6	11
Amortisation of leasehold improvements	45	103	-	-
Amortisation of capitalised leases	9,915	10,208	-	-
Amortisation of goodwill	638	638	-	-
	22,058	27,442	6	11
Borrowing costs:				
Interest paid or payable				
- Other persons and/or corporations	6,043	7,303	4,630	5,543
Amortisation of borrowing expenses	105	129	105	129
Finance charges on capitalised leases	1,967	2,614	-	-
	8,115	10,046	4,735	5,672

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	$	$	$	$
Note 3 Remuneration of auditors				
Remuneration for audit of the financial statements				
Auditors of parent entity				
- Parent entity	195,000	186,597	-	-
- Controlled entities	30,891	34,947	-	-
	225,891	221,544	-	-
Remuneration for other services by the parent entity auditors				
- Parent entity	10,132	-	-	-
- Controlled entities (accounting services, taxation services – Indonesia and Malaysia and security review – Indonesia)	-	40,839	-	-
	10,132	40,839	-	-

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Note 4 Sales of Assets				
Sales of assets in the ordinary course of business have given rise to the following profits and losses:				
Net profits				
Property, plant and equipment	-	-	-	4
	-	-	-	4
Net losses				
Property, plant and equipment	541	357	69	-
	541	357	69	-

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 5 Income tax				
The prima facie tax payable on the pre tax accounting profit/(loss) reconciles to the income tax expense in the financial statements as follows:				
Profit/(loss) from Ordinary Activities	8,916	9,562	8,338	(12,897)
Income tax expense calculated at 30% (2002: 30%)	2,675	2,869	2,501	(3,869)
Permanent differences:				
Non allowable expenses	58	54	43	-
Non Assessable Income	-	(426)	-	(18)
Accelerated Mining deductions	-	(286)	-	-
Benefit of tax losses of prior years recouped	(5,242)	(4,661)	-	-
Tax losses not recognised	-	-	1,531	1,871
Loans to controlled entities written off	-	-	(4,076)	2,060
Foreign exchange difference on consolidation	-	306	1	(8)
Effect of different tax rates on overseas income	674	357	-	-
Under/(over) provision in previous year	311	422	-	-
Provision for Deferred Income Tax no longer required	-	-	-	(36)
Net Future Income Tax Benefit written off	1,961	3,854	-	-
Income tax expense/(benefit) relating to ordinary activities	437	2,489	-	-
The directors estimate that the potential future income tax benefit at 30 June in respect of tax losses not brought to account is:-	18,160	23,402	5,233	3,702

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the company.

At the date of this report the directors have not assessed the financial effect, if any, the legislation may have on the company and the consolidated entity and, accordingly, the directors have not made a decision whether or not to elect to be taxed as a single entity. The financial effect of the implementation of the tax consolidation system on the consolidated entity has not been recognised in the financial statements.

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000

Note 5 Income tax continued

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

(i) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Adjusted franking account balance (tax paid basis) (i)	1,059	1,059	-	-

(i) Due to changes in Australian income tax legislation, from 1 July 2002 franking accounts are maintained on a 'tax paid' rather than an 'after tax distributable profits' basis. The comparative franking account balance at 30 June 2002 has been restated on the 'tax paid basis' so as to be comparable with the disclosure as at 30 June 2003.

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of income tax payable as at the end of the year
(b) franking debits that will arise from the payment of dividends proposed as at the end of the year, and
(c) franking credits that may be prevented from being distributed in the subsequent years.

Note 6 Current assets – cash assets

Cash at bank and on hand	-	4,523	-	5,592
	-	4,523	-	5,592

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Bank overdraft (Note 19)	(4,921)	-	(14,491)	-
Balances as above	-	4,523	-	5,592
Balances per statement of cash flows	(4,921)	4,523	(14,491)	5,592

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000

Note 7 Current assets - receivables

	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Trade receivables	36,097	51,527	-	-
Less: allowance for doubtful debts	(638)	(966)	-	-
	35,459	50,561	-	-

Note 8 Current assets - inventories

	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Raw materials and stores - at lower of cost or net realisable value	6,827	7,610	-	-
Civil Construction contracts in progress				
Gross cost plus profit recognised to date	140,064	66,824	-	-
Less: progress billings received	(136,632)	(62,764)	-	-
	3,432	4,060	-	-
Aggregate carrying amount of inventories - current	10,259	11,670	-	-
Recognised and included in the financial statements as amounts due:				
From customers under construction contracts				
Current	1,726	4,577	-	-
Non current	-	-	-	-
	1,726	4,577	-	-

Note 9 Current assets – other financial assets

	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Other receivables	1,327	2,661	-	305
	1,327	2,661	-	305

Note 10 Current assets – tax assets

	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Tax refund receivable	900	1,072	-	-
	900	1,072	-	-

Note 11 Current assets – other assets

	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Prepayments	141	104	48	102
Capitalised borrowing costs	539	401	539	401
	680	505	587	503

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000

Note 12 Non current assets – receivables

Loans to related bodies corporate	-	-	267,417	262,794
Less: provision for loss on loans	-	-	(81,077)	(94,664)
	-	-	186,340	168,130

Note 13 Non current assets - property, plant and equipment

	CONSOLIDATED					
	Freehold Land	Buildings	Leasehold Improvements	Plant and Equipment	Equipment Under Finance Lease	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Gross Carrying Amount						
Balance at 30 June 2002	183	348	946	165,319	115,669	282,465
Additions	-	-	-	4,552	5,460	10,012
Disposals	(106)	-	(808)	(32,468)	(10,566)	(43,948)
Transfer from leased to owned equipment and inter-company at cost	-	-	1	22,770	(22,774)	(3)
Balance at 30 June 2003	77	348	139	160,173	87,789	248,526
Accumulated Depreciation/Amortisation						
Balance at 30 June 2002	-	148	796	103,395	52,753	157,092
Disposals	-	-	(806)	(22,502)	(7,340)	(30,648)
Depreciation expense	-	32	45	11,428	9,915	21,420
Transfer from leased to owned equipment at cost	-	-	-	12,808	(12,808)	-
Other	-	-	-	105	-	105
Balance at 30 June 2003	-	180	35	105,234	42,520	147,969
Net Book Value						
As at 30 June 2002	183	200	150	61,924	62,916	125,373
As at 30 June 2003	77	168	104	54,939	45,269	100,557

Freehold land, buildings, leasehold improvements and plant and equipment are covered by a registered charge as security for the banking facilities and lease facilities.

Notes to the Financial Statements

Note 13 Non current assets - property, plant and equipment

	PARENT ENTITY				
	Freehold Land	Buildings	Leasehold Improvements	Plant and Equipment	TOTAL
	$'000	$'000	$'000	$'000	$'000
Gross Carrying Amount					
Balance at 30 June 2002	106	-	-	146	252
Disposals	(106)	-	-	-	(106)
Balance at 30 June 2003	-	-	-	146	146
Accumulated Depreciation/Amortisation					
Balance at 30 June 2002	-	-	-	117	117
Disposals	-	-	-	-	-
Depreciation	-	-	-	6	6
Balance at 30 June 2003	-	-	-	123	123
Net Book Value					
As at 30 June 2002	106	-	-	29	135
As at 30 June 2003	-	-	-	23	23

		CONSOLIDATED		PARENT ENTITY	
		2003	2002	2003	2002
	Note	$'000	$'000	$'000	$'000
The aggregate amount of depreciation allocated, whether recognised as an expense or as part of the carrying amounts of other assets during the financial year was as follows:					
Aggregate depreciation during the year					
Buildings		32	90	-	-
Leasehold improvements		11,428	103	-	-
Plant and equipment		45	16,403	6	11
Equipment under finance lease		9,915	10,208	-	-
	2(c)	21,420	26,804	6	11

Notes to the Financial Statements

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	PARENT ENTITY 2003 $'000	PARENT ENTITY 2002 $'000
Note 14 Non current assets - intangibles					
Goodwill		12,772	12,772	-	-
Less: accumulated amortisation	2(c)	(5,691)	(5,052)	-	-
		7,081	7,720	-	-

Amortisation of goodwill has been included in depreciation and amortisation expenses per Note 2.

