



COMMENTARY ON GROUP RESULTS FOR THE 12 MONTHS TO 30 JUNE 2004

19 August 2004

Revenue

Revenue from operations was \$372.1 million (2003: \$416.1 million). In addition, joint venture operations attributable revenue was \$62.0 million (2003: \$69.1 million) resulting in Total Revenue of \$434.1 million (2003: \$485.2 million). Total Revenue in the second half was \$250.2 million compared to \$183.9 million in the first half reflecting the impact of new contracts.

Operating Result

Profit after tax of \$11.6 million was a 36.4% increase on the previous corresponding period (2003: \$8.5 million). Earnings before interest and tax totalled \$18.7 million, a margin of 4.3% on Total Revenue (2003: \$17.0 million, a margin of 3.5% on Total Revenue). The EBIT margin on Total Revenue was 4.7% in the second half reflecting the positive impact of new contracts.

A focus on cost reductions and maximising productivity resulted in all divisions improving their EBIT margins compared to the previous year.

Earnings per share increased to 3.51 cents on the expanded equity following the January 2004 capital raising.

The low tax rate of 5.2% was a result of utilising accumulated tax losses.

Dividend

As a result of the strong profit result the directors have declared a 0.5 cent fully franked dividend payable on 30 September to shareholders registered on 13 September. This is Macmahon's first dividend since 1998 and is a sign of the significant turnaround in the Company's performance over the last four years and the positive future outlook. Future dividends may only be partially franked due to the utilisation of carried forward tax losses.

Cashflow / Balance Sheet

Net cashflow from operating activities was \$51.4 million (2003: \$21.8 million). The increase in cashflow included an increase in EBITDA to \$41.8 million and a \$2.0 million reduction in interest paid compared to the previous period. The cashflow also benefited from strong collection of contract receivables in June.

Capital expenditure in the period was \$57.5 million (2003: \$10.5 million). In addition to the capital expenditure on plant a further \$16.2 million was invested in Asia Pacific Transport (APT), owner and operator of the Alice Springs to Darwin Railway.

In January a share placement and shareholder purchase plan were completed resulting in additional equity of \$26.6 million. The exercise of share options during the year resulted in a further \$3.3 million of equity.

For the full year, net balance sheet debt reduced from \$69.3 million to \$51.5 million resulting in a debt/equity ratio of 51.8% (2003: 119.6%).

Order Book

The 2004 year was the most successful in the Company's 40 year history for winning work with a total of \$862 million of new contracts and contract extensions.

At year end the order book was \$784 million.

Operations

Civil

Revenue including joint ventures was \$169.1 million (2003: \$227.7 million). The lower revenue was a result of the completion of the Alice Springs to Darwin Railway. However, following the award of new contracts, revenue increased to \$106.3 million in the second half.

The EBIT margin improved to 9.0% (2003: 8.0%) with strong results from joint venture contracts.

A number of significant contracts were won during the year including:

- Burnett River Dam JV (Macmahon 42.5%) – construction of a large roller compacted concrete dam in QLD for the QLD Government
- Dampier Port Upgrade – earthworks for rail formation, car dumper, sea walls and land reclamation for Hamersley Iron in WA
- RailLink JV (Macmahon 25%) – construction of the new 70km Perth to Mandurah Railway for the WA Government

During the year the Roe Highway contract (Macmahon 50%) in WA was completed five months ahead of schedule and work continued on the Tonkin Highway contract (Macmahon 50%) in WA.

Open Cut

Revenue was \$199.3 million (2003: \$186.1 million) reflecting the impact of new contracts won. The open cut division improved its EBIT margin for the year to 4.1% (2003: 3.9%). Whilst still below the targeted return the improvement was positive especially considering the EBIT margin in the second half was 6.7% reflecting the new contracts, increased plant utilisation and cost reductions.

A number of significant contracts were won during the year including:

- Eaglefield Coal Mine for Peabody in QLD – 7 year contract to produce +1mtpa of coal
- Phosphate Hill for WMC Fertilizers in QLD – 5 year contract for mining and tailings dam construction
- Mt Whaleback for BHP Billiton in WA – 15 month mining contract at the Mt Whaleback iron ore mine
- Ellendale Diamond Mine for Kimberley Diamond Company in WA – 3 year contract for mining

Underground

Revenue was \$53.7 million (2003: \$66.2 million) with the lower revenue reflecting the completion of a number of contracts during the year and the timing on commencement of new contracts.

