

ASIC registered agent number

388

1/2

18 March 2002

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

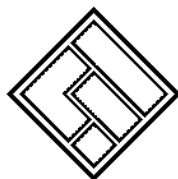
suburb/city WELSHPOOL state/territory WA postcode 6106

telephone (08) 93651183

facsimile (08) 93651186

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 / 2003 and ends 30 / 06 / 2004 (d/m/y)

Date of Annual General Meeting (if applicable) 26 / 11 / 2004

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 30/09/2004

* **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



Annual Report 2004



→ Brian worked by the philosophy of doing what others were not prepared to do.

TRIBUTE TO BRIAN MACMAHON

Brian Blackwell Macmahon

26 October 1925 to 23 November 2003

- Macmahon Founder 1963
- Macmahon Managing Director and Chairman 1963-1985
- Director 1963-2000

To everyone who knew him, Brian Macmahon was considered a true gentleman.

As Macmahon founder, Brian expected employees to make a commitment to their work and in return he made a commitment to them.

From the outset, Brian had a hand in all of Macmahon's operations including tenders and inspecting all jobs. Each month, he spent two weeks in the office and two weeks on site. He also took a strong interest in the up keep of plant and equipment.

Brian's handyman skills were evident as a young boy growing up on a vineyard at Morphett Vale in South Australia. His ability evolved into a career as a civil engineer and he completed a Bachelor of Engineering (Civil) degree at the University of Adelaide in 1946.

After pursuing various engineering opportunities, Brian realised contracting was the way of the future and he accepted a position with Rosewall Earthmovers Pty Ltd in 1955. When the company came up for sale in 1963, Brian and accountant John McDonald took over, creating Macmahon Holdings Pty Ltd.

Macmahon grew significantly under Brian's tenure and became a publicly listed company in 1983. Brian worked by the philosophy of doing what others were not prepared to do.

Brian's wife Lysanne took an active interest in the company, joining him on numerous site visits and taking part in company activities.

To a true friend and gentleman we say goodbye.

Contents

The Company	02	Current Contracts	36
Performance Highlights	04	Board of Directors	38
Chairman's Report	05	Consolidated Financial Statements	41
CEO's Report	08	Corporate Governance Statement	94
Finance Report	14	Statistical Summary	99
Review of Operations	21	Corporate Directory	101
- Human Resources	22		
- Safety	23		
- Environment	24		
- Management Systems	25		
- Civil Division	26		
- Open Cut Division	28		
- Underground Division	30		
- Allplant	32		
- Malaysia	34		

MACMAHON

THECOMPANY

WHERE WE HAVE COME FROM

Macmahon Holdings founder Brian Macmahon was long regarded as a quiet achiever and therefore the company has operated in much the same way. While many of Macmahon's projects have influenced Australian culture, people outside the industry know little about the company behind them.

Adelaide civil engineer Brian Macmahon started the company in 1963 and in August 2003 Macmahon celebrated its 40th anniversary.

Amongst Macmahon's early accomplishments were roadworks on the Stuart Highway in the Northern Territory and National Highway One in South Australia.

Macmahon won its first mining contract in 1967 when the company carried out excavation work at the Nobles Nob Gold Mine at Tennant Creek in the Northern Territory.

Macmahon established a strong reputation for railway construction with the construction of the Alice Springs to Tarcoola railway in 1978.

In 1983, Macmahon listed on the Australian Stock Exchange when revenue had grown to \$77 million and the Company had 1000 employees. Around this time, Macmahon established a branch office in Brisbane as its work grew substantially in Queensland. The Company also started civil works on the 1500 kilometre Dampier to Perth natural gas pipeline.

THECOMPANY



Macmahon took a strong step into contract mining in 1987 when the Company acquired FK Kanny and Sons. This developed Macmahon's expertise in Open Cut mining enabling expansion into mining ventures in Western Australia and Queensland.

In 1994, Macmahon started construction work on the North Dandalup Dam in Western Australia. Macmahon was awarded three prestigious awards for this project. One was the inaugural National Award for Partnering from the Master Builders Australia (MBA) and two from the WA Division of the MBA.

Macmahon again grew its business in 1994 with the acquisition of Kalgoorlie based Underground mining specialist and consultancy services group National Mine Management Pty Ltd.

Since 2000, Macmahon has continued to build on its contracting strengths through winning contracts in the expanding coal and iron ore industries and with civil projects such as the Alice Springs to Darwin railway joint venture, which was completed in 2003. This was a fitting role for Macmahon due to its involvement in the original construction of the Tarcoola to Alice Springs railway project back in 1978.

The Alice Springs to Darwin railway project won the prestigious Australian Construction Achievement Award for 2004.

As the latest plank in Australia's railway network, the Alice Springs to Darwin railway connected each mainland capital city, enhancing Australia's export-import potential and tourism opportunities.

Macmahon's involvement in this project included hiring a significant number of people and heavy equipment to the construction joint venture.

This experience led to the development of the Allplant division where Macmahon provides plant hire, labour hire and mechanical maintenance services to both internal and external customers.

With booming resources and construction industries, it has been an exciting year for Macmahon as the Company continues to focus on developing its core skills to develop profitable growth.

Macmahon's strength comes from its people and they demonstrate that "When Experience Counts, Macmahon will deliver."

MACMAHON HOLDINGS

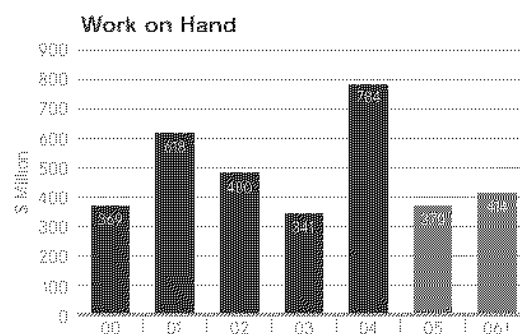
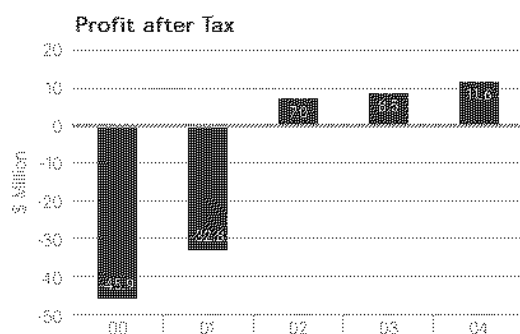
Civil Contracting	Open Cut Mining	Underground	Allplant	Alice Springs to Darwin Railway
• Roadworks • Railways • Marine Infrastructure • Dams • Airports • Mine Infrastructure • Road Maintenance	• Mining • Drill & Blast • Crushing	• Development • Production • Production Drilling • Ground Support • Diamond Drilling	• Plant Hire • Labour Hire • Plant Maintenance	• 7.5% APT/FreightLink Shareholder (Owner & Operator)

Markets - Australia, New Zealand and Malaysia

PERFORMANCE HIGHLIGHTS

	2004	2003	% Change
Financial			
Total Revenue Including Joint Ventures (\$ million)	\$434.1	\$485.2	-10.5%
Earnings Before Interest and Tax (\$ million)	\$18.7	\$17.0	10.0%
Profit Before Tax (\$ million)	\$12.2	\$8.9	37.1%
Profit After Tax (\$ 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	448.0%
Earnings per share (basic)	3.51c	3.40c	3.2%
Dividends per share	0.5c	Nil	-
Return on Equity	11.6%	14.6%	-
Return on Capital	11.7%	12.6%	-
Work on Hand			
New Contracts & Extensions (\$ million)	\$862	\$318	171.1%
Work On Hand (\$ million)	\$784	\$341	130.0%

Key Performance Highlights, year ended 30 June 2004.



■ Order book run off

CHAIRMAN'S REPORT

On behalf of the Board and management, I am delighted to present the Macmahon 2004 Annual Report to Shareholders.

RESULTS

We have achieved a record result for the group. As you will see from Nick Bowen's CEO's report, the detailed operations reports and financial statements, there has been a strong performance in all aspects of our business.

I should like to draw the attention of shareholders to the strengthening of our balance sheet during the year.

With strong cash flow from operations and the raising of additional equity, the Company reduced debt to \$52 million with a net debt/equity gearing of 52% after financing capital expenditure of \$58 million.

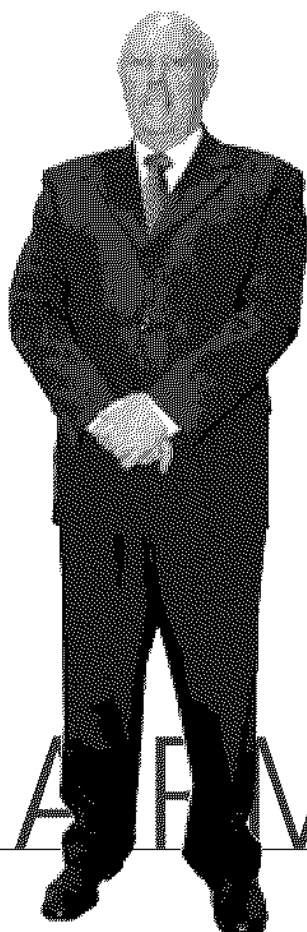
PEOPLE

This current position enjoyed by the Company is the result of the continuous intense focus on all aspects of our business by our talented and dedicated management and staff teams. They are to be congratulated on the achievement of these strong results and for the excellent foundations put in place to sustain the profitable growth of Macmahon in the long term.