Note 15 Investments accounted for using the equity method

The consolidated entity's interests in joint ventures are detailed below:

Type of Joint Venture	Principal Activity	Ownership Interest 2003	Ownership Interest 2002	Consolidated Carrying Amount 2003 $'000	Consolidated Carrying Amount 2002 $'000
Joint Venture Entity					
ADrail Joint Venture ◆	Railway Construction	10%	10%	2,991	4,154
Jervoise Bay Joint Venture ◆	Port Construction	50%	50%	100	(505)
Eastern Gas Pipeline	Gas Pipeline Construction	30%	30%	-	600
Adelaide Crafers Highway	Highway Construction	50%	50%	-	-
Learmonth	RAAF Base Development	50%	50%	20	20
Roe Highway ◆	Highway Construction	50%	-	189	-
Tonkin Highway ◆	Highway Construction	50%	-	-	-
				3,300	4,269

◆ Active

There are no equity interests in any of the above entities. All entities have a 30 June balance date.

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 15 Investments accounted for using the equity method continued				
Share of joint venture entity's results and financial position:				
Movement in Investment in Joint Venture Entities				
Equity accounted amount of investment at the beginning of the financial year	4,269	2,269	-	-
Share of net profit	10,231	6,598	-	-
Cash distribution received	(11,200)	(4,598)	-	-
Equity accounted amount of investment at the end of the financial year	3,300	4,269	-	-
Share of Assets and Liabilities of Joint Venture Entities:				
Current Assets				
Cash	2,678	3,906	-	-
Inventories	-	83	-	-
Receivables	9,869	4,409	-	-
Other	339	5,751	-	-
Non Current Assets				
Property, plant & equipment	668	1,882	-	-
Other	5	8	-	-
Current Liabilities				
Payables	(5,736)	(8,619)	-	-
Other	(1,622)	-	-	-
Non Current Liabilities				
Provisions	-	-	-	-
Net Assets	6,201	7,420	-	-
Share of Net Profit of Joint Venture Entities:				
Revenue from ordinary activities	69,066	39,285	-	-
Expenses from ordinary activities	(61,071)	(30,337)	-	-
Net Profit	7,995	8,948	-	

The share of net profit per the joint venture entity accounts does not include an adjustment for earned value profit taken into account when distributing profit to the joint venture entity participants throughout the year.

The profit taken up by Macmahon for joint ventures is on a % of completion basis.

Share of Retained Profits of Joint Venture Entities				
At the beginning of the financial year	7,419	658	-	-
At the end of the financial year	6,201	7,420	-	-

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 16 Non current assets – other financial assets				
Shares and options - APT (i)	2,784	-	-	-
Interests in joint ventures (i)	8,227	-	-	-
Shares in controlled entities				
- at cost	-	-	33,025	33,025
	11,011	-	33,025	33,025

(i) The consolidated entity is earning a 7.5% investment in the Asia Pacific Transport Joint Venture via shares, options and interests in joint ventures, an entity involved in the construction and operation of the Alice Springs to Darwin Railway.

Note 17 Non current assets - other

Capitalised borrowing costs	79	-	79	-
	79	-	79	-

Note 18 Current liabilities - payables

Trade payables	10,806	29,298	-	-
Other creditors and accruals	20,912	27,756	935	811
	31,718	57,054	935	811

Note 19 Current liabilities – interest-bearing liabilities

Secured				
- Overdraft (Note 6)	4,921	-	14,491	-
- Hire purchase liabilities (Note 33)	1,558	2,666	-	-
- Lease liabilities (Note 33)	12,998	13,548	-	-
- Chattel mortgage	5,086	6,561	-	-
- Term loan note	11,333	15,000	11,333	15,000
Unsecured				
- Loan – ADrail	-	2,500	-	-
	35,896	40,275	25,824	15,000

Both the banking facility and the leasing facilities are secured by a registered charge over all the assets and undertakings of the parent entity and its controlled entities.

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 20 Current liabilities - tax liabilities				
Income tax attributable to:				
Parent entity	-	-	-	-
Other	255	233	-	-
	255	233	-	-
Note 21 Current liabilities - provisions				
Employee benefits (Note 25)	8,994	8,745	-	-
Project closure (Note 26)	1,327	4,900	-	-
	10,321	13,645	-	-
Note 22 Non current liabilities - payables				
Inter company loans	-	-	115,011	119,395
	-	-	115,011	119,395
Note 23 Non current liabilities - interest-bearing liabilities				
Secured				
- Hire purchase liabilities (Note 33)	466	782	-	-
- Lease liabilities (Note 33)	7,224	14,260	-	-
- Chattel mortgage	463	3,762	-	-
- Term loan note	1,666	13,000	1,666	13,000
- Revolving working capital facility	15,000	15,000	15,000	15,000
- Fully drawn advance	8,598	-	8,598	-
	33,417	46,804	25,264	28,000

Both the banking facility and the leasing facilities are secured by a registered charge over all the assets and undertakings of the parent entity and its controlled entities.

	CONSOLIDATED		PARENT ENTITY	
Note 24 Non current liabilities - provisions				
Employee benefits (Note 25)	453	905	-	-
Project closure (Note 26)	655	-	-	-
	1,108	905	-	-

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000

Note 25 Employee Benefits

The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
Provision for employee benefits:				
Current (Note 21)	8,994	8,745	-	-
Non- current (Note 24)	453	905	-	
Accrued wages and salaries (1)	1,791	690	-	-
	11,238	10,340	-	-
Number of employees at the end of the financial year	1,184	1,865	-	-

(1) Accrued wages and salaries are included in the other creditors and accruals balance as disclosed in note 18 to the financial report and relate to amounts paid in July 2003 for the final pay period in June 2003.

Note 26 Provisions – Project closure provision

	CONSOLIDATED Project Closure $'000
Balance at 30 June 2002	4,900
Additional provisions recognised	1,335
Reductions arising from payments/other sacrifices of future economic benefits	(4,253)
Balance at 30 June 2003	1,982
Current (Note 21)	1,327
Non-current (Note 24)	655
	1,982

The provision for project closure represents the present value of the directors' best estimate of the costs that will be required under the consolidated entity's project closure obligations.

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 27 Capitalised Borrowing Costs				
Borrowing costs capitalised during the financial year and amortised over the term of the loan	500	530	500	530
Weighted average capitalisation rate on funds borrowed generally	10.6%	10.2%	10.6%	10.2%
Note 28 Contributed equity				
(a) Issued and Paid Up Capital				
Ordinary Shares fully paid				
246,405,547 (2002: 245,082,407)	135,857	135,659	135,857	135,659
	135,857	135,659	135,857	135,659

Each fully paid share carries one vote per share and the right to dividends.

(b) Movements in Issued Share Capital during year
Fully Paid Ordinary Shares

	2003 No. '000	2003 $'000	2002 No. '000	2002 $'000
Balance at beginning of financial year	245,082	135,659	245,082	135,659
Issue of shares under executive share option plan (Note 36)	1,324	198	-	-
Balance at end of financial year	246,406	135,857	245,082	135,659

(c) Share Options

2000 Executive Option Scheme

In accordance with the provision of the 2000 Executive Option Scheme, as at 30 June 2003, executives and directors are entitled to purchase 9,376,860 ordinary shares through the exercise of their options. The terms of the options are shown in note 36.