Importantly the underground division improved its EBIT margin to 7.9% (2003: 3.5%). This improvement reflects the focus of the division on profitability ahead of revenue.

Major contracts awarded during the year included:

- Leinster Nickel Operations for WMC Resources in WA – 3 year extension to the existing labour hire contract
- Olympic Dam for WMC Resources in SA – 12 month contract for mine development

Allplant

During the year Macmahon acquired the assets and business name of Allplant, a Perth based business providing equipment refurbishment services. Following the acquisition the existing Macmahon plant and labour hire businesses were consolidated under the new Allplant name.

Revenue was \$18.6 million (2003: \$5.8 million) and included \$9 million of revenue to external customers and \$9.6 million of internal revenue to Macmahon's operating divisions.

EBIT margin from the Allplant business was 20.9% (2003: 10.9%).

Malaysia

During the year Macmahon re-established its business in Malaysia with the award of a six year contract to mine 4.5 million tonnes of limestone annually at the Kanthan cement/clinker operation. Kanthan is owned by Lafarge Group which is the world's largest producer of cement.

In the first six months of operation Kanthan produced revenue of A\$1.9 million and was profitable.

FreightLink/APT

Construction of the Alice Springs to Darwin Railway by the ADrail joint venture (Macmahon 10%) was completed in October 2003, five months ahead of schedule. The outstanding construction performance on the project was recognised with the 2004 Australian Construction Achievement Award.

Macmahon invested a further \$16.2 million during the year in Asia Pacific Transport (APT owner and operator of the railway) taking the total investment to \$27.2 million which equates to a 7.5% shareholding. Macmahon's investment in APT is funded by \$17 million of borrowings.

Freight operations on the railway commenced on 15 January 2004 by APT's operating company FreightLink. Up to the end of June the operating performance was:

- 234 trains operated (North bound / South bound)
- 221,000 tonnes of freight transported
- 26 Ghan Services (operated by Great Southern Railway Limited accessing the APT track)

FreightLink is currently operating five trains per week in each direction and freight volumes are increasing each month and are on schedule to achieve the Year 1 target of 350,000 tonnes. Tonnages are scheduled to ramp up to 800,000 tonnes by Year 3. The additional freight is expected to come from fuel, agriculture, mining projects and development of the international business.

Take up of the FreightLink service has been very positive with all major freight forwarders utilising the freight trains. Several major logistic moves have also been completed for the Defence Forces. To meet the increasing tonnages FreightLink has accelerated orders for additional rolling stock.

Development of the international business (export/import) is underway. Although no international freight was budgeted in the first year 8,500 tonnes has already been successfully moved.

As part of a sell down by some of the equity partners, Macmahon sold \$312,000 of its APT equity investment in July at book value.

Macmahon's strategy is to reduce its investment in APT over time when suitable opportunities present themselves.

Safety

The focus on safety continued with the following results:

- no serious disabling injuries
- 12% improvement in the Lost Time Injury Frequency Rate
- 14% improvement in the Total Recordable Injury Frequency Rate

People

The success of Macmahon continued to be delivered through the efforts of our employees. At year end the Company had some 1600 full time employees.

The focus continued on retention and training of our people which is critical to our future growth.

Outlook

The market outlook for Macmahon is positive due to the resurgence in the resources sector (driven by improved commodity prices) and growth in public spending on infrastructure projects (supported by the Federal Government AusLink funding package).

We are seeing increased demand for our services across all our business units. Requirements on current contracts are increasing and as a result we are experiencing growth from existing client relationships as well as from new contracts.

The order book for 2005 is already strong with \$370 million of work in hand. In addition some \$80 million of contracts for the 2005 year are currently under negotiation or subject to extensions which means that \$450 million of revenue for 2005 is already in hand or under negotiation. In 2005 the civil division revenue is expected to increase to over \$225 million and Allplant is on track to double its revenue to \$40 million.

Based on this and the fact that our second half 2004 revenue was \$250 million, the 2005 revenue will likely exceed \$520 million. Further growth is expected in 2006.

The target for 2005 is to improve the EBIT margin on Total Revenue to 5% (up from 4.3% in 2004 and 4.7% in 2004 second half). Capital expenditure for 2005 is expected to be around \$45 million with debt/equity expected to be maintained under 60%.