The high level of activity and investment in civil infrastructure and mining enterprises in Australia, which I consider will be sustained for at least the medium term, has put pressure on the availability of appropriately trained and qualified staff needed by Macmahon to manage its operations. We are paying particular attention to our training, recruiting, motivation and rewards systems in order to retain our existing people and attract increased numbers of apprentices, graduates and experienced people.

Our operating teams and their managers have produced another excellent safety performance. However, we are never complacent in this area and continue to apply the best safety methodologies and standards of prevention and audit in all our activities.

*David J Humann,
Chairman*



CHAIRMAN'S REPORT

CHAIRMAN'S REPORT

'Our order book is strong and our success rate in winning new profitable work is high'

MARKETS

The demand for metals and energy commodities remains strong as the World economy continues to show satisfactory levels of growth particularly in Asia. Growth in China is strong, particularly in industrial production including consumer goods and vehicles and in its investment in infrastructure, such as power, dams, roads, freeways and ports as well as in construction of commercial, residential and industrial buildings. Consumer demand may have slowed somewhat from recent highs but the increase in earnings of the population in general and in the coastal cities in particular, creates demands for housing and durable consumer goods. All this demands energy and minerals supply and this demand flows through to our contracting and civil engineering businesses.

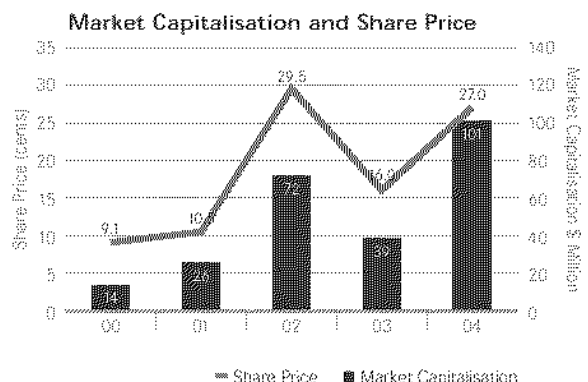
Mine development investment is high in Australia and this provides Macmahon with opportunities to win new work. Our order book is strong and our success rate in winning new profitable work is high.

Our civil projects are progressing well and the recent award of the Mandurah to Perth rail contract to a consortium of which Macmahon is a significant participant is a prestigious win for the company and recognises our expertise in rail construction.

DIVIDEND

After several years of successfully rebuilding the financial strength of the Company, the directors had confidence in re-instituting a dividend for shareholders.

While our capacity to declare dividends on a regular basis will depend on the financial results we achieve, I am delighted to say your directors have decided to declare a dividend of 0.5 cents per share, which was paid to shareholders on 30 September 2004 with the record date of 13 September 2004.



‘Your Board remains confident of a strong demand for Macmahon’s services for the foreseeable future’

BOARD OF DIRECTORS

Your Board of directors has been strengthened by the addition of Malcolm Kinnaird AO. Malcolm is a doyen of the Australian engineering profession and his knowledge of the civil engineering field will be great value to your company.

We are seeking more work in the civil area and coal mining sector in Queensland and New South Wales and this provides an expansion to the more traditional areas of focus in recent years of Western Australia and South Australia.

Malcolm’s expertise combined with that of the other members of the Board and with management will assist obtaining our share of these large markets.

CORPORATE GOVERNANCE

Macmahon has kept fully abreast of the developments in the standards required for corporate governance and of the new accounting standards and ASX and other disclosure and reporting requirements coming into effect in Australia and internationally.

The Board has reviewed our compliance with the applicable laws and standards in conjunction with management and our professional advisers.

I believe we have fully complied with the spirit and letter of all current requirements and we readily accept our responsibilities in this regard.

OUTLOOK

Your Board remains confident of a strong demand for Macmahon’s services for the foreseeable future. There is every reason to believe the conservative regime under which your Company is managed and the strategic direction on which we are focused will continue to add significantly to the value of your investment.

We will continue to pursue opportunities to increase profitability for shareholders whilst at the same time ensuring debt levels are kept at manageable levels.

We look forward to your active participation in our exciting future.

A handwritten signature in black ink, reading 'D Humann'.

David J Humann
Chairman

CEO'S REPORT

'Total Revenue in the second half was \$250.2 million reflecting the positive impact of new contracts'

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 positive impact of new contracts.

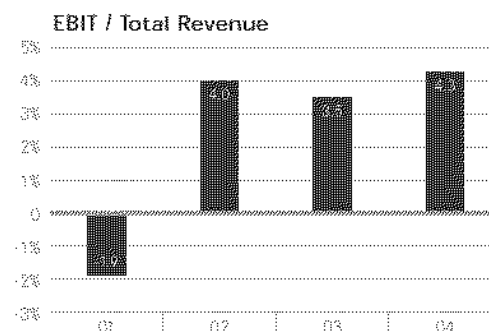
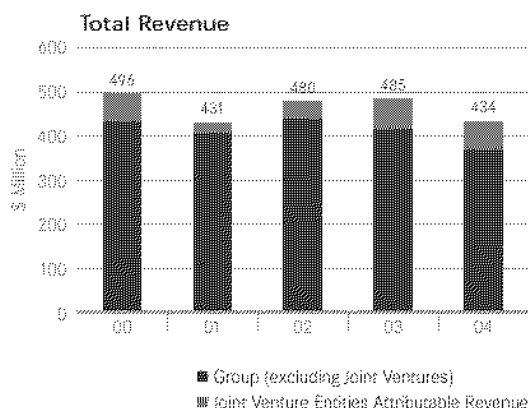
OPERATING RESULT

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



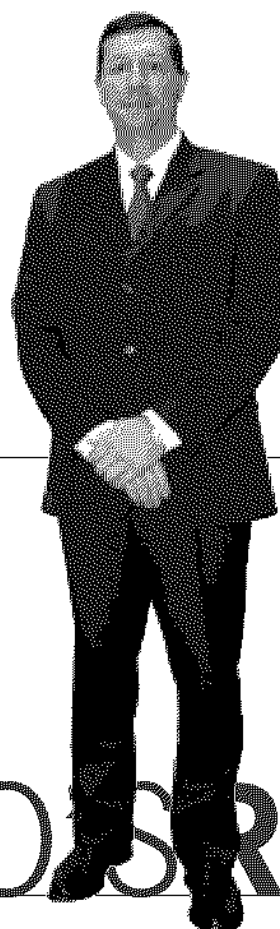
‘As a result of the strong profit result the directors declared a 0.5 cent fully franked dividend’

DIVIDEND

As a result of the strong profit result the directors declared a 0.5 cent fully franked dividend which was paid 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. Due to the utilisation of carried forward tax losses there will be limited franking credits available in the next few years.

*Nick Bowen,
Chief Executive
Officer*



CEO'S REPO

➤ Shift change at Mt Whaleback Go Line.

CEO'S REPORT

CASHFLOW / BALANCE SHEET

Net cashflow from operating activities was \$51.4 million (2003: \$21.8 million). The increase in cashflow included an EBITDA of \$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 2004.

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 of equity was invested in Asia Pacific Transport (APT), owner and operator of the Alice Springs to Darwin Railway.

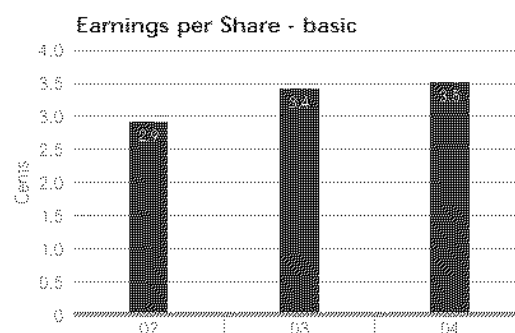
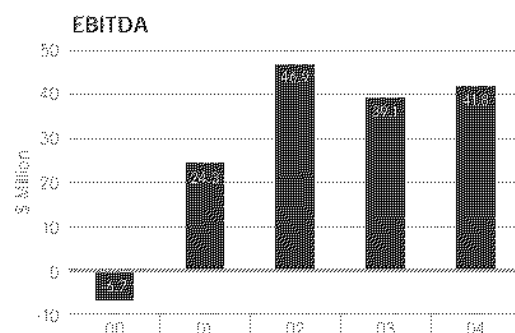
In January a share placement and shareholder purchase plan were completed resulting in additional equity of \$26.6 million. The exercise of share options during the year resulted in a further \$3.3 million of equity.

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%).

SCORECARD

In June 2003, the Company established a number of targets. Our performance against those targets is reported below.