ANZ Options

Under the terms of the Finance Facility with ANZ Bank, ANZ have 20 million options with an exercise price of 15 cents per ordinary share and an expiry date of 31 August 2004.

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 29 Reserves				
Foreign currency translation reserve				
Balance at beginning of financial year	(4,455)	(4,455)	429	429
Translation of foreign operations	-	-	-	-
Balance at end of financial year	(4,455)	(4,455)	429	429

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	PARENT ENTITY 2003 $'000	PARENT ENTITY 2002 $'000
Note 30 Accumulated losses				
Opening accumulated losses	(81,766)	(88,839)	(91,604)	(78,707)
Adjustment to opening accumulated losses on initial adoption of AASB 1028 'Employee Benefits' (Note 1(u))	(177)	-	-	-
Net profit/(loss) after tax for the year	8,479	7,073	8,338	(12,897)
Closing accumulated losses	(73,464)	(81,766)	(83,266)	(91,604)
Note 31 Finance available				
Total facilities available at balance date:				
Overdraft Facility	10,000	10,000	10,000	10,000
Revolving Working Capital Loan	15,000	15,000	15,000	15,000
Term Loan	13,000	28,000	13,000	28,000
Fully Drawn Advance	8,598	-	8,598	-
Leasing Facilities	60,884	67,910	57,351	64,576
	107,482	120,910	103,949	117,576
Used at balance date:				
Overdraft Facility	4,921	2,420	4,921	2,420
Revolving Working Capital Facility	15,000	15,000	15,000	15,000
Term loan	13,000	28,000	13,000	28,000
Fully Drawn Advance	8,598	-	8,598	-
Leasing Facilities	34,426	50,795	30,893	47,461
	75,945	96,215	72,412	92,881
Unused at balance date:				
Overdraft Facility	5,079	7,580	5,079	7,580
Leasing Facility	26,458	17,115	26,458	17,115
	31,537	24,695	31,537	24,695

Both the banking facility and the leasing facilities are secured by a registered charge over all the assets and undertakings of the parent entity and its controlled entities.

Macmahon has in place a banking facility with ANZ Bank Ltd totalling $68 million, ($86 million at 30 June 2002) which is due for renewal in July 2006. The facility covers working capital, amortising debt, Letters of Credit and Bank Guarantees.

Notes to the Financial Statements

Note 32 Contingent liabilities

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000
Bank Guarantees:		
• Australasia (backed by [AAA] rated Insurance Bonds)	-	6,260
• Australasia (Other) (1)	8,804	2,610
• Malaysia (AUD equivalent)	-	440
	8,804	9,310
Letters of Credit:		
• In relation to equity and financial support of APT (2)	2,938	19,440
	2,938	19,440
Insurance Performance Bonds:		
• In Favour of Bank Guarantees	-	6,260
• In Favour of Clients (3)	14,004	8,260
	14,004	14,520

Consolidated Entity

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

(2) In April 2001 Macmahon, as part of its participation in the Alice Springs to Darwin railway project, committed to invest equity of $15.39 million in Asia Pacific Transport Corporation (APT). As part of the renegotiation of the APT senior bank funding in May 2003, $8.598 million of the Letter of Credit was converted to equity. The balance, $9.01 million of the letter of credit, will convert to equity during 2003/4 and is shown in Note 33 commitments for expenditure.

Macmahon provided Letters of Credit to the value of $2.94 million to cover ramp up and other support.

The ultimate shareholding in APT will represent approximately 7.5% Macmahon equity participation in APT, the entity which will own and operate the Alice Springs to Darwin railway for 50 years.

(3) Insurance bonds used in the normal course of contracting business.

Parent Entity

Unsecured guarantees by the parent entity in respect of leases and hire purchase commitments of controlled entities totalled $34.4 million (2002 $50.8 million). This amount is included in consolidated interest bearing liabilities.

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Note 33 Commitments for expenditure				
(a) Finance Leases				
The aggregate amount contracted for in respect of finance leases for plant and equipment is capitalised in the statement of financial position in accordance with the accounting policies set out in Note 1 (p).				
Details of finance leases are as follows:				
Total lease liability				
- current (note 19)	12,998	13,548	-	-
- non current (note 23)	7,224	14,260	-	-
	20,222	27,808	-	-
Finance lease commitments				
Due within 1 year	14,131	15,213	-	-
Due within 1-5 years	7,605	15,108	-	-
After 5 years	-	-	-	-
Minimum lease payments	21,736	30,321	-	-
Less: future finance charges	(1,514)	(2,513)	-	-
	20,222	27,808	-	-
(b) Operating leases (non-cancellable)				
Due within 1 year	5,495	7,672	-	-
Due within 1-5 years	1,053	6,175	-	-
After 5 years	-	-	-	-
Minimum lease payments	6,548	13,847	-	-
Plus: future finance charges	50	50		
Aggregate lease expenditure contracted for at balance date but not provided for	6,598	13,897	-	-

For general terms of finance leases and operating leases refer Note 45.

Notes to the Financial Statements

Note 33 Commitments for expenditure continued

	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	PARENT ENTITY 2003 $'000	PARENT ENTITY 2002 $'000
(c) Hire purchase commitments contracted for at balance date:				
- current (note 19)	1,558	2,666	-	-
- non current (note 23)	466	782	-	-
	2,024	3,448	-	-
Due within 1 year	1,660	2,840	-	-
Due within 1-5 years	486	818	-	-
After 5 years	-	-	-	-
Minimum lease payments	2,146	3,658	-	-
Less future finance charges	(122)	(210)	-	-
	2,024	3,448	-	-
(d) Capital expenditure commitments: Capital expenditure contracted for at balance date but not provided for				
Due within 1 year	-	-	-	-
(e) Additional Equity Contribution: Asia Pacific Transport Corporation				
Due within 1 year	15,543	-	-	-
Due within 1-5 years	-	-	-	-
After 5 years	-	-	-	-
	15,543	-	-	-

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003	2002	2003	2002
	$	$	$	$

Note 34 Remuneration of directors

The directors of Macmahon Holdings Ltd during the year were:

- D J Humann
- N R Bowen
- C A McIntyre
- R J Carter
- B L Cusack

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	PARENT ENTITY 2003 $	PARENT ENTITY 2002 $
The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the company, directly or indirectly, by the company or by any related party.			1,097,715	979,879
The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities in which they are directors or by any related party.	1,764,120	1,615,829		

The number of directors of the company whose aggregate income paid or payable, or otherwise made available falls within each successive $10,000 band of income (commencing at $0):

$		**$**	**No.**	**No.**
0	-	9,999	-	1
10,000	-	19,999	-	1
30,000	-	39,999	-	1
40,000	-	49,999	-	1
50,000	-	59,999	3	-
120,000	-	129,999	-	1
130,000	-	139,999	1	-
750,000	-	759,999	-	1
800,000	-	809,999	1	-

Notes to the Financial Statements

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	PARENT ENTITY 2003 $	PARENT ENTITY 2002 $
Note 35 Remuneration of executives				
Aggregate remuneration of executive officers of the company (including executive directors) working mainly in Australia and receiving $100,000 or more from the company or from any related party.			1,138,453	1,066,956
Aggregate remuneration of executive officers of each entity in the consolidated entity (including executive directors) working mainly in Australia and receiving $100,000 or more from the entity for which they are executive officers or from any related party.	4,359,886	3,919,639		

The number of executive officers (including executive directors) whose remuneration falls within each successive $10,000 band of income (commencing at $140,000):

$		$	No.	No.	No.	No.
140,000	-	149,999	2	1	-	-
150,000	-	159,999	1	1	-	-
160,000	-	169,999	-	1	-	-
170,000	-	179,999	2	-	-	-
180,000	-	189,999	2	4	-	-
190,000	-	199,999	2	1	-	-
200,000	-	209,999	1	1	-	-
220,000	-	229,999	2	-	-	-
240,000	-	249,999	-	2	-	-
260,000	-	269,999	-	1	-	-
310,000	-	319,999	-	2	-	-
320,000	-	329,999	1	1	-	1
330,000	-	339,999	2	-	1	-
370,000	-	379,999	1	-	-	-
750,000	-	759,999	-	1	-	1
800,000	-	809,999	1	-	1	-

Notes to the Financial Statements

Note 36 Share Options

An Executive Option Scheme was approved by shareholders at the 2000 Annual General Meeting where 9,700,000 options over ordinary shares were granted to Executives and 2,000,000 options over ordinary shares were granted to the non-executive chairman.