Based on these outcomes, profit after tax and earnings per share are expected to increase by at least 40% in 2005.

Summary Statistics Information

	2004	2003	% Change
FINANCIAL			
Total Revenue Including JV (\$ million)	\$434.1	\$485.2	-10.5%
EBIT (\$ million)	\$18.7	\$17.0	10.0%
PBT (\$ million)	\$12.2	\$8.9	37.1%
PAT (\$ million)	\$11.6	\$8.5	36.4%
EBIT/Total Revenue	4.3%	3.5%	
Shareholders Equity (\$ million)	\$99.4	\$57.9	71.7%
Net Borrowings (\$ million)	\$51.5	\$69.3	-25.7%
Debt/Equity	51.8%	119.6%	
Capital Expenditure (\$ million)	\$57.5	\$10.5	
Dividends per share	0.5c	Nil	
Earnings per share (basic)	3.51c	3.40c	
Return on Equity	11.6%	14.6%	
Return on Capital	11.7%	13.4%	
New Contracts & Extensions (\$ million)	\$862	\$318	
Work On Hand (\$ million)	\$784	\$341	
Share price 30 June	27c	16c	
Market Capitalisation (\$ million)	\$101	\$39	

For further information:

Mr Nick Bowen
Chief Executive Officer
Macmahon
Tel: (08) 9365 1200
Mob: 0411 754 258

Mr Rick Blair
Chief Financial Officer
Macmahon
Tel: (08) 9365 1211
Mob: 0418 333 934

APPENDIX 4E

Half-yearly/preliminary final report

Name of entity

MACMAHON HOLDINGS LTD

ABN or equivalent company reference

007 634 406

Half yearly
(tick)

Preliminary
final (tick)

Half year/financial year ended ('current
period')

30 JUNE 2004

Results for announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Revenues from ordinary activities <i>(item 1.1)</i>	down	10.6 %	to	372,098
Revenues from ordinary activities – Joint Venture Entities	down	10.2%	to	62,001
Revenues from ordinary activities – Group and JV Entities	down	10.5%	to	434,099
Profit from ordinary activities after tax attributable to members <i>(item 1.19)</i>	Up	36.4 %	to	11,564
Profit from extraordinary items after tax attributable to members <i>(item 2.5(d))</i>	gain (loss) of	-	-	
Net profit (loss) for the period attributable to members <i>(item 1.11)</i>	up	36.4 %	to	11,564

Dividends (distributions)	Amount per security	Franked amount per security %
Dividend declared	0.5¢	100%

The directors declared the payment of a dividend of 0.5c per share (franked to 100%) to the holders of fully paid ordinary shares, registered on 13 September 2004 to be paid on 30 September 2004.

Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial performance

	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Revenues from ordinary activities (<i>see items 1.20 -1.22</i>)	372,098	416,091
1.2 Expenses from ordinary activities (<i>see items 1.23 & 1.24</i>)	(362,355)	(409,291)
1.3 Borrowing costs	(6,492)	(8,115)
1.4 Share of net profits (losses) of associates and joint venture entities (<i>see item 16.7</i>)	8,951	10,231
1.5 Profit (loss) from ordinary activities before tax	12,202	8,916
1.6 Income tax on ordinary activities (<i>see note 4</i>)	(638)	(437)
1.7 Profit (loss) from ordinary activities after tax	11,564	8,479
1.8 Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>)	-	-
1.9 Net profit (loss)	11,564	8,479
1.10 Net profit (loss) attributable to outside ⁺ equity interests	-	-
1.11 Net profit (loss) for the period attributable to members	11,564	8,479
1.12 Adjustment to retained profits at 1 July 2002 as a result of the adoption of AASB 1028 'Employee Benefits'	-	(177)
1.13 Total Revenue, Expense and Valuation Adjustments attributable to Members of Macmahon Holdings Ltd recognised directly in Equity	-	(177)
1.14 Total changes in equity other than those resulting from transactions with owners as owners	11,564	8,302
Earnings per security (EPS)	Current period	Previous corresponding Period
1.15 Basic EPS	3.51 cents	3.40 cents
1.16 Diluted EPS	3.42 cents	3.30 cents

+ See chapter 19 for defined terms.