Measure	Target	Result	Comment
Profit	Annual profit and EPS Growth	Profit up 36% EPS up 3.2%	Achieved Achieved
Debt/Equity	Under 75%	51.8%	Achieved
Return on Capital	13 to 15%	11.7%	Not achieved due to insufficient time to deliver profit on new capital
Safety	20% Annual TRIFR improvement	14% Improvement	Target not achieved but still improved
Dividend	Dividend paying company	0.5 cps	Achieved

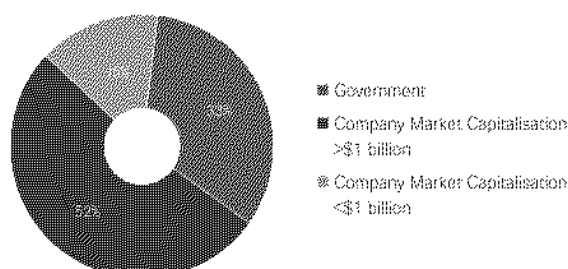


ORDER BOOK

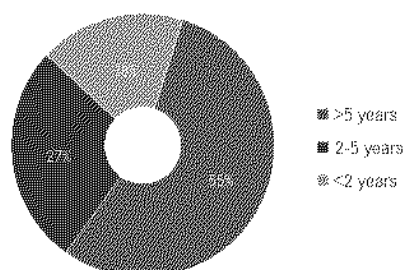
The 2004 year was the most successful in the Company's 40 year history for winning work with a total of \$862 million of new contracts and contract extensions.

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

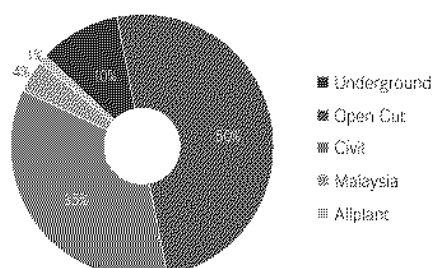
Order Book by Client



Order Book by Contract Duration



Order Book by Division



INVESTMENT

APT (owner) and FreightLink (operator) of the Alice Springs to Darwin Railway

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) 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 was 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.

CEO'S REPORT

STRATEGIC DEVELOPMENT

Over the past financial year, strategic reviews have been undertaken of Macmahon and each of the four core businesses to review and formulate business objectives and strategies.

The market outlook for our core businesses is very positive for the foreseeable future due to resurgence in the resources sector coupled with growth in public sector spending on infrastructure projects.

As part of the review, key strategic objectives have been developed for the four operating businesses. These are summarised below:

- Civil Contracting - Grow and increase presence in Eastern States
- Open Cut Mining - Improve performance to achieve targeted Return on Capital (ROC)
- Underground Mining - Grow
- Allplant (previously called Hire Division) - Invest and Grow

Macmahon will concentrate on its core capabilities as a platform for its growth strategy in selected sectors and targeted geographical regions within Australasia and Malaysia.

The **Civil business**, which has developed key skills and capabilities in the heavy civil engineering sector, is concentrating on utilising these capabilities to expand to selected geographical regions within Australia.

The **Open Cut Mining** business will concentrate on maximising value from existing projects and target new projects that are aligned to core competencies and meet the target financial parameters.

The **Underground Mining** business will continue to grow its core business as will some of its aligned special services.

Macmahon will continue to grow its Allplant business which has been built on expanding the Company's capabilities and offering these services to the external market.

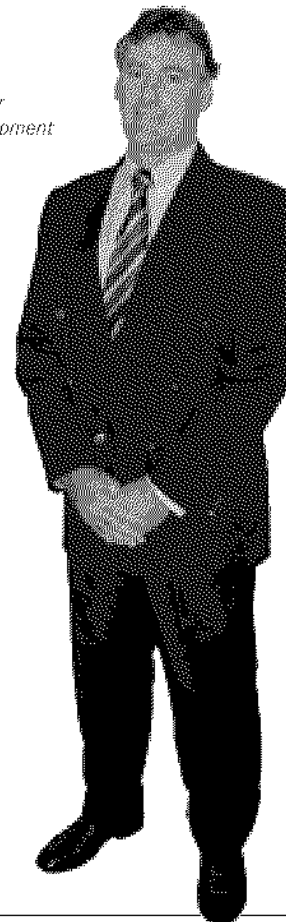
MACMAHON IMPROVEMENT PROCESS

Following the Company's strategic review, a roadmap was developed to grow and improve Macmahon beyond the 2004 financial year. One of these strategies is the implementation of the Macmahon Improvement Process (MIP) within Macmahon.

The MIP will become an integral part of the way we manage our business so that we can remain competitive, decrease costs, improve safety and quality and add value to all stakeholders.

The program will utilise the internationally recognised Six Sigma improvement methodology as its framework for improving performance.

*Phil Hatt,
General Manager
Strategic Development*



'Profit after tax is expected to increase

01. Perth workshop employees Mitch Pearce, Nick Beck, Adam Tonlinson and Michael Cleveland.
02. Aerial view of Burnett River Dam construction site.

01



02



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).

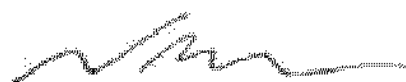
We are seeing increased demand for our services across all our business units. Requirements on current contracts are increasing and as a result we are experiencing growth from existing client relationships as well as from new contracts.

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 is expected to increase by at least 40% in 2005.



Nick Bowen
Chief Executive Officer

by at least 40% in 2005'

FINANCEREPORT

FINANCIAL PERFORMANCE INDICATORS (FURTHER DETAILS REF PAGE 99)

	2004	2003
Shareholder equity	\$99.4 million	\$57.9 million
Return on Shareholders equity	11.5%	14.6%
Return on Capital Employed	11.7%	12.6%
Net Tangible Assets per share	25 cps	21 cps
EBITDA	\$41.8 million	\$39.1 million
Operating Cash flow per share	14 cps	9 cps
Net Interest	\$6.0 million	\$8.0 million
Net Interest Cover Ratio	3.0	2.1

*Rick Blair,
Chief Financial
Officer*

FINANCEREPORT



01

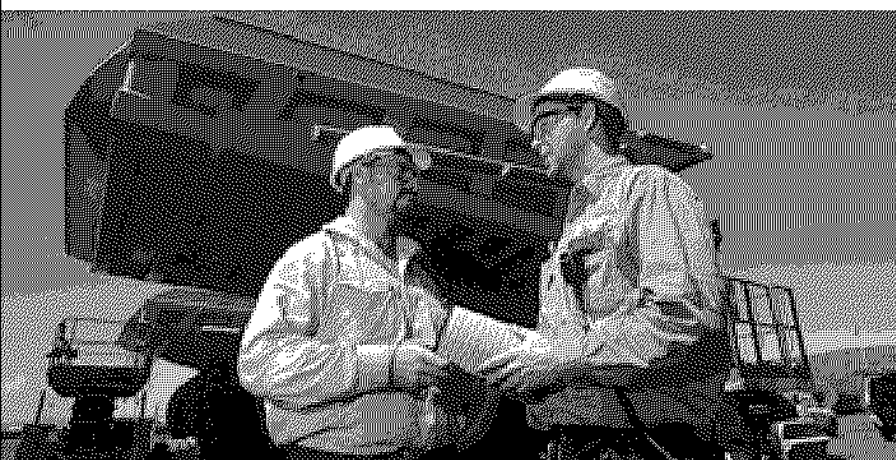
→ Preparation for deck concrete pour on Canning River bridge, Tonkin Highway Project.

'Profit after tax of \$11.6 million

02. Truck driver Thane McLeod and Supervisor Tim Arthur at Eaglefield.
03. New Hitachi EX1900 excavator loading Komatsu 785 at Phosphate Hill.

02

03



CAPITAL RAISING

In the six months to December 2003, Macmahon won over \$600 million of contracts.

With the new work won, Macmahon required additional capital to strengthen the Company's balance sheet to provide for necessary capital expenditure for the newly secured contracts and to continue to actively pursue new work.

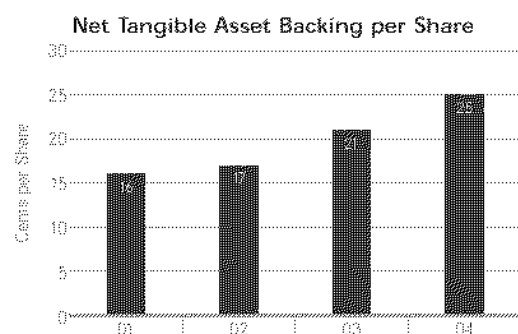
Accordingly, In January 2004, Macmahon raised \$29.9 million in equity through:

• Share placement @ 26cps	\$19.1 million
• Shareholder offer @ 26cps	\$7.5 million
• Exercise of options @15cps	\$ 3.3 million
Total	\$29.9 million