The main terms of the Options that were granted under the Scheme were as follows:

(a) Each Option entitles the holder, upon exercise, to be allotted one fully paid ordinary share in the capital of the Company.

(b) The exercise price of the Options must not be less than the greater of fifteen (15) cents and 125% of the weighted average market sale price of Shares quoted on ASX calculated over the seven (7) Business Days on which trades in Shares are recorded immediately preceding the date of the invitation to participate in the Incentive Plan ("Grant Price"). In the case of the above options, the Grant Price was 15 cents per share.

(c) Options shall be exercisable within such period(s) or upon such event(s) as the Directors specify, provided the maximum exercise period is five (5) years and no Option may be exercised before the expiration of eighteen (18) months from its grant (subject to clause (d)). One half of the number of Options granted to an Eligible Person ("first tranche") may only be exercised if on the Business Day immediately preceding the date of exercise of the first tranche the Share Price is at least 1.5 x the Grant Price, and the balance of that Eligible Person's holding ("second tranche") may only be exercised if on the Business Day immediately preceding the date of exercise of the second tranche the Share Price is at least 2 x the Grant Price.

(d) Options shall lapse upon the Holder ceasing to be an Eligible Person for any reason. If this occurs because of death, permanent incapacity, retirement or at the end of a contract of service, a maximum period of 180 days is allowed to exercise those options that are exercisable.

(e) Options may be exercised by the Holder delivering to the Company before the Expiry Date a notice specifying the number of options to be exercised, an option certificate covering that number of Options and payment for the exercise price.

(f) Options may only be transferred to an Associate (as defined in Section 139GE of the Income Tax Assessment Act, 1936) of a holder (unless otherwise determined by the Directors of the Company). Otherwise Options will remain non-transferable until such time as they have been exercised. Shares issued upon the exercise of Options shall rank equally in all respects with existing Shares. The Options will not entitle the Holder to dividends until the Options are exercised. Each Option will only entitle the Holder to participate in new (other than bonus issue or similar transaction) issues of Shares or other securities of the Company on the prior exercise of the Option in which case the Holder shall be given written notice of the terms of issue to shareholders at least ten (10) Business Days before the record date for the issue, to exercise the Option. In the event of a bonus issue to the holders of Shares the number of Shares over which each Option is exercisable shall be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the bonus issue. The bonus shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the bonus issue and rank equally in all respects with other shares of that class on issue at the date of issue of the bonus shares. Options will not be quoted on ASX. Application for listing will be made for Shares allotted pursuant to the exercise of Options. An application for Options shall be made by persons invited to participate in the Incentive Plan in such form and upon such reasonable terms and conditions as are approved by the Directors from time to time. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the terms of Options will be reconstructed (as appropriate) in a manner which is consistent with the ASX Listing Rules.

The market price of the company's ordinary shares at 30th June 2003 was 16 cents.

Notes to the Financial Statements

Note 36 Share Options continued

There were 1,323,140 shares issued during the year as a result of the exercise of options issued under the 2000 Executive Option Scheme.

	2003 No.	2002 No.
Balance at beginning of the financial year	11,700,000	11,700,000
Granted during the financial year	-	-
Exercised during the financial year	(1,323,140)	-
Lapsed during the financial year	(1,000,000)	-
Balance at the end of the financial year	9,376,860	11,700,000

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from executives is not recognised in the financial statements except for the purposes of determining directors and executives' remuneration in respect of that financial year as disclosed in Notes 34 and 35 to the financial statements.

Note 37 Superannuation commitments

Macmahon Group Provident Fund

The Macmahon Group Provident Fund is now known as Macmahon Employees Superannuation Fund.

Perpetual Trustees is the Trustee of the Macmahon Employees Superannuation Fund and is responsible for all areas of compliance with regards to the Fund. All members of the now closed Defined Benefit section have been invited to transfer their entitlement to the accumulation section of the Fund. At 30 June 2003, over 50 % of the Defined Benefit members have taken advantage of this option. Macmahon Contractors has entered into a Deed of Guarantee with each of these members to ensure that they are not disadvantaged by the transfer.

Members of the old Defined Benefit section of the Fund will continue to have their benefits assessed against the Defined Benefit section of the Fund to ensure that at any time when a condition of release is satisfied a member is not disadvantaged (as outlined in the Deed of Guarantee).

An actuarial assessment of the Defined Benefit section as at 30 June 2003 is being undertaken by D Butterly F.I.A.A. of Financial Solutions Pty Ltd.

The accumulation section of the Fund has over 600 members at 30 June 2003 compared with 79 that were in the fund prior to the opening of the accumulation section to all staff. Members can choose both death and total & permanent disablement cover within the fund.

The Australian Superannuation Group (WA) Pty Ltd is the Funds administrator. Lumley Life and Hanover Re underwrite the insured benefits of the Fund.

All assets are invested with professional investment managers via Australian Retirement Managers who act as asset consultants to the Fund. The Fund has equal representation of both employer and member representatives by way of the policy committee which meets regularly to discuss any issues.

Based on an interim review by the fund's actuary, Mr D Butterly, the Defined Benefit section of the Fund has adequate net assets to meet vested benefits as at 30 June 2003.

Actuarial assessment of the Defined Benefit Fund was last made in September 2001 as at 30 June 2000 by C Papanicolas, F.I.A.A. of William Mercer Pty Ltd.

Notes to the Financial Statements

Note 37 Superannuation commitments continued

	$'000
Information from the last actuarial assessment:	
Accrued benefits as at the date of the last measurement (1/7/2000)	8,825
Net market value of fund assets as at 1/7/2000	9,031
Excess of net market value of fund assets over accrued benefits as at 1/7/2000	206
Information from the last financial report:	
Vested benefits as at 1/7/2000	8,634
Net market value of fund assets as at 1/7/2000	9,031
Excess of net market value of fund assets over vested benefits as at 1/7/2000	397

Net market value of fund assets and vested benefits were determined with reference to the most recent financial statements, being 30 June 2000.

The difference between the accrued benefits and net market value of plan assets has not been recognised in the financial statements.