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
1.17 Profit (loss) from ordinary activities after tax (item 1.7)	11,564	8,479
1.18 Less (plus) outside ⁺ equity interests	-	-
1.19 Profit (loss) from ordinary activities after tax, attributable to members	11,564	8,479

Revenue and expenses from ordinary activities

(see note 15)

	Current period - \$A'000	Previous corresponding period - \$A'000
1.20 Revenue from sales or services	357,160	396,387
1.21 Interest revenue	531	111
1.22 Other relevant revenue	<u>14,407</u>	<u>19,592</u>
Revenues from ordinary activities (item 1.1)	372,098	416,091
Share of JV profits	8,951	10,231
1.23 Details of relevant expenses		
Materials	(147,816)	(155,163)
Labour and related costs	(144,146)	(179,422)
Subcontractor costs	(24,124)	(24,604)
Borrowing costs	(6,492)	(8,115)
Rental expenses – operating leases	(2,307)	(7,522)
Written down value of assets sold	(9,420)	(13,300)
Other Expenses	(11,395)	(7,222)
1.24 Depreciation and amortisation including amortisation of intangibles (see item 2.3)	(23,147)	(22,058)
Capitalised outlays		
1.25 Interest costs capitalised in asset values	-	-
1.26 Outlays capitalised in intangibles (unless arising from an ⁺ acquisition of a business)	-	-

+ See chapter 19 for defined terms.

Consolidated retained profits

	Current period - \$A'000	Previous corresponding period - \$A'000
1.27 Retained profits (accumulated losses) at the beginning of the financial period	(73,464)	(81,766)
1.28 Net profit (loss) attributable to members (<i>item 1.11</i>)	11,564	8,479
1.29 Net transfers from (to) reserves (<i>details if material</i>)	-	-
1.30 Net effect of changes in accounting policies	-	(177)
1.31 Dividends and other equity distributions paid or payable	-	-
1.32 Retained profits (accumulated losses) at end of financial period	(61,900)	(73,464)

Intangible and extraordinary items

<i>Consolidated - current period</i>				
	Before tax \$A'000	Related tax \$A'000	Related outside +equity interests \$A'000	Amount (after tax) attributable to members \$A'000
	(a)	(b)	(c)	(d)
2.1 Amortisation of goodwill	639	-	-	639
2.2 Amortisation of other intangibles	-	-	-	-
2.3 Total amortisation of intangibles	639	-	-	639
2.4 Extraordinary items (details)	-	-	-	-
2.5 Total extraordinary items	-	-	-	-

Comparison of half year profits

(Preliminary final report only)

	Current year - \$A'000	Previous year - \$A'000
3.1 Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the <i>1st</i> half year (item 1.22 in the half yearly report)	3,357	2,776
3.2 Consolidated profit (loss) from ordinary activities after tax attributable to members for the <i>2nd</i> half year	8,207	5,703

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial position

	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000	
Current assets				
4.1	Cash	32,896	-	-
4.2	Receivables	42,512	38,891	36,430
4.3	Inventories	7,944	6,827	10,494
4.4	Tax assets	292	900	210
4.5	Other (provide details if material)	1,440	2,007	3,108
4.6	Total current assets	85,084	48,625	50,242
Non-current assets				
4.7	Investments (equity accounted)	1,768	3,300	1,330
4.8	Other investments	27,223	11,011	17,814
4.9	Other property, plant and equipment (net)	126,032	100,557	104,389
4.10	Intangibles (net)	6,790	7,081	6,762
4.11	Other (provide details if material)	181	79	185
4.12	Total non-current assets	161,994	122,028	130,480
4.13	Total assets	247,078	170,653	180,722
Current liabilities				
4.14	Payables	48,507	31,718	39,797
4.15	Interest bearing liabilities	17,663	35,896	29,040
4.16	Tax liabilities	894	255	226
4.17	Provisions exc. tax liabilities	11,926	10,321	10,018
4.18	Total current liabilities	78,990	78,190	79,081
Non-current liabilities				
4.19	Interest bearing liabilities	66,706	33,417	39,113
4.20	Provisions exc. tax liabilities	1,991	1,108	978
4.21	Total non-current liabilities	68,697	34,525	40,091
4.22	Total liabilities	147,687	112,715	119,172
4.23	Net assets	99,391	57,938	61,550
Equity				
4.24	Capital/contributed equity	165,746	135,857	136,112
4.25	Reserves	(4,455)	(4,455)	(4,455)
4.26	Retained profits (accumulated losses)	(61,900)	(73,464)	(70,107)
4.27	Equity attributable to members of the parent entity	99,391	57,938	61,550
4.28	Outside ⁺ equity interests in controlled entities	-	-	-
4.29	Total equity	99,391	57,938	61,550

+ See chapter 19 for defined terms.