PROFIT AND TAXATION

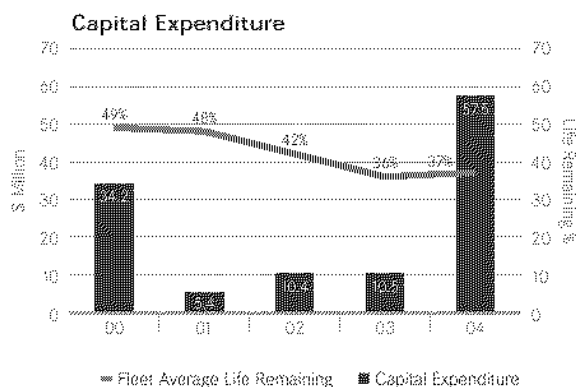
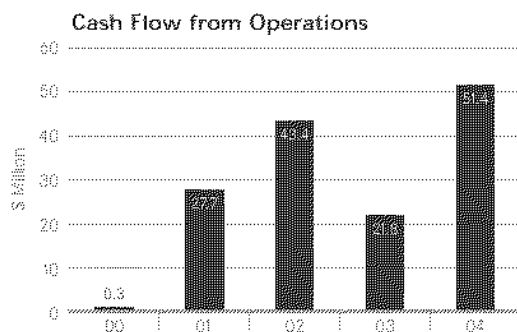
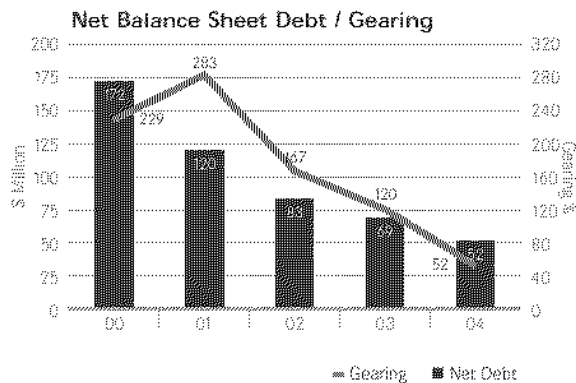
The profit after tax for 2004 of \$11.6 million was 36.4% higher than last year, (2003: \$8.5 million)

As a result of raising equity during the year, Macmahon's carried forward taxation losses which are not carried in the balance sheet, can only be recovered proportionately against the equity value immediately prior to the issuing of new equity. This currently results in an effective full year Australian tax rate of around 10% for 2005.



was a 36.4% increase on 2003'

FINANCEREPORT



BORROWINGS AND INTEREST

Net debt reduced to \$52 million in 2004 from \$69 million in 2003. The reduction of debt is referred to in the CEO's report.

Following the \$29.9 million equity raising in January 2004, \$8.4 million was applied to prepayment of a Term Loan note which carried an 11.5% rate of interest. The funds will be used for capital expenditure, working capital and possible acquisitions.

Net interest and borrowing costs reduced from \$8.0 million in 2003 to \$6.0 million in 2004 and net interest cover was 3.0 (2003: 2.1).

Cash on hand at June 2004 was \$33 million and was bolstered by strong debtor collections in June 2004.

The Financial gearing (debt/equity) at June 2004 was 52% down from 120% in 2003. The group's gearing target range is between 40% to 60% but will vary depending on the level of capital expenditure.

FINANCING FACILITIES

Macmahon continues to maintain its corporate borrowing facility with the ANZ Bank. The facility of \$54 million at June 2004 includes a multi option working capital facility, bank guarantees and a fully drawn advance of \$17 million against the APT investment. This facility is due for re-negotiation by August 2006.

Macmahon also has equipment leasing facilities with other finance providers.

PERFORMANCE GUARANTEES

During the year a second Insurance Bond facility of \$20 million was put in place to support the expansion of the Civil Division. Macmahon now has up to \$40 million in bonding facilities, of which \$18 million remained available for use at June 2004.

In addition to insurance bonds, the Company may provide bank guarantees from within its ANZ facility.

The requirement to provide performance securities up to 10% of contract value remains a significant issue in the civil construction sector.

➤ Crew at end of day shift at Mt Whaleback.



CAPITAL EXPENDITURE / INVESTMENTS

With the commencement of several new large Open Cut mining contracts as well as developing the Allplant business, the group purchased some \$57.5 million of new and used plant.

The plant was financed using finance leases which are included in the balance sheet debt.

Off balance sheet operating leases are not considered appropriate for Macmahon's business, obligations in 2004 were down to \$1.0 million from \$7.0 million for 2003.

Macmahon invested a further \$16.2 million in APT.

PLANT AND EQUIPMENT

With the investment in plant in 2004, the average hours of life remaining on major plant has increased from 36% to 37% and is within the Company's target range of 30% to 60%.

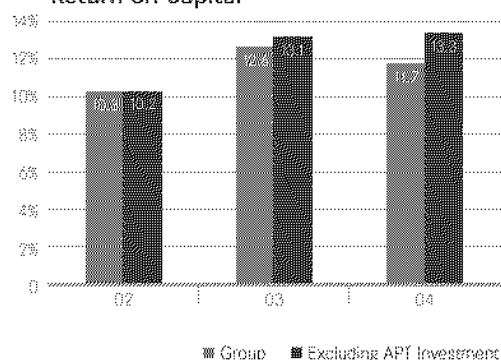
RETURN ON CAPITAL (ROC)

With the timing of capital expenditure and commencement of some large new projects, the return on capital which includes the \$27 million investment in APT was 11.7% compared to 12.6% in 2003.

The return on capital was 13.3% if the investment in APT was excluded.

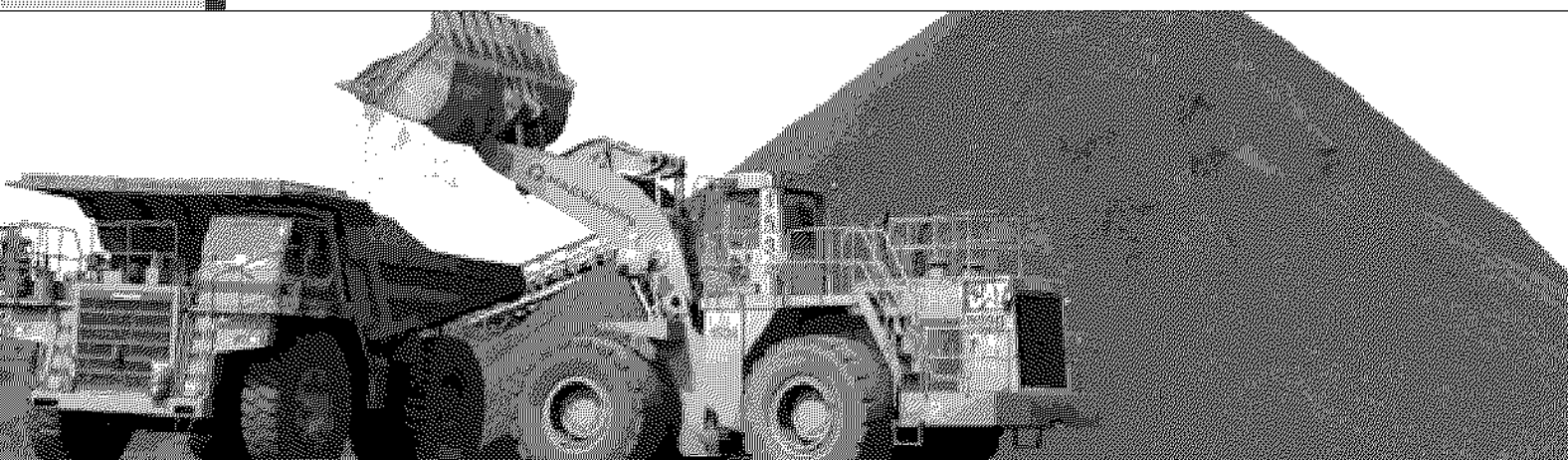
The ROC target remains 13% for the medium term, with the objective to increase it to 15%.

Return on Capital



FINANCEREPORT

01



DEPRECIATION/AMORTISATION

Depreciation and amortisation increased from \$22.1 million in 2003 to \$23.1 million in 2004.

The relatively small increase in depreciation reflected commissioning of new plant in the second half. As a percentage of revenue from ordinary activities, depreciation increased to 5.2% in 2004 compared to 5.3% in 2003.

RISK MANAGEMENT SYSTEMS - TENDERING

Macmahon carried out a major review of its tendering procedures during the year to ensure that the process is rigorous and identifies contemporary risk issues.

The review identified risks in the availability and sourcing of plant and equipment as well as the capability of recruiting and retaining experienced employees. These issues are now addressed specifically in the tender process to minimise risks.

The updated tendering procedures include more detailed focus on:

- Strategy
- Risk management including safety
- Internal communication of risk identification and mitigation
- Confirmation of appropriate financial hurdles
- The handover of successful tenders to operations management
- Availability of suitable resources (labour and equipment)

INTEREST RATES

Macmahon currently leases its capital equipment with fixed interest rates. These interest rates are priced into new tenders and contract extensions.

Net borrowings exposed to variable interest rates are currently negligible. Macmahon has an interest rate cap of 5.8% on \$25 million which expired in September 2004. The net interest rate exposure is kept under review.

CREDIT RISK-TRADE RECEIVABLES

Macmahon has a strict client credit review procedure and will not take on undue credit exposure.

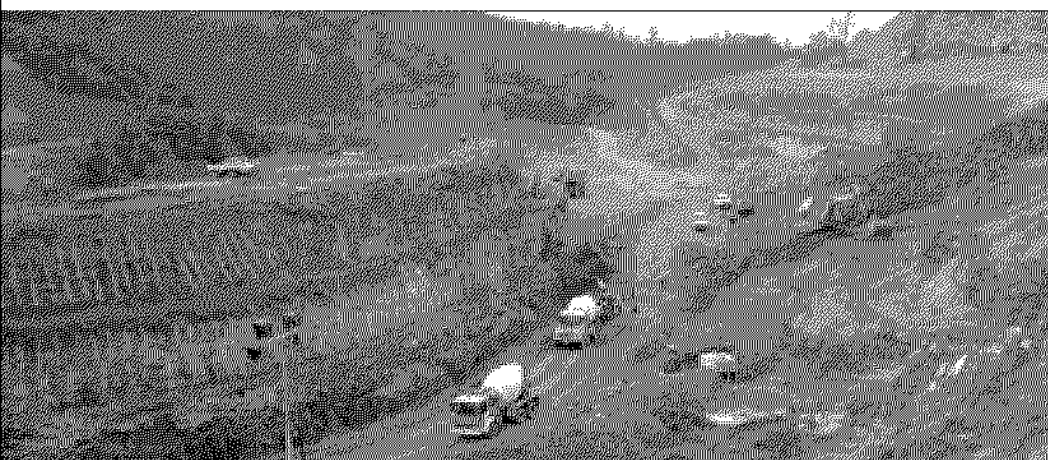
In addition to normal credit limits and exposure controls, Macmahon has in place a credit insurance policy to assist in the mitigation of a large default.