NOTE 38 Investment in controlled entities

Name of Entity	**Country of Incorporation**	**%Holding** 2003	2002
Parent Entity			
Macmahon Holdings Limited	Australia		
Directly Controlled by Macmahon Holdings Limited:-			
OPERATING			
Macmahon Contractors Pty Ltd	Australia	100	100
Macmahon Underground Pty Ltd	"	100	100
Alternative Employment Solutions Pty Ltd	"	100	100
NON OPERATING			
A.C.N. 005 397 679 Pty Ltd	Australia	-	100
Blair Nickel Mine Pty Ltd	"	-	100
Macmahon Properties Pty Ltd	"	100	100
Macmahon Rail Holdings Pty Ltd	"	100	100
Macmahon (Southern) Pty Ltd	"	100	100
Thomco (No. 2020) Pty Ltd	"	100	100
Directly controlled by Macmahon Contractors Pty Ltd :-			
Macmahon Contractors (WA) Pty Ltd	Australia	100	100
Macmahon Contractors (NZ) Ltd	New Zealand	100	100
Leo & Green Pty Ltd	Australia	100	100

Notes to the Financial Statements

NOTE 38 Investment in controlled entities continued

Name of Entity	Country of Incorporation	%Holding 2003	2002
Directly Controlled by Macmahon (Southern) Pty Ltd:-			
Macmahon Malaysia Pty Ltd	Australia	100	100
PT Macindo Andalan Kontraktor	Indonesia	100	100
Directly Controlled by Macmahon Rail Holdings Pty Ltd:-			
Macmahon Rail Investments Pty Ltd	Australia	100	100
Macmahon Rail Operations Pty Ltd	"	100	100
Directly Controlled by Thomco (No. 2020) Pty Ltd:-			
Thomco (No. 2021) Pty Ltd	Australia	100	100
Thomco (No. 2022) Pty Ltd	"	100	100
Directly Controlled by Macmahon Malaysia Pty Ltd:-			
Macmahon SDN BHD	Malaysia	100	100
Directly Controlled by Macmahon SDN BHD:-			
Macmahon Trading SDN BHD	Malaysia	100	100
Macmahon Constructors SDN BHD	"	100	100
Extra Yield Marketing SDN BHD	"	100	100

Note 39 Investment in associated companies

NAME	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST		CARRYING AMOUNT of INVESTMENT	
		2003	2002	2003	2002
		%	%	%	%
Bluff Harbour Pty Ltd	Sub-Division Developer	50	50	(a)	(a)
Encounter Lakes Pty Ltd	Sub-Division Developer	50	50	(a)	(a)
PT Sarpindo Graha Sawit Tani	Oil Palm Plantation	25	25	(a)	(a)

(a) Equity accounting for these investments has been suspended because the consolidated entity's share of losses since acquisition is greater than its cost. Carrying amount of investment is zero.

The investment in Bluff Harbour Pty Ltd and Encounter Lakes Pty Ltd is held by Macmahon (Southern) Pty Ltd. The associated entities have a 30 June balance date.

There are no expenditure commitments, contingent liabilities or capital commitments for which the consolidated entity should take up a share.

Notes to the Financial Statements

Note 40 Related Parties

The ultimate holding company is Macmahon Holdings Limited which is incorporated in Australia. Related parties of Macmahon Holdings Limited fall into the following categories:

Controlled entities

Information relating to controlled entities is set out in Note 38.

Transactions between Macmahon Holdings Limited and its controlled entities consist of the payment and receipt of dividends, the transfer of funds between the companies for the day to day financing of operations, and the payment and receipt of interest on the working capital and loans of controlled entities also at commercial rates. Macmahon Holdings received no franked dividends during the year (2002: $58,796 from Dangar Pty Ltd.)

Associated companies

Information relating to associated companies is set out in Note 39.

Superannuation fund

Information relating to the consolidated entity's superannuation fund is set out in Note 37.

Directors

The names of persons who were Directors of the parent entity during the financial year are as follows:

D J Humann
N R Bowen
R J Carter
B L Cusack
C A McIntyre

Information relating to remuneration and superannuation is set out in notes 34, 35 and 37 respectively.

Aggregate numbers of shares and options held by directors and their director related entities as at 30 June:

	2003	2002
	No.	No.
Ordinary shares	4,471,109	3,247,969
Options	6,776,860	8,000,000

Note 41 Segment Information

BUSINESS SEGMENTS

For segment reporting purposes the consolidated entity is organised into two major operating divisions, civil engineering and open cut/ underground mining. These divisions are the basis on which the consolidated entity reports its primary segment information.

The principal services of these divisions are as follows:

Civil :
Provides a wide range of services to government, private infrastructure and mining companies, including bulk earthworks, roads, railways, drill and blast as well as structural concrete.

Notes to the Financial Statements

Note 41 Segment Information continued

Mining:

The mining segment incorporates both open cut and underground contracts which provide services to mining clients in Australia and New Zealand, including mining project management, drill and blast, load and haul operations, crushing, screening and stacking. Underground mining and development, mine refurbishment, ground support, specialised drilling and cable bolt installation. The division also provides labour and plant hire.

GEOGRAPHICAL SEGMENTS

The consolidated entity operates in two geographical segments, principally in Australasia and quarrying operations in SE Asia.

SEGMENT INFORMATION – PRIMARY SEGMENT

BUSINESS SEGMENTS

	CIVIL		MINING (1)		INTERSEGMENT ELIMINATIONS		CONSOLIDATED	
Revenue	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Total Operating Revenue	212,727	119,682	251,838	351,619	-	-	464,565	471,301
Share of joint venture entities operating revenue	(69,066)	(39,285)	-	-	-	-	(69,066)	(39,285)
Other revenues from customers outside the consolidated entity	4,702	848	3,021	2,900	-	-	7,723	3,748
Inter-segment revenues	-	-	-	-	-	-	-	-
Share of net profit of equity accounted investments	10,231	6,598	-	-	-	-	10,231	6,598
Total Segment Revenue	158,594	87,843	254,859	354,519	-	-	413,453	442,362
Un-allocated revenue							12,869	5,262
Total consolidated revenue							426,322	447,624
Results								
Segment result	18,213	9,517	5,742	16,135	-	-	23,955	25,652
Unallocated expenses							(15,039)	(16,090)
Consolidated entity profit/(loss) from ordinary activities before income tax expense							8,916	9,562
Income tax expense							(437)	(2,489)
Consolidated entity profit/(loss) from ordinary activities after income tax expense							8,479	7,073
Net profit/(loss)							8,479	7,073

(1) Includes SE Asia operations

Notes to the Financial Statements

Note 41 Segment Information continued

SEGMENT INFORMATION – PRIMARY SEGMENT

BUSINESS SEGMENTS

	CIVIL		MINING (1)		INTERSEGMENT ELIMINATIONS		CONSOLIDATED	
	2003	2002	2003	2002	2003	2002	2003	2002
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets								
Segment Assets	8,491	13,315	149,640	194,714	-	-	158,131	208,029
Unallocated Assets							12,522	325
Total Assets							170,653	208,354
Liabilities								
Segment liabilities	10,075	18,199	32,392	56,042	-	-	42,467	74,241
Unallocated liabilities							70,248	84,675
Total liabilities							112,715	158,916
Other segment information								
Carrying amount of equity accounted investments included in segment assets	3,299	-	-	-	-	-	3,299	-
Acquisition of property, plant & equipment, intangible and other assets	-	-	10,012	10,509	-	-	10,012	10,509
Depreciation of plant & equipment	-	-	11,505	17,094	-	-	11,505	17,094
Amortisation of leased plant	-	-	9,915	10,348	-	-	9,915	10,348

(1) Includes SE Asia operations

SEGMENT INFORMATION – SECONDARY SEGMENT

GEOGRAPHIC SEGMENTS

	AUSTRALASIA		SOUTH EAST ASIA		INTERSEGMENT ELIMINATIONS		CONSOLIDATED	
	2003	2002	2003	2002	2003	2002	2003	2002
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue from external customers	420,512	429,825	5,810	17,799	-	-	426,322	447,624
Segment assets	120,430	154,332	50,223	54,022	-	-	170,653	208,354
Other segment information								
Acquisition of property, plant & equipment, intangible and other non current assets	10,012	10,387	-	122	-	-	10,012	10,509