Condensed consolidated statement of cash flows

	Current period \$A'000	Previous corresponding period - \$A'000
Cash flows related to operating activities		
7.1	344,875	413,778
7.2	(298,634)	(394,536)
7.3	10,483	11,200
	56,724	30,442
7.4	531	111
7.5	(6,492)	(8,510)
7.6	609	(243)
7.7	-	-
7.8	51,372	21,800
Cash flows related to investing activities		
7.9	(57,497)	(10,504)
7.10	10,349	12,759
7.11	(16,212)	(11,011)
7.12	(348)	-
7.13	-	-
7.14	-	-
7.15	-	-
7.16	(63,708)	(8,756)
Cash flows related to financing activities		
7.17	60,093	13,824
7.18	(39,924)	(36,510)
7.19	30,775	-
7.20	(886)	-
7.21	95	198
7.22	50,153	(22,488)
7.23	37,817	(9,444)
7.24	(4,921)	4,523
7.25	-	-
7.26	32,896	(4,921)

+ See chapter 19 for defined terms.

Condensed consolidated statement of cash flows continued

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A'000	Previous corresponding period - \$A'000
8.1 Cash on hand and at bank	17,896	-
8.2 Deposits at call	15,000	-
8.3 Bank overdraft		(4,921)
8.4 Other (provide details)		-
8.5 Total cash at end of period (item 7.27)	32,896	(4,921)

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding Period
9.1 Profit before tax / revenue Consolidated profit (loss) from ordinary activities before tax (item 1.5) as a percentage of revenue (item 1.1)	3.28%	2.14%
9.2 Profit after tax / ⁺equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (item 1.11) as a percentage of equity (similarly attributable) at the end of the period (item 4.27)	11.63%	14.63%

Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

(a) Basic EPS	3.51 cents	3.40 cents
(b) Diluted EPS (if materially different from (a))	3.42 cents	3.30 cents
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	329,462,242	246,167,707
(d) Weighted average number of potential ordinary shares outstanding during the period used in the calculation of the dilutive EPS	338,518,720	256,613,500

+ See chapter 19 for defined terms.

Other notes to the condensed financial statements contd.

NTA backing <i>(see note 7)</i>	Current period	Previous corresponding Period
11.1 Net tangible asset backing per ⁺ ordinary security	24.76 cents	20.64 cents

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)

12.1 Discontinuing Operations

N/A

Control gained over entities having material effect

13.1 Name of entity (or group of entities)	NIL
13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was ⁺ acquired	N/A
13.3 Date from which such profit has been calculated	N/A
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

Loss of control of entities having material effect

14.1 Name of entity (or group of entities)	N/A
14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	N/A
14.3 Date to which the profit (loss) in item 14.2 has been calculated	N/A
14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	N/A

+ See chapter 19 for defined terms.

14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control.

N/A

Dividends (in the case of a trust, distributions)

15.1 The directors declared the payment of a dividend of 0.5c per share (franked to 100%) to the holders of fully paid ordinary shares, registered on 13 September 2004 to be paid on 30 September 2004.

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	Current period \$A'000	Previous corresponding period - \$A'000
16.1 Profit (loss) from ordinary activities before tax	8,951	10,231
16.2 Income tax on ordinary activities	-	-
16.3 Profit (loss) from ordinary activities after tax	8,951	10,231
16.4 Extraordinary items net of tax	-	-
16.5 Net profit (loss)	8,951	10,231
16.6 Adjustments	-	-
16.7 Share of net profit (loss) of associates and joint venture entities	8,951	10,231

+ See chapter 19 for defined terms.