One of Macmahon's clients, Stuart Oil Shale Ltd was placed in receivership in October 2003. Subsequently Queensland Energy Resources Limited purchased the company and settled all amounts due to Macmahon.

01. 992 Loader loading iron ore product at Dampier.
 02. Slot excavation for river diversion at Burnett River Dam.
 03. Train driver on Alice Springs to Darwin Railway.

02

03



INSURANCE

Macmahon renewed its insurance program in June 2003 during a period when the global insurance industry was experiencing increased pricing and a reduction in capacity. This meant that Macmahon was competing with a large number of Australian corporates under similar June 30 time pressures.

The renewal period was therefore changed from June to October each year to enable Macmahon to negotiate the most appropriate insurance cover available. Indications are that the change will be beneficial in the quality and pricing of insurance cover.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Macmahon will report for the first time under International Financial Reporting Standards (A-IFRS), as issued by the Australian Accounting Standards Board, for the half year ended 31 December 2005. Comparative financial information will be required to be restated and adjustments to opening retained earnings will be required on first time adoption of A-IFRS.

Consultants were engaged to carry out a high level scoping exercise to identify key areas of impact that will arise on adoption of A-IFRS. Based on the consultant's report it is intended to develop an implementation plan covering:

- Analysis of policy alternatives;
- Quantification of financial impact;
- Business processes and controls, and
- Communication of outcomes.

OUTLOOK

With the positive outlook for the Company, the opportunity to strengthen the balance sheet and put in place suitable financing facilities will be pursued.

A review of the group's tax planning and the potential impact of the new A-IFRS is being undertaken.

Investigation into the group's reporting requirements and an evaluation of the Company's current information technology platform is also taking place.

'The opportunity to strengthen the balance sheet and put in place suitable financing facilities will be pursued'



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.

Review of Operations/

HUMAN RESOURCES

Macmahon employed a total of 1686 employees made up of 374 staff, 1204 wages and 108 casual employees at June 2004. In addition, the Company utilised some 450 subcontractors.

RECRUITMENT AND TRAINING

Recruiting skilled labour has proven to be challenging in the year as demand for labour in the resources and construction industries continues to climb. A number of initiatives have been developed to recruit externally and an internal referral system was also introduced.

The Macmahon workforce includes:

- 21 apprentices ranging from first to fourth year, 9 apprentices started in January 2004 including 2 indigenous employees with 1 in the Perth workshop and 1 working through the Phosphate Hill contract. The Company is looking to increase the apprentice intake for 2005 to around 20
- 69 qualified engineers
- 8 graduate engineers with the view to increasing the 2005 intake
- A total of 34 staff have been involved with the Frontline Management Training Program during the year

Macmahon employees undertake a variety of occupational health and safety training courses including:

- Induction training
- Hazard identification and risk assessment training
- Safety management training
- Ground awareness
- Fitness for work
- Nationally accredited Operator competency based training in Civil and Open Cut mining divisions
- Training and competency assessment in the Underground division is conducted in accordance with and utilising the nationally endorsed Metalliferous Mining Training Package (MMTP)

INDIGENOUS EMPLOYMENT

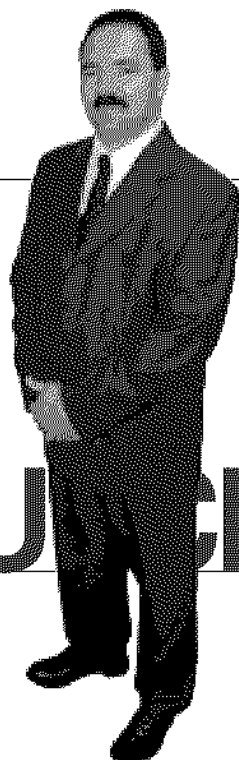
Macmahon encourages the direct employment of indigenous people and has a strong relationship with these employees.

Carey Mining, Indigenous Mining Services and K&R Cartage provide Macmahon with many of these employees.

COMMUNITY SUPPORT

Macmahon's community support program contributes to the communities in regions where the Company operates. One of Macmahon's major recipients was the Royal Flying Doctor Service (RFDS). This year Macmahon contributed \$12,500 to the RFDS aircraft replacement program as part of a \$50,000 four year commitment. Moura District Health in Queensland and the Balya Cancer Retreat in Western Australia were other major recipients. Macmahon contributed a total of \$39,000 in community support in 2004.

*Neil Wilson,
General Manager
Safety, Training
and Support*



Human Resources Officers Ray Leong and Tanya Radford.

RESOURCES

The safety and wellbeing of Macmahon's people remains a priority. Macmahon's performance is directly related to the importance and discipline the Company places on safety in everyday activities.

The overall objective continues to be that of achieving an injury free work environment. This objective goes beyond statistical performance and aims to achieve consistent long term reductions in incidents and a safety culture that is supported by the belief that all incidents are preventable.

SYSTEM

The Macmahon safety management system is based on the requirements of AS/NZ 4801: 2002 Safety Management Systems and integrates the principles of AS/NZ4360 Risk management.

PERFORMANCE

This year there has been an average reduction of 29% in the number of injuries as well as improvement in a number of other areas which include:

- The **Total Recordable Injury Frequency Rate (TRIFR)**, which comprises Medically Treated, Lost Time and Alternate Duties Injuries improved by 14%
- **Lost Time Injury Frequency Rate (LTIFR)** improved by 12%
- Medical Treatment injury Frequency Rate improved by 12%

ACHIEVEMENTS AND AWARDS

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

- 6 sites have achieved 1 year without a lost time injury being incurred
- 14 sites have been LTI free since commencement
- Excellence in Safety Management was awarded to Macmahon by NATA Certification Services International for maintenance of its certification to the requirements of AS/NZ 4801:2000 Occupational Health and Safety management systems
- Macmahon was also awarded the Industrial Foundation for Accident Prevention IFAP Gold award for excellence in safety management systems

Macmahon has extensive ongoing training to ensure the Company strives to eliminate all safety incidents.

SAFETY AUDIT

Macmahon has an established rigorous auditing protocol and schedule requiring all operations undergo an internal audit every six months. All operations were audited during the period.

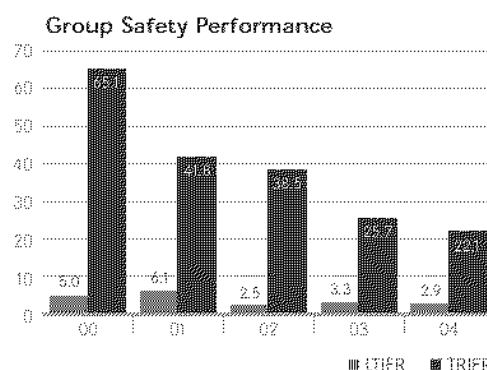
Project Managers are required to conduct project based risk reviews each quarter.

In addition, external audits are carried out by third party organisations at the request of clients, and there is the annual certification audit to AS/NZ 4801:2000 safety management systems.

SAFETY OBJECTIVES FOR 2004/05

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

- Training people in the application of systems and tools
- Developing a responsible safety culture which promotes visible leadership commitment
- A risk based approach to the proactive identification of hazards and risks within the work place
- A behavioural based approach to safety management at all levels
- Discipline and compliance to minimum standards of safety
- Measuring and monitoring performance



SAFE

Review of Operations/

ENVIRONMENT

Effective environmental and social management of Macmahon's activities is an integral part of the business. Further, Macmahon is committed to openness, transparency and improved accountability through public environmental reporting and engagement with the community.

Each year, Macmahon produces a public environmental report which encompasses all operational divisions. A copy of the 2004 report is available on the Macmahon website at www.macmahon.com.au

Macmahon considers education and awareness in environmental management to be one of the key factors in achieving effective environmental management on projects. All Macmahon and subcontractor personnel attend a site induction prior to starting work, which includes but is not limited to promoting the awareness of significant environmental issues and personnel responsibilities. An environmental management training package was also developed and implemented during 2004 for project managers, project environmental management representatives and project supervisors.

Other highlights achieved during the 2004 year relating to environmental management include:

- Achieved majority of environmental targets set in 2003
- Further development of the Macmahon Environmental Management System (EMS)
- Maintained third-party certification to AS/NZS ISO 14001:1996 - environmental management systems
- No environmental breaches by Macmahon were notified by any Government agency

Environmental targets for 2005 are detailed within the 2004 annual environmental report.

ENVIRONMENT



← Tonkin Highway Project Environment and OA Representative Helen Best working on the Southern Brown Bandicoot trapping and relocation program.