Notes to the Financial Statements

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000

Note 42 Cash Flow Information

Reconciliation of net inflow from operating activities to operating profit after income tax				
Net profit/(loss) after tax	8,479	7,073	8,338	(12,897)
Depreciation and amortisation	22,058	27,442	6	11
Increase (decrease) in allowance for doubtful debts	(329)	(1,829)	-	-
Net (profit)/loss on sale of non current assets	541	357	68	(4)
Loans to controlled entities written off	-	-	-	752
Intercompany dividends received	-	-	-	(59)
Share of associates / joint venture profits less dividends	969	(1,248)	-	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
Decrease (increase) in trade receivables	16,058	(4,039)	-	-
Decrease (increase) in inventories	783	82	-	-
Decrease (increase) in other receivables	1,334	8,994	304	-
Decrease (increase) in prepayments	(254)	(86)	(270)	(153)
Increase (decrease) in current tax liability	194	-	-	-
Increase (decrease) in trade payables	(18,492)	4,384	-	-
Increase (decrease) in accruals	(6,844)	(1,301)	128	588
Increase (decrease) in other provisions	(2,697)	3,547	(13,482)	6,114
Net cash inflow/(outflow) from operating activities	21,800	43,376	(4,908)	(5,648)

Note 43 Earnings per share

	2003 Cents	2002 Cents
Basic earnings per share	3.4	2.9
Diluted earnings per share	3.3	2.8

Basic Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2003 $'000	2002 $'000
Earnings (a)	8,479	7,073

	2003 No.	2002 No.
Weighted average number of ordinary shares (b)	246,167,707	245,082,407

Notes to the Financial Statements

Note 43 Earnings per share

(a) Earnings used in the calculation of basic earnings per share equates to the net profit after tax for the year.

(b) The options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share (refer below)

Diluted Earnings per share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	2003	2002
	$'000	$'000
Earnings (a)	8,479	7,073

	2003	2002
	No.	No.
Weighted average number of ordinary shares (b)	256,613,500	251,814,063

(a) Earnings used in the calculation of diluted earnings per share equates to the net profit after tax for the year.

(b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2003	2002
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic EPS	246,167,707	245,082,407
Shares deemed to be issued for no consideration in respect of :		
ANZ Options	6,956,521	4,210,526
Preference shares	-	-
Executive Option Scheme	3,489,272	2,521,130
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	256,613,500	251,814,063

Notes to the Financial Statements

Note 44 Financial instruments

Terms and Conditions

Cash

Interest is receivable on cash deposits monthly in arrears. As at 30 June 2003 the interest rate on these funds was 2.80% (2002 – 2.80%)

Receivables

All trade receivables are recognised at the amount receivable under contracts. Collectability of trade receivables is reviewed on an ongoing basis. Receivables, which are known to be uncollectable, are written off.

Income receivable on financing and investment activities is accrued in accordance with the terms and conditions of the underlying financial instrument.

Receivables terms are 30 days.

The consolidated entity has in place credit insurance to mitigate any major bad debts.

Receivables denominated in foreign currencies

	CONSOLIDATED		PARENT ENTITY	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Amounts not effectively hedged				
Receivables - current				
- Malaysian ringgitt	318	2,247	-	-
- New Zealand dollars	3,389	8,661	-	-
- United States dollars	98	1,072	-	

Terms and Conditions

Trade Payables and Accruals

These amounts represent liabilities for goods and services incurred by the consolidated entity prior to the end of the financial year and which are unpaid.

Payables denominated in foreign currencies

Amounts not effectively hedged				
Payables - current				
- Malaysian ringgit	406	2,087	-	-
- New Zealand dollars	2,900	6,598	-	-
- United States dollars	49	130	-	-

Finance Lease Liability

The lease liability is accounted for in accordance with Accounting Standard AASB 1008 'Leases'. As at reporting date, the consolidated entity had finance leases with terms of up to 5 years. The average discount rates implicit in the leases is 7.50% (2002 – 7.60%). The security over finance leases is disclosed in Note 19.

Dividends Payable

Dividends payable are recognised when declared by the company.

Notes to the Financial Statements

Note 44 Financial instruments continued

Ordinary Shares

Ordinary shares are recognised at the fair value of the consideration received. Details of shares issued and the terms and conditions of options outstanding over ordinary shares at balance date are set out in Note 28.

Off Balance Sheet Derivative Instruments

Derivative Financial Instruments

Macmahon Holdings Limited is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest.

(i) Interest Rate Options
The majority of leases and other asset financing is based on fixed interest rates. To cover unfavourable movements in variable interest rates the consolidated entity has entered into the following:

- Interest Rate Cap
  $20 million capped to 6.25% expires on 17/12/03

Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Average interest rate	Variable interest rate	Fixed interest maturing:			Non-interest bearing	Total
			<1 yr	1-5 yrs	>5 yrs		
2003		$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Cash and deposits	2.8 %	-	-	-	-	-	-
Receivables	-	-	-	-	-	35,459	35,459
Related party receivables	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	12,338	12,338
			-	-	-	47,797	47,797
Financial liabilities							
Bank Overdraft	6.9%	4,921	-	-	-	-	4,921
Trade and other creditors	-	-	-	-	-	31,718	31,718
Term Loan Note	11.5 %	-	11,333	1,667	-	-	13,000
Revolving Working capital facility	7.6 %	15,000	-	-	-	-	15,000
Fully Drawn Advance	7.6 %	8,598	-	-	-	-	8,598
Hire purchase liabilities	5.3 %	-	1,558	466	-	-	2,024
Lease Liabilities	7.5 %	-	12,998	7,224	-	-	20,222
Chattel Mortgage	9.2 %	-	5,086	463	-	-	5,549
Employee Entitlements	-	-	-	-	-	9,446	9,446
Other Provisions	-	-	-	-	-	1,982	1,982
		28,519	30,975	9,820	-	43,146	112,460
Net financial assets/(liabilities)		(28,519)	(30,975)	(9,820)	-	4,651	(64,663)

Notes to the Financial Statements

Note 44 Financial instruments continued

2002	Weighted average effective interest rate	Floating interest rate $'000	Fixed interest maturing: <1 yr $'000	1-5 yrs $'000	>5 yrs $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash and deposits	2.8%	4,523	-	-	-	-	4,523
Receivables	-	-	-	-	-	50,561	50,561
Other financial assets	-	-	-	-	-	2,661	2,661
		4,523	-	-	-	53,222	57,745
Financial liabilities							
Trade and other creditors	-	-	-	-	-	59,634	59,634
Term loan note	11.5%	-	15,000	13,000	-	-	28,000
Loan - ADrail	4.7%	2,500	-	-	-	-	2,500
Revolving working capital facility	7.0%	15,000	-	-	-	-	15,000
Hire purchase liabilities	5.3%	-	2,666	782	-	-	3,448
Lease liabilities	7.6%	-	13,548	14,260	-	-	27,808
Chattel Mortgage	9.2%	-	6,561	3,762	-	-	10,323
Employee entitlements	-	-	-	-	-	10,881	10,881
Provision for mine rehabilitation	-	-	-	-	-	109	109
Other provisions	-	-	-	-	-	980	980
		17,500	37,775	31,804	-	71,604	158,683
Net financial assets (liabilities)		(12,977)	(37,775)	(31,804)	-	(18,382)	(100,938)

Credit Risk

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position is generally the carrying amount, net of any allowance for doubtful debts.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations. As included in the receivables note, the company has taken out some credit insurance against potential bad debts.

Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their net values, with the exception of the Term Loan Note which has an approximate net fair value of $13.3 million. The net fair values of financial assets and financial liabilities are determined as follows:

The net fair values of investments have been valued by reference to market prices prevailing at balance date. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

The net fair value of other loans and amounts due is determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.