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)*

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (item 1.9)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
17.1 Equity accounted associates and joint venture entities				
ADrail JV	10%	10%	-	-
Jervoise Bay JV	50%	50%		
Eastern Gas Pipeline JV	30%	30%		
Learmonth JV	50%	50%		
Roe Hwy JV	50%	50%		
Tonkin Hwy JV	50%	50%		
Burnett River Dam JV	42.5%	-		
RailLink JV	25%	-		
17.2 Total	-	-	8,951	10,231
17.3 Other material interests				
Asia Pacific Transport	7.5%	7.5%	-	-
17.4 Total			8,951	10,231

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of ⁺ securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1 Preference ⁺securities (description)	-	-	-	-
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions	-	-	-	-
18.3 ⁺Ordinary securities	373,952,403	373,952,403		
18.4 Changes during current period (a) Increases through issues	21,700,000 105,846,856	21,700,000 105,846,856	15 cents 26 cents	15 cents 26 cents

+ See chapter 19 for defined terms.

18.5	[†] Convertible debt securities (description and conversion factor)	-	-	-	-
18.6	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
18.7	Options (description and conversion factor)			<i>Exercise Price</i>	<i>Expiry date (if any)</i>
	Executive options	5,676,860	-	15 cents	30/10/05
		1,800,000	-	42 cents	30/10/08
	Non-exec Directors	2,000,000	-	15 cents	30/10/05
		2,000,000	-	42 cents	30/10/08
18.8	Issued during current period	-	-		
18.9	Exercised during current period				
	ANZ Option	20,000,000	20,000,000	15 cents	
	Executive Option	1,700,000	1,700,000	15 cents	
18.10	Lapsed during current period	-	-	-	
18.11	Debentures (description)	-	-		
18.12	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.13	Unsecured notes (description)	-	-		
18.14	Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				

Segment reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's [†]accounts should be reported separately and attached to this report.)

+ See chapter 19 for defined terms.

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by *AASB 1029: Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

Basis of financial report preparation

19.1 *If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Interim Financial Reporting. **It should be read in conjunction with the last + annual report and any announcements to the market made by the entity during the period.** The financial statements in this report are "condensed financial statements" as defined in AASB 1029: Interim Financial Reporting. This report does not include all the notes of the type normally included in an annual financial report. [Delete if preliminary final report.]*

19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

NIL

19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

NIL

19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

Franking Credits Available \$1,063,000 (Refer 19.5)

19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

Franking credits:

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.

19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

NIL

+ See chapter 19 for defined terms.

19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last ⁺ annual report.

NIL

19.8 Taxation

The difference between the provision for income tax and the amount of income tax prima facie payable on the profit before tax is due to the entity absorbing carried forward taxation losses to the extent they are available. The tax losses available to be absorbed for the year ended 30 June 2004 is \$16.3m (2003: \$18.2m)

Additional disclosure for trusts

20.1 Number of units held by the management company or responsible entity or their related parties.

N/A

20.2 A statement of the fees and commissions payable to the management company or responsible entity.

N/A

Identify:

- initial service charges
- management fees
- other fees

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

The Western Australian Club 101 St. Georges Terrace, PERTH WA
--

Date

26 November 2004

Time

11.00 am

Approximate date the ⁺ annual report will be available

22 nd October 2004

+ See chapter 19 for defined terms.

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used

NONE

2 This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed (see note 2).

4 This report is based on +accounts to which one of the following applies.

(Tick one)

The +accounts have been audited.

The +accounts have been subject to review.

The +accounts are in the process of being audited or subject to review.

The +accounts have *not* yet been audited or reviewed.

5 If the audit report or review by the auditor is not attached, details of any qualifications are attached. *(Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.)*

6 The entity has a formally constituted audit committee.

Sign here:



Director

Date: 19 August 2004.

Print name: NICHOLAS RONALD BOWEN

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. Entities are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.
2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.
3. **Condensed consolidated statement of financial performance**
 - Item 1.1 The definition of "revenue" and an explanation of "ordinary activities" are set out in *AASB 1004: Revenue*, and *AASB 1018: Statement of Financial Performance*.
 - Item 1.6 This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax).
4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franked amount per security at % tax" for items 15.4 to 15.7.
5. **Condensed consolidated statement of financial position**

Format The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029: Interim Financial Reporting*, and *AASB 1040: Statement of Financial Position*. Also, banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last [†]annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.
6. **Condensed consolidated statement of cash flows** For definitions of "cash" and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the

[†] See chapter 19 for defined terms.