'Education and awareness in environmental management is one of the key factors in achieving effective environmental management'

The integrated online Macmahon Business System (MBS) has been in operation for more than 18 months following its launch in January 2003.

The emphasis of an 'integrated' system is to enable employees to perform their activities equipped with a clear understanding of their role and responsibility in the Company's processes which will assist in reducing the associated risks.

The MBS has also been developed to meet the requirements of AS/NZS 4360:1999 - Risk Management.

Macmahon's quality, environmental and safety management systems have been 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 the core business areas of Open Cut Mining, Underground Mining and Civil Engineering across Australia and New Zealand.

GROUP INFORMATION TECHNOLOGY

The Macmahon IT division has embarked on an upgrade project to integrate all offices and sites into one group-wide network that will allow access to all systems and data to all users irrespective of location.

The project involves upgrading the communication infrastructure to provide faster and more reliable connections for sites. In addition the establishment of a single data centre will allow data to be stored centrally.

These initiatives will place Macmahon in a position to provide benefits to our key external partners including clients.

MANAGEMENTSYSTEMS

Network Systems Officers
Colin Smith and Troy Haug with
Chief Information Officer Jason Cowie. →



'Macmahon's quality, environmental and safety management systems have been independently certified'

Review of Operations/

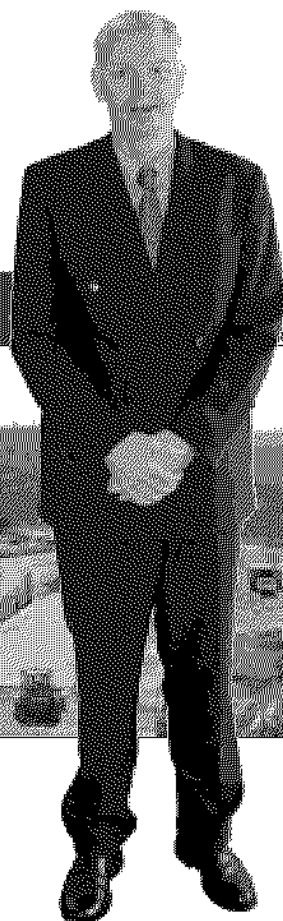
CIVIL DIVISION

About Us

Macmahon's Civil division provides total engineering solutions for roads, railways, bridges, ports, dams, airport construction, marine and mine infrastructure, placing Macmahon at the forefront of successful civil projects.

Revenue for the year including joint ventures was \$169.1 million (2003: \$227.7 million). The lower revenue in 2004 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.

*Willie Rooney,
General Manager
Civil Division*



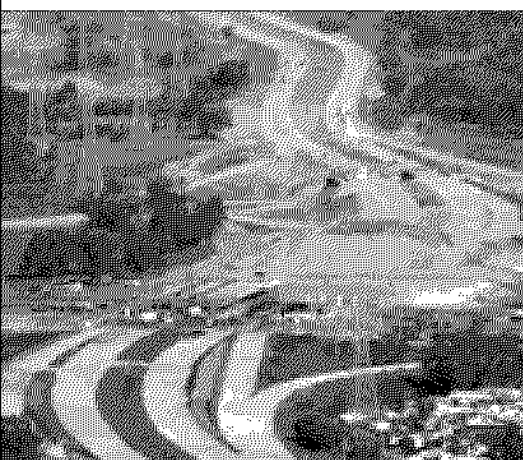
CIVIL DIVISION

01

→ Trial roller compacted concrete embankment at Burnett River Dam.

- 02. Aerial photograph of Tonkin Highway.
- 03. Aerial view of Dampier iron ore port expansion.
- 04. Roe Highway Stage 6, which was completed five months ahead of schedule.

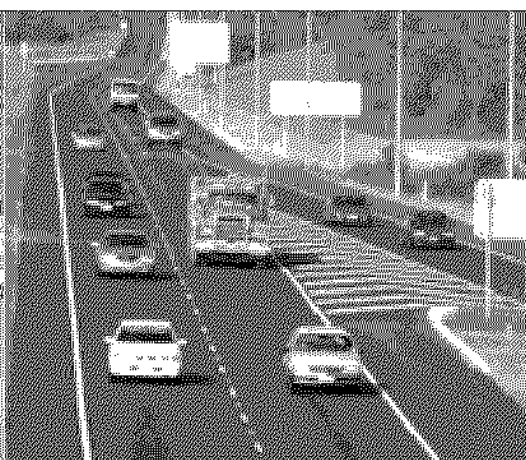
02



03



04



HIGHLIGHTS

The Civil division had a strong year, which was capped off by winning the Australian Construction Achievement Award. This was awarded by the Australian Contractors Association and the Institute of Engineers Australia for the Alice Springs to Darwin railway project, ADrail.

The major contracts awarded during the year were the Burnett River Dam JV (Macmahon 42.5%) involving construction of a large roller compacted concrete dam in Queensland for the Queensland Government, the Dampier Port Upgrade, earthworks for rail formation, car dumper, sea walls and land reclamation for Hamersley Iron in Western Australia and the Package A, RailLink JV (Macmahon 25%), involving construction of the new 70 kilometre Perth to Mandurah Railway for the Western Australian Government.

The division was also awarded the Nanutarra Bridge project, involving construction of a ten span bridge on North West Coastal Highway, with 2.5 kilometres of associated road works and the Sawyers Valley, Great Eastern Highway expansion, involving the construction of new and duplication of carriageways on Great Eastern Highway, both of these projects are in Western Australia.

The division also completed the Roe Highway Stage 6 JV in WA five months ahead of schedule. Work continued on the Tonkin Highway contract (Macmahon 50%), also in WA.

OUTLOOK

The outlook for this division is positive with the start of work on various Government infrastructure projects such as the Perth to Mandurah railway. There are also a number of good opportunities in the resources sector, particularly due to the strong demand for iron ore.

Significant revenue growth is expected in the civil division in 2005.

‘The division completed the Roe Highway contract five months ahead of schedule’

Review of Operations/

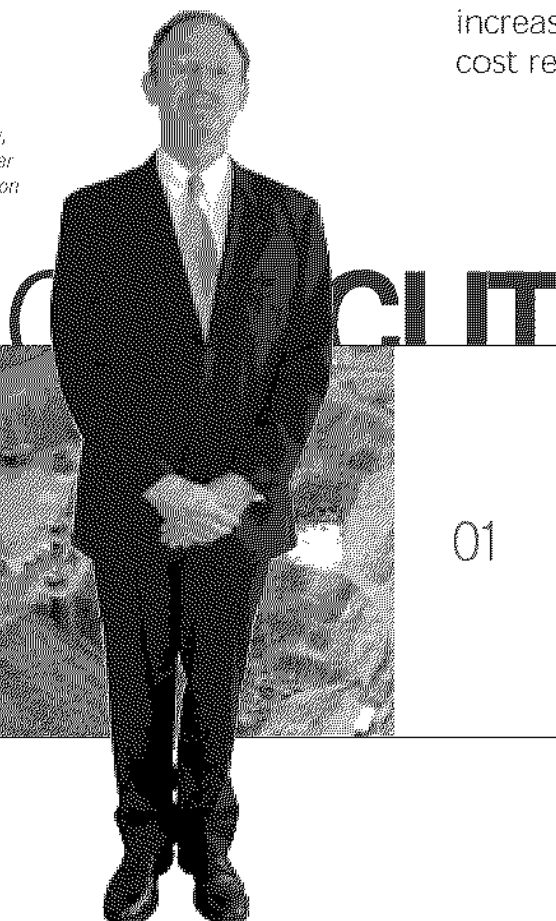
OPENCUT

About Us

Macmahon's 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. This division has been focusing on the successful start-up of new contracts.

Revenue for the Australasian Open Cut division was \$197.3 million (2003: \$184.9 million) reflecting the impact of new contracts won. The EBIT margin for the year was 4.0% (2003: 4.6%). Whilst still below the targeted return, the improvement was positive especially considering the EBIT margin in the second half of 2004 was 6.7% reflecting the new contracts, increased plant utilisation and cost reductions.

*Damien O'Reilly,
General Manager
Open Cut Division*



01

→ Waihi operations, New Zealand.

02. New 350 tonne excavator loading 190 tonne truck at the Eaglefield coal mine.

03. Andrew Mallyor, Kerri Harris, Ric Curley, Alan Devery and Colin Du Ross at Mt Whaleback.

02

03



HIGHLIGHTS

This division benefited from the successful start up of the Eaglefield coal project in Queensland for Peabody and the Mt Whaleback iron ore project for BHP Billiton in Western Australia.

The Eaglefield project involves greenfields development, mine planning and mining to produce one million tonnes of coal per annum. The Mt Whaleback contract involves a mining pushback.

Other significant contracts awarded were Phosphate Hill for WMC Fertilizers in Queensland and Ellendale Diamond Mine for the Kimberley Diamond Company in WA both involving mining and tailings dam construction.

Contracts continued at Argyle in WA and Waihi in New Zealand.

The division also achieved substantial injury free periods at a number of projects including Stuart Oil Shale, Dampier, Moura and Argyle.