For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts, and interest rate options.

Notes to the Financial Statements

Note 45 Leases

Finance Leases

Leasing Arrangements

Finance leases relate to plant and equipment with lease terms of between 3 to 5 years. The consolidated entity has options to purchase the equipment at the conclusion of the lease arrangements.

Operating Leases

Leasing Arrangements

Operating leases relate to premises and plant and equipment with lease terms of between 2 to 5 years. The economic entity does not have an option to purchase the leased asset at the expiry of the lease period.

Note 46 Subsequent Events

Since the end of the financial year, the Directors are not aware of any matter or circumstance not otherwise dealt with within the report or consolidated financial report that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Directors' Declaration

The Directors declare that:

(a) the attached financial statements and notes thereto comply with Accounting Standards;

(b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

(d) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors, made pursuant to s295(5) of the Corporations Act 2001.

DJ Humann
Chairman

NR Bowen
Chief Executive Officer

Welshpool, Western Australia
28 August 2003

Independent Audit Report

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MACMAHON HOLDINGS LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both Macmahon Holdings Limited (the company) and the consolidated entity, for the financial year ended 30 June 2003 as set out on pages 32 to 73. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Macmahon Holdings Limited is in accordance with:

(a) the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

DELOITTE TOUCHE TOHMATSU

KEITH JONES
Partner
Chartered Accountants
Perth, 28 August 2003

Additional ASX Information

The following details of shareholders of Macmahon Holdings Limited have been taken from the Share Register on 27 August 2003.

(a) The twenty largest shareholders held 41% of the Ordinary Shares.

(b) There were 5,438 ordinary shareholders as follows:

Size of Holdings			Ordinary Shareholders
1	-	1,000	136
1001	-	5,000	1,516
5001	-	10,000	1,248
10,001	-	100,000	2,296
Over 100,000			242
			5,438

523 ordinary shareholders held less than a marketable parcel.

Twenty Largest Ordinary Shareholders	**Number**	**%**
PERMANENT TRUSTEE AUSTRALIA	48,890,163	19.84%
NATIONAL NOMINEES LIMITED	16,115,300	6.54%
NBT PTY LIMITED	3,635,510	1.48%
SANPOINT PTY LTD	3,200,000	1.30%
CITICORP NOMINEES PTY LIMITED	3,044,823	1.24%
QUINTAL PTY LTD	2,700,001	1.10%
DRAYCOTT PTY LTD	2,138,018	0.87%
FORSYTH ALISTER JOHN	2,090,000	0.85%
FAMSDEN PTY LTD	2,000,000	0.81%
BOWEN NICHOLAS	1,971,109	0.80%
AGEMO HOLDINGS PTY LTD	1,782,861	0.72%
JANVIN PTY LTD	1,769,190	0.72%
SGJ INVESTMENTS PTY LTD	1,750,000	0.71%
WESTPAC CUSTODIAN NOMINEE	1,688,753	0.69%
CUSTODIAL COMMONWEALTH	1,612,609	0.65%
INVESTMENT QUEENSLAND	1,600,000	0.65%
ELCOS PTY LTD	1,450,000	0.59%
PENSWOOD PTY LTD	1,200,000	0.49%
MADAM TUSSAUDS WAXWORKS	1,130,018	0.46%
TAYLOR NICHOLAS BURTON	1,000,000	0.41%
MARTIN WILLIAM GORDON	1,000,000	0.41%
	101,768,355	**41.33%**

Substantial Shareholders

As at 27 August 2003, the register of substantial shareholders disclosed the following information:

Holders Giving Notice	**Number of Ordinary Shares in which interest is held**
Permanent Trustees Company Limited	48,890,163
National Nominees Limited	16,115,300

Voting Rights

The voting rights attaching to ordinary shares are set out below:

Ordinary shares

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

Corporate Governance Statement

For the year ended 30 June 2003

This statement outlines the main corporate governance practices that were in place or introduced during the financial year.

Board of Directors and its Committees

The Board is responsible for the overall corporate governance policies and practices of Macmahon Holdings Ltd and all subsidiary companies, including strategic direction, approval of the annual and half-year financial reports, establishing goals for management and monitoring the achievement of these goals.

The Board of the Company consists of four Non-Executive Directors and the Chief Executive Officer.

Issues of nomination and remuneration of Directors, business risk management and strategy are considered by the full Board. The Board has also established a framework for the management of the consolidated entity including an overall process of internal control, appropriate monitoring of compliance activities and ethical standards.

The Board has eight scheduled full meetings each year. Other meetings are held on short notice when particular issues arise, which require discussions and decisions by the Board.

The Board members conduct two site visits each year to assist Directors' understanding of important operational issues.

Owing to the small number of Directors, the full board acts as the following committees:

- Nomination:

  It is the responsibility of the full Board to consider the appointment of a new Director. Any invitation to join the Board will be extended, in writing, by the Chairman setting out the terms and conditions of the appointment.

  Non executive Directors who are nominee appointments and who cease to have, or change the capacity or relationship that they held when they were elected to the Board will offer their resignation at the time such cessation or change is effective. This will provide an opportunity for the Board to review the appropriateness of the person's continued board membership under the new circumstances. There are no nominee appointments to the Board as at the date of this report.

  - It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of Non-executive Directors on a case by case basis and in conformity with the requirements of the ASX Listing Rules and the Corporations Act 2001.
  - The terms and conditions of the appointment of non-executive directors are set out in a formal letter of appointment which deals with the following matters:
  - Duration of appointment (subject to the approval of the shareholders);
  - Remuneration;
  - Expectation concerning preparation and attendance at board meetings;
  - Conflict resolution; and
  - The right to seek independent legal and professional advice (subject to the prior approval of the Chairman)

- Remuneration:

  - As Chief Executive Officer, Mr Bowen absents himself from the meetings before any discussion by the Board in relation to his own remuneration.
  - Remuneration of non-executive directors is determined by the Board with assistance of external advice and within the maximum amount approved by the shareholders from time to time.
  - The aggregate amount payable to Non-executive Directors as a Director of Macmahon Holdings Limited must not exceed the maximum annual amount approved by the Company's shareholders (currently $400,000 as determined at the 2002 Annual General Meeting)

Corporate Governance Statement

- The Board uses external advice on remuneration policies and packages applicable to executive and non-executive directors and other senior executives.
- Remuneration packages are set at levels that are intended to attract and retain executives of suitable experience and qualifications.
- Executives' remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, termination entitlements, performance-related bonuses and fringe benefits.
- From time to time options over Company shares are issued to executive management in accordance with the Executive Option Scheme approved by shareholders at the Year 2000 Annual General Meeting.
- Details of directors' and executives' remuneration and the companys' executive and employee share option plan are set out in notes 34 to 36 to the financial statements.

- Business Risk Management:

  The Board is responsible for the company's system of internal controls and constantly monitors the operational and financial aspects of the company's activities

  - The Business Plan is presented to the Board by the Chief Executive Officer each year.
  - The Board reviews and approves the parameters under which risks will be managed before adopting the Business Plan.
  - The Board monitors the risk management by:
    - Receiving monthly reports in respect of operations, financial position of the Group and new contracts;
    - Considering the recommendations and advice of external and internal auditors and other external advisers on the operational and financial risks that face the company.
    - Ensuring recommendations made by the external and internal auditors and other external advisers are investigated and , where considered necessary, appropriate actions are taken to ensure that the company has an appropriate internal control environment in place to manage the key risk identified;
    - Attending presentations made to the Board by members of the management team on the nature of particular risks and details of the measures which are either in place or can be adopted to manage or mitigate the risk; and
    - Requesting operational and project audits be undertaken should the need arise.