- presentation adopted must meet the requirements of *AASB 1026*. ⁺Mining exploration entities may use the form of cash flow statement in Appendix 5B.
7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ⁺ordinary securities (ie, all liabilities, preference shares, outside ⁺equity interests etc). ⁺Mining entities are *not* required to state a net tangible asset backing per ⁺ordinary security.
 8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the ⁺accounts. Details must include the contribution for each gain or loss that increased or decreased the entity's consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.
 9. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. If an entity reports exact figures, the \$A'000 headings must be amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, and the \$A'000 headings must be amended.
 10. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 1018* or *AASB 1029 Interim Financial Reporting* as appropriate and are the unadjusted figures from the latest annual or half year report as appropriate. However, if an adjustment has been made in accordance with an accounting standard or other reason or if there is a lack of comparability, a note explaining the position should be attached. For the statement of financial performance, *AASB 1029 Interim Financial Reporting* requires information on a year to date basis in addition to the current interim period. Normally an Appendix 4B to which *AASB 1029 Interim Financial Reporting* applies would be for the half year and consequently the information in the current period is also the year to date. If an Appendix 4B Half yearly version is produced for an additional interim period (eg because of a change of reporting period), the entity must provide the year to date information and comparatives required by *AASB 1029 Interim Financial Reporting*. This should be in the form of a multi-column version of the consolidated statement of financial performance as an attachment to the additional Appendix 4B.
 11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the ⁺ASIC under the Corporations Act must also be given to ASX. For example, a director's report and declaration, if lodged with the ⁺ASIC, must be given to ASX.
 12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.
 13. **Corporations Act financial statements** This report may be able to be used by an entity required to comply with the Corporations Act as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.
 14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.

⁺ See chapter 19 for defined terms.

- 15 **Details of expenses** *AASB 1018* requires disclosure of expenses from ordinary activities according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by ASX. *AASB ED 105* clarifies that the disclosures required by *AASB 1018* must be either *all* according to nature or *all* according to function. Entities must disclose details of expenses using the layout (by nature or function) employed in their ⁺accounts.

The information in lines 1.23 to 1.27 may be provided in an attachment to Appendix 4B.

Relevant Items *AASB 1018* requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is *relevant* in explaining the financial performance of the reporting entity. The term “relevance” is defined in *AASB 1018*. There is an equivalent requirement in *AASB 1029: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by ASX.

- 16 **Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to “000” must be changed to the reporting value.

17. **Discontinuing operations**

Half yearly report

All entities must provide the information required in paragraph 12 for half years beginning on or after 1 July 2001.

Preliminary final report

Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by paragraph 7.5 (g) of *AASB 1029: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their ⁺accounts in accordance with *AASB 1042 Discontinuing Operations*.

In any case the information may be provided as an attachment to this Appendix 4B.

18. **Format**

This form is a Word document but an entity can re-format the document into Excel or similar applications for submission to the Companies Announcements Office in ASX.

⁺ See chapter 19 for defined terms.

**MACMAHON HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

SEGMENT INFORMATION

Note 40 Segment Information

(a) BUSINESS SEGMENTS

For management purposes, the consolidated entity is organised into five major divisions – Civil Construction, Open Cut Mining, Underground Mining, All Plant and Investments. These divisions are the basis on which the consolidated entity reports its primary segment information. These principal products and services of each of these divisions are as follows:

Civil:

The Civil division provides government, mining and other sectors with total engineering solutions for bulk earthworks, roads, railways, ports, dams, airport construction, bridges, marine and mine infrastructure placing Macmahon at the forefront of successful civil projects.

Open Cut Mining:

The Open Cut division provides complete mine to mill capability and is able to provide total mining solutions to mine owners on time and on budget. Its services include drill and blast, load and haul, crushing, screening and stacking operations.

Underground Mining:

The Underground division is able to provide a total mining service including specialist areas in underground mining and development, mine refurbishment, ground support, specialised drilling and cable bolt installation with experienced operators.

Allplant

Macmahon acquired mobile equipment repair business Allplant in 2004 to complement its existing range of services.

The Allplant division now provides large earth moving plant with flexible hire arrangements ranging from wet to dry hire, maintenance and repairs for mobile equipment and a flexible temporary workforce for short-term or long-term labour hire. Allplant has a strong commitment to customer service and workplace safety.

Investments

Macmahon has a 7.5% equity investment in Asia Pacific Transport Corporation (APT). APT is the owner and operator of the Adelaide to Darwin railway.

+ See chapter 19 for defined terms.