PRODUCTION STATISTICS

- Tonnes Moved- 124.7 million
- Tonnes Blasted- 52 million
- Tonnes Crushed / Screened- 8.4 million

OUTLOOK

Macmahon will continue to consolidate its position as a reliable mining services provider to both the coal and iron ore sectors. New and sustainable opportunities for the group will be generated where there is an increasing domestic and international demand for these products.

The focus will continue on improving the EBIT margin and Return on Capital.

‘The focus will continue on improving the EBIT margin and Return on Capital’

Review of Operations/

UNDERGROUND DIVISION

About Us

Macmahon's Underground division provides a total mining service including specialist areas such as ground support, diamond and long hole drilling.

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.

*Nick Savage,
General Manager
Underground Division*



UNDERGROUND DIVISION

01

→ Jumbo in development heading,
Olympic Dam operations.

02. Jumbo operator Steve Hartwig at Olympic Dam.
03. Ground support at Mt Charlotte.

02



03



HIGHLIGHTS

The Underground division had a strong year as it continued to improve its profitability. Every area of operations was profitable for the second consecutive year. The division also improved its safety performance with the TRIFR reducing from 71.7 to 35.0.

The major contract awarded during the year was Olympic Dam for WMC Resources in South Australia involving mine development. Contract extensions included the Leinster Nickel Operations labour hire contract for WMC Resources in Western Australia, Peak labour hire contract in New South Wales for Wheaton River Minerals, the Mt Isa development and rehabilitation contract in Queensland for Xstrata and the Cannington Cable Bolt contract in Queensland for BHP Billiton.

PRODUCTION

- In excess of 15 kilometres of development
- Two million tonnes of production
- 30 kilometres diamond drilling
- Over 100 kilometres of cable bolt installation

OUTLOOK

The outlook is favourable for extending current contracts. Potential opportunities are expected to arise from a number of new mines or re-commissioning of existing mines coming on stream in the next 12 months. There are also some existing mines waiting for finance approval. Revenue growth is expected in 2005.

‘The Underground division improved its EBIT margin to 7.9%’

Review of Operations/

ALLPLANT

About Us

During the year Macmahon acquired the assets and 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.

Stewart Maddison,
General Manager
Allplant



01

→ Fourth year apprentice Nick Beck with an Allplant refurbished Cat 16G grader.

‘EBIT margin from the Allplant

02. Allplant watercart.
03. Final drive mechanic Daniel Taylor and fourth year apprentice Leon Birch at the Perth workshop.

02



03



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%).

Allplant has three business streams:

Plant Hire

Plant Hire service provides construction and mining equipment to a broad range of internal and external customers. There are 80 items of plant in the hire fleet and another 25 items of support equipment including light vehicles.

Labour Hire

Labour Hire service provides trained and experienced staff to the mining and civil construction industries, servicing a number of internal and external customers. In the 2004 year, the emphasis was on establishing the business and developing the systems and processes required to support the customer's short to medium term labour requirements.

Maintenance Services

Maintenance Services provides mobile equipment repairs and component rebuild services to the other Macmahon divisions and a diverse range of external customers.

Allplant was a privately owned business until April 2004 when the assets and business name were acquired by Macmahon to enhance its maintenance services capability.

HIGHLIGHTS

The Services Division experienced a very good year with successful growth in each of the three services provided Plant Hire, Labour Hire and Maintenance Services.

In the Plant Hire area, the purchase of four 190 tonne dump trucks for the hire fleet provided significant additional capacity.

OUTLOOK

The outlook for Allplant in 2005 is positive with all areas of the business expected to grow and contribute to the overall success of Macmahon. The Services division revenue is expected to more than double during the year.

business was 20.9%

Review of Operations/

MALAYSIA

About Us

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 located 200 kilometres north of Kuala Lumpur in the State of Perak, West Malaysia.

Kanthan Works is owned by Malayan Cement Bhd, a subsidiary of Lafarge SA. Lafarge is the world's largest cement manufacturer (producing more than 100 million tonnes annually) and the world's second largest producer of aggregates and ready mixed concrete.

Lafarge Group operates in 75 countries and currently operates 17 cement plants in Asia Pacific, of which three are in West Malaysia.

*Peter Binstead,
General Manager
Malaysia*

MALAYSIA

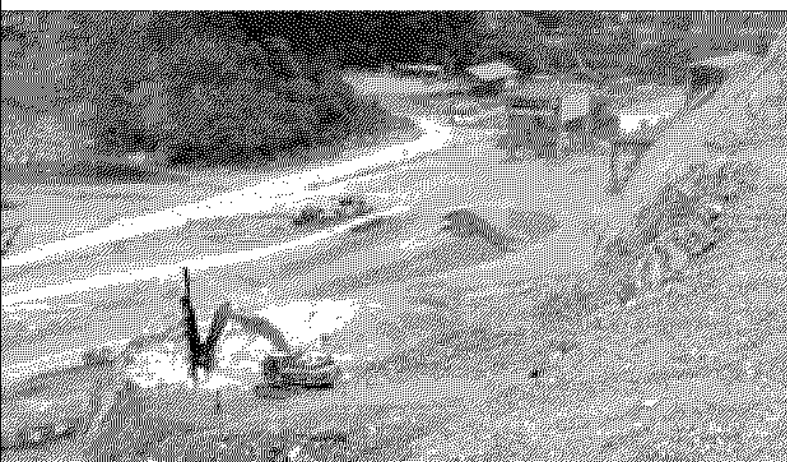


01

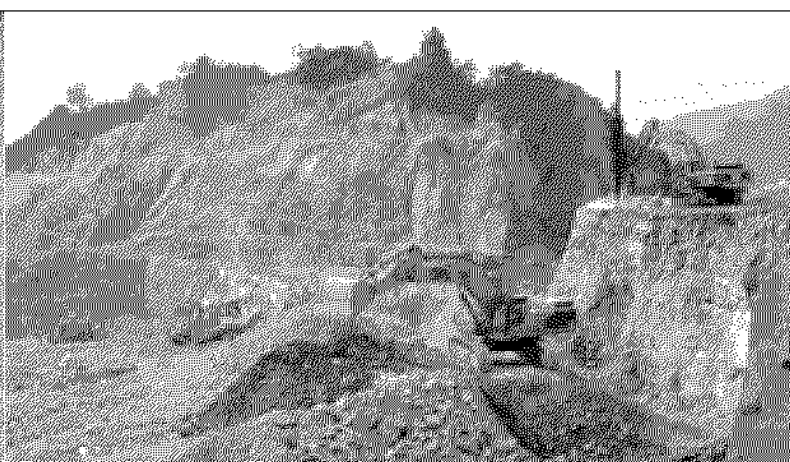
→ Overview of Kanthan site.

02. Development drilling and blasting at Kanthan Works.
03. Haul road development at Kanthan Works.

02



03



HIGHLIGHTS

The initial challenge was to develop a sustainable mining plan for the operation. Macmahon designed and constructed a major haul road to the top of the deposit so mining could be conducted directly from the quarry face. This helped to overcome safety and environmental issues associated with previous mining methods.

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

OUTLOOK

Lafarge Kanthan Limestone mining contract offers a long term stable contract and provides a launching platform for further opportunities with the Lafarge Group both locally and in the Asia Pacific region.

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

Review of Operations/

CURRENT CONTRACTS

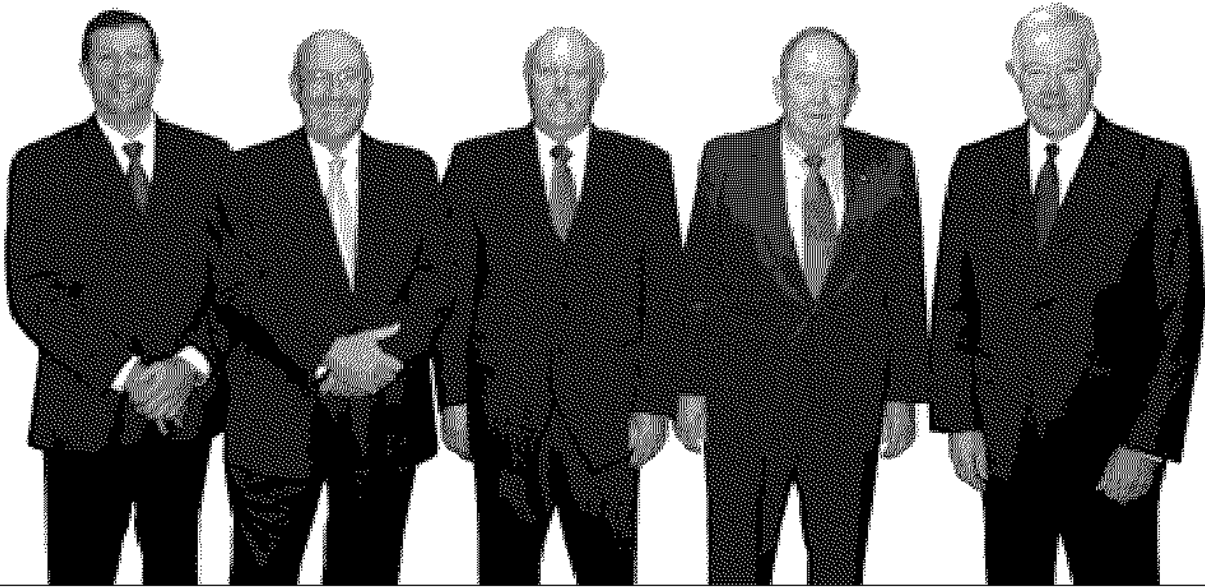
At 19 August 2004



Project Name	State	Commodity	Description	Client	Start Date
Civil Contracts					
Burnett River Dam JV (42%)	QLD		Construction of Roller compacted dam in Queensland.	Burnett Water	2003
Dampier Port Upgrade	WA		Bulk earthworks.	Hammersley Iron	2003
Goldfields/Esperance TNC	WA		Road asset management, maintenance and rehabilitation.	Main Roads WA	2000
Nanutarra Bridge	WA		Bridge construction.	Main Roads WA	2003
Package A JV (25%)	WA		Construction of the Perth to Mandurah Rail.	PTA WA	2004
Sawyers Valley	WA		Construction of new and duplication of carriageways.	Main Roads WA	2004
Tonkin Highway JV (50%)	WA		Design and construction of 18 km of dual lane carriageway and bridge construction.	Main Roads WA	2003