Composition of the Board

The composition of the Board is determined using the following principles:

Until otherwise determined by the Company in general meeting the number of directors will be not less than 3 nor more than 10 and Non-Executive Directors will always maintain the majority of Directors.

The Chairman of the Board is a non-executive Director.

- The Board is comprised of Directors with the required operational, financial, industry, legal and specific skills, which enables the objectives of the consolidated entity to be met, as set out on Page 26 of the Annual Report.
- Non-executive Directors are subject to re-election by rotation at least every three years.

Corporate Governance Statement

Board Audit Committee

The role of the Board Audit Committee is outlined below and has been approved by the full Board of Directors. All members of the Audit Committee are non-executive Directors. Mr RJ Carter who is a non-executive Director is the Chairman of the Board audit committee.

The external and internal auditors, Chief Executive Officer and the Chief Financial Officer are invited to Board Audit Meetings at the discretion of the Board audit committee.

The role of the Board Audit Committee is as follows:

- To review the efficiency and effectiveness of the internal and external audit functions, including reviewing the respective audit plans.
- To consider matters raised by the external auditors.
- To review interim and annual financial statements and reports.
- To review the adequacy of the accounting and internal control systems.
- To monitor compliance with Corporations Act 2001, Stock Exchange Listing Rules and any matters outstanding with the auditors, Australian Taxation Office, Australian Securities Commission, Australian Stock Exchange and financial institutions.
- To review ethical standards as each affects the consolidated entity.
- To seek truth and fairness in the preparation and publication of the accounts.
- To review the performance of the external auditors.
- To review the appointment of external auditors

The current auditors for the consolidated entity are Deloitte Touche Tohmatsu who were appointed in November 2000.

Board Performance

The Board keeps its performance under review no less than once a year. The intent of the review is to gauge the effectiveness of the Board as a whole and not to necessarily focus on individual performance. However it is necessary for the Board, in open forum, to focus on the appropriate skills and characteristics required of Board Members. This assessment should include issues of diversity, age, skills, background, and other matters necessary to achieve the company's objectives and should be viewed in the context of the perceived needs of the Board and the current makeup of the Board at that point in time.

The Board also reviews the allocation of the work of the company between the Board and Management.

Conflicts of interest

Board members are required to identify any conflict of interest they may have in dealing with the company's affairs and subsequently to refrain from participating in any discussion or voting on these matters. Directors and senior executives are required to disclose in writing, any related party transactions.

Executives are contractually prohibited from involvement in any activities that might be in conflict with the company's activities or interests. Any exception to this requires written approval from the Chief Executive Officer.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the company's expense. However, prior approval of the Chairman is required, which will not be unreasonably withheld.

Access to Management

Board Members have complete access to senior management. Board Members use their judgment to ensure that this contact is not distracting to the business operation of the consolidated entity.

Corporate Governance Statement

Trading in Shares

Directors and officers are prohibited from trading of a short-term nature in company shares.

Directors and officers are also prohibited from dealing in Company shares if they are in possession of share price sensitive information. Such an embargo period would include, but not be limited to the period leading up to the profit announcement for June and December or prior to announcements in relation to any material changes in the Company's financial performance or changes to major contracts.

Chief Executive

The performance of the Chief Executive is evaluated annually. The evaluation is based on objective criteria including performance of the business, accomplishment of long-term strategic objectives and development of management.

Code of Ethics

As part of the Board's commitment to the highest standard of conduct, the company adopts Company values to guide executives, management and employees in carrying out their duties and responsibilities.

The values are:

- to act fairly and honestly;
- to be professional and act with integrity in our business dealings;
- to promote a safe, positive and enjoyable work environment;
- to consider the impact of our decisions on our colleagues;
- to work harmoniously within the communities in which we operate.

All directors and employees are expected to comply with the Company Values where individuals are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Summary of Consolidated Results 1999 - 2003

	2003 $'000	2002 $'000	2001 $'000	2000 $'000	1999 $'000
Statement of Financial Performance					
Operating Revenue					
Group (excluding Joint Ventures)	416,091	441,027	409,517	434,282	487,369
Joint Venture Entities attributable revenue	69,066	39,285	21,241	61,401	51,906
Total Revenue	485,157	480,312	430,758	495,683	539,275
Net profit before depreciation, interest and tax	39,089	46,921	24,267	(6,664)	36,196
Depreciation and amortisation	(22,058)	(27,442)	(32,288)	(41,299)	(40,373)
Net profit (loss) before interest & income tax	17,031	19,479	(8,021)	(47,963)	(4,177)
Interest expense	(8,115)	(9,917)	(13,732)	(14,455)	(12,485)
Net profit (loss) from ordinary activities before income tax (expenses) benefit	8,916	9,562	(21,753)	(62,418)	(16,662)
Income tax (expense) benefit	(437)	(2,489)	(11,074)	16,564	171
Net profit (loss) from ordinary activities after income tax (expense) benefit	8,479	7,073	(32,827)	(45,854)	(16,491)
Statement of Financial Position					
Net Fixed assets	100,557	125,373	146,748	207,352	241,796
Other assets	70,096	82,748	84,251	117,757	145,499
Total assets	170,653	208,121	230,999	325,901	387,295
Less: total liabilities	112,715	158,683	188,634	249,909	266,241
Net assets	57,938	49,438	42,365	75,200	121,054
Capital expenditure ($million)	10.0	10.5	5.4	34.2	66.8
Cash Flow/Dividends	$m	$m	$m	$m	$m
Cash flow from operations	21.8	43.4	27.7	0.3	16.1
Total Net Balance Sheet Debt	69.3	82.5	120.1	172.4	163.1
Dividends declared on ordinary shares ($m)	-	-	-	-	2.4
Work on Hand at 30 June	341.0	488.0	662.0	389.5	722.3
Ratios and Statistics					
Net tangible asset backing per share (cents)	20.6	17.0	15.6	42.1	70.8
Basic earnings per share (cents)	3.4	2.9	(15.1)	(29.2)	(13.3)
Earnings per share Diluted (cents)	3.3	2.8	(13.4)	(18.7)	(6.7)
Return On Capital	14.6%	14.3%	(77.5%)	(61.0%)	(13.6%)
Return On Total Sales	1.7%	1.5%	(8.6%)	(10.5%)	(3.4%)
E.B.I.T ($million)	17,031	19,479	(8,021)	(47,963)	(4,177)
E.B.I.T % of Total Sales	3.5%	4.0%	-	-	-
Share price at year end	16.0	29.5	10.5	9.1	34.0
Ordinary shares on issue	246,405,547	245,082,407	245,082,407	157,092,407	157,092,407
Options over shares (non-tradeable) ($m)	9.4	11.7	11.7		

For the years ended 30 June 1999 – 2000 the figures are based on published financial information and have not been restated in line with current amended accounting standards.

Corporate Directory

AUDITOR

Deloitte Touche Tohmatsu
Central Park Level 16
152-158 St Georges Terrace
Perth
WA 6000

BANKER

Australia and New Zealand Banking Group Limited
77 St Georges Terrace
Perth
WA 6000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross
WA 6153
Telephone: (08) 9315 0933
Facsimile: (08) 9315 2233

PRINCIPAL REGISTERED OFFICE

44 Kurnall Road
Welshpool
WA 6106
Telephone: (08) 9365 1111
Facsimile: (08) 9365 1199

DIRECTORS

David Humann – Non Executive Chairman
Nick Bowen – Chief Executive Office/Managing Director
Dick Carter – Non Executive Director
Barry Cusack – Non Executive Director
Colin McIntyre – Non Executive Director

COMPANY SECRETARIES

Elizabeth Lee
Rick Blair

MACMAHON OFFICES

AUSTRALIA

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