MACMAHON HOLDINGS LIMITED AND CONTROLLED ENTITIES

Notes to the financial statements (contd) for the financial year ended 30 June 2004

SEGMENT INFORMATION

Note 40 Segment Information

SEGMENT INFORMATION - PRIMARY SEGMENT

	Total	
	2004 \$'000	2003 \$'000
SEGMENT REVENUE		
Civil Construction (Including Joint Ventures)	169,111	227,660
Open Cut Mining	199,246	186,106
Underground Mining	53,721	66,231
Allplant (Including Internal Revenue)	18,580	5,759
Investments	-	-
Total Segment Revenue	440,658	485,756
Elimination of attributable Joint Venture revenue	(62,001)	(69,066)
Elimination of internal sales	(9,629)	(3,238)
Unallocated Revenue	12,021	12,870
Total Consolidated Revenue	381,049	426,322
SEGMENT RESULTS		
Civil Constructiton	15,160	18,213
Open Cut Mining	8,147	7,246
Underground Mining	4,261	2,291
Allplant	3,886	625
Investments	-	-
Total Segment Result (EBIT)	31,454	28,375
Unallocated Expenses	(19,252)	(19,459)
Profit from ordinary activity before income tax expense	12,202	8,916
Income tax expense	(638)	(437)
Profit from Ordinary Activity after Income Tax Expense	11,564	8,479
SEGMENT ASSETS		
Civil Construction	12,657	8,492
Open Cut Mining	121,287	117,766
Underground Mining	27,314	26,625
Allplant	20,496	1,486
Investments (FrieghtLink/APT)	27,223	11,011
Total Segment Assets	208,977	165,380
Unallocated assets	38,101	5,273
Total Assets	247,078	170,653
SEGMENT LIABILITIES		
Civil Constructiton	15,722	10,075
Open Cut Mining	33,607	26,269
Underground Mining	7,200	7,591
Allplant	2,088	111
Investments (FrieghtLink/APT)	-	-
Total Segment liabilities	58,617	44,046
Unallocated liabilities	89,070	68,669
Total Liabilities	147,687	112,715
Consolidated Assets & Liabilities	99,391	57,938

+ See chapter 19 for defined terms.

MACMAHON HOLDINGS LIMITED AND CONTROLLED ENTITIES
Notes to the financial statements (contd) for the financial year ended 30 June 2004

SEGMENT INFORMATION

Note 40 Segment Information (con't)

SEGMENT INFORMATION - PRIMARY SEGMENT

Other Segmented Information	Civil Construction		Open Cut Mining		Underground Mining		Allplant		Investments	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Carrying value of joint venture investments accounted for using the equity method	1,768	3,300	-	-	-	-	-	-	-	-
Share of net profit/(loss) of associates and joint venture entities accounted for under the equity method	8,951	10,231	-	-	-	-	-	-	-	-
Acquisition of segmented assets	896		44,684	6,976	3,893	3,036	8,024	-	-	-
Depreciation and amortisation of segment assets	735	3,665	18,297	14,207	2,435	3,548	1,039	-	-	-

SEGMENT INFORMATION - SECONDARY SEGMENT
GEOGRAPHIC SEGMENTS

	Australasia		South East Asia		Inter Segment Eliminations		Consolidated	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Segment revenue from external customers	379,148	420,512	1,901	5,810	-	-	381,049	426,322
Segment assets	242,914	169,658	4,164	995	-	-	247,078	170,653
Acquisition at segment assets	57,270	10,012	2,700	-	(2,473)	-	57,497	10,012

+ See chapter 19 for defined terms.

Deloitte

Deloitte Touche Tohmatsu
A.B.N. 74 480 921 000

Central Park
Level 16
152-158 St. Georges Terrace
Perth WA 6000
GPO Box 446
Perth WA 6837 Australia

EX 206
Tel: +61 (0)8 9385 7000
Fax: +61 (0)8 9385 7004
www.deloitte.com.au

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 2004 as set out on pages 10 to 65. 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.

Member of
Deloitte Touche Tohmatsu

The liability of Deloitte Touche Tohmatsu, is limited by, and to the extent of,
the Accountants' Scheme under the Professional Standards Act (1994) (PSA).



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 2004 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.

A handwritten signature in black ink, appearing to read "Akesh Sarda Sharma".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Keith Jones".

KEITH JONES
Partner
Chartered Accountants

Perth, 19 August 2004