Project Name	State	Commodity	Description	Client	Start Date
Completed Civil Contracts					
Bridge Maintenance	WA		Bridge maintenance in the SW of WA.	Main Roads WA	2000
Finucane Island	WA		Construction of new stock yard, sea walls and earthworks.	BHP Billiton	2002
Happy Valley Dam	SA		Remedial work to existing dam.	SA Water	2003
Roe Highway JV (50%)	WA		Construction of 6km of dual carriageway and bridges.	Main Roads WA	2003
Theodore Haul Road	QLD		Construction of haul road.	Anglo Coal	2003
Open Cut Contracts					
Argyle	WA	Diamonds	Construction of main tails dam walls.	Argyle Diamonds	1996
Carosue	WA	Gold	Plant and labour hire.	Sons of Gwalia	2001
Dampier	WA	Iron Ore	Bulk handling.	Hamersley Iron	2002
Eaglefield	QLD	Coal	Greenfields development. Mine planning and mining.	Peabody	2003
Ellendale	WA	Diamonds	Open cut mining and construction of tailings dam.	Kimberley Diamond Company	2003
Mt Whaleback	WA	Iron Ore	Mining pushback.	BHP Billiton	2003
Nifty	WA	Copper	Mining, drill and blast, crushing and stacking.	Aditya Birla Group	1999
Phosphate Hill	QLD	Phosphate	Mining, tailings dams, rail load out.	WMC Fertilizers	2003
Stuart Oil Shale	QLD	Oil Shale	Oil Shale Mining.	Southern Pacific Petroleum (Management)	1998
Waihi	NZ	Gold	Open cut mining, crushing and conveying, tailings dam.	Newmont Waihi Gold	1998
Completed Open Cut Contracts					
Muswellbrook	NSW	Coal	Coal mining and haulage works.	Muswellbrook Coal	2001
Newlands	QLD	Coal	Overburden removal.	MIM/Xstrata	2003
Underground Contracts					
Daisy Milano	WA	Gold	Development contract.	Perilya	2003
Cannington	QLD	Silver/Lead	Cable bolting.	BHP Billiton	2002
Leinster	WA	Nickel	Labour hire contract.	WMC Resources	1997
Mt Isa	QLD	Copper	Development and rehabilitation contract.	Xstrata	2003
Olympic Dam	SA	Copper/Uranium	Development contract.	WMC Resources	2004
Peak	NSW	Gold	Labour hire contract.	Wheaton River Minerals	1998
Completed Underground Contracts					
Bendigo	VIC	Gold	Development contract.	Bendigo Mining	1996
Leonora	WA	Gold	Development and production.	Sons of Gwalia	2000
Malaysia					
Kanthar Works			Mining limestone.	Lafarge	2004

BOARD OF DIRECTORS



David Humann
FCA, FCPA

Non Executive Chairman appointed in July 2000.

Mr Humann is also the Chairman of the Nomination Committee.

Mr Humann's experience includes 40 years service with PricewaterhouseCoopers including 10 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. He was formerly a member of the Policy Committee of the Australian and New Zealand firm.

Currently Mr Humann serves as a director of Ticon Ltd and is the Chairman of Matrix Metals Ltd, Mincor Resources NL, Tethyan Copper Company Limited and West Coast Mining Ltd.

Nick Bowen

BE (Mining, Hons), FAICD, MAusIMM, AFAIM, WA Council AICD

Chief Executive Officer and Managing Director appointed February 2000.

Mr Bowen has 22 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 and the Australian Constructors Association Limited. Mr Bowen is also a member of the Executive Council of the Chamber of Minerals and Energy WA.

BOARD OF DIRECTORS

➤ FreightLink train on Alice Springs to Darwin Railway.



→ Directors (L to R): Nick Bowen, Barry Cusack, David Humann, Malcolm Kinnaird and Richard (Dick) Carter.

Richard (Dick) Carter
BCom, CitWA, FTSE, FAusIMM,
FAICD, FAIM

*Non Executive Director appointed
October 2001.*

*Mr Carter is the Chairman of the
Audit Committee.*

Mr Carter is a company director and business adviser with special interests in the minerals industry, corporate governance, strategy formulation and occupational health and safety. Mr Carter serves as a director of ERA Ltd and is Chair of the Prahran Mission-Uniting-Care.

His executive career spanned 37 years with the BHP Group from which he retired in 1997 as BHP Minerals Executive General Manager and Chief Executive Officer.

Barry Cusack
BE(Hons), M.Eng.Sci., FTSE, FAusIMM,
FAIM, MAICD

*Non Executive Director appointed
June 2002.*

*Mr Cusack is the Chairman of the
Remuneration Committee.*

He is currently Chairman of Oxiana Limited and a director of Smorgon Steel Group Ltd. Mr Cusack also serves as a member of the Board of the Global Foundation and Future Directions International Pty Ltd (charitable organisations).

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

Malcolm Kinnaird
AO, DUniv, BE (Civil),
Hon FIEAust, FTSE

*Non Executive Director appointed to
fill a casual vacancy in June 2004.*

Mr Kinnaird founded the consulting engineering firm, Kinnaird Hill de Rohan and Young which became Kinhill Pty Ltd. Kinhill was acquired by Brown & Root (now KBR) in 1997 and Mr Kinnaird continues as a consultant to the organisation. A distinguished civil engineer and industrialist, Mr Kinnaird has been recognised by domestic and overseas governments for his contributions to the field of engineering and the wider community and the development of Australian industry abroad.

He is currently Chairman of Adelaide Brighton Ltd, Asia Pacific Transport Pty Ltd and Freight Link Pty Ltd and a Director of the National Electricity Market Management Company Ltd (NEMMCO) and United Water International.



Contents

Directors' Report	42
Statement of Financial Performance	48
Statement of Financial Position	49
Statement of Cash Flows	50
Notes to the Financial Statements	51
Directors' Declaration	90
Independent Audit Report	91
Additional ASX Information	93
Corporate Governance Statement	94
Statistical Summary	99
Glossary	100
Corporate Directory	101

Directors' Report

The Directors of Macmahon Holdings Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2004. 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)	Resigned 20 October 2003
R J Carter (Non Executive Director)	Director since 8 October 2001
B L Cusack (Non Executive Director)	Director since 25 June 2002
M A Kinnaird (Non Executive Director)	Appointed on 25 June 2004

PRINCIPAL ACTIVITIES

The principal activities 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, plant hire, and maintenance services. There were no significant changes in the nature of the activities 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 21 to 37 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. The annual Macmahon public environmental report 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 2004.

DIVIDENDS

No dividends have been paid since 30 June 2003. The directors declared the payment of a dividend of 0.5 cents 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.

Directors' Report



DIRECTORS' SHAREHOLDINGS

Set out below is each director's relevant interest in shares or options in shares of the company or related body corporate as at the date of this report. Information on director's experience and special responsibilities are set out in the directors' biography on page 38 and 39 of the annual report.

DIRECTOR SHARES/OPTIONS IN THE COMPANY

Director	Fully Paid Ordinary Shares	Executive Option Scheme Options over Ordinary Shares
D J Humann [⊗]	-	2,000,000
N R Bowen [⊗]	3,291,543	3,776,860
R J Carter	200,000	1,000,000
B L Cusack	-	1,000,000
M A Kinnaird	-	-

[⊗] Indirect interest in options

[⊗] Includes indirect interests in 310,217 shares

SHARE OPTIONS

a) Shareholders approved the Executive Share Option Plan at the 2000 Annual General Meeting and 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) - 6,000,000
- Mr D Humann (Non Executive Chairman) - 2,000,000
- Group's Executives - 3,700,000 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 Hurdles:

- 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 - 30 October 2005

b) The Executive Option Plan was renewed and approved by shareholders at the 2003 Annual General Meeting and a summary of the main aspects of the options issued in October 2003 and March 2004 under the Plan are as follows:

[1] Options issued over unissued ordinary shares:

- Mr R Carter (Non Executive Director) - 1,000,000
- Mr B Cusack (Non Executive Director) - 1,000,000
- Group's Executives - 1,800,000 in total

[2] Grant Price - 42 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 \$394,164.

Directors' Report

SHARE OPTIONS (CONTINUED)

{4} Escrow Period - 30 April 2005

{5} Performance Hurdles:

- 50% of options if Macmahon's share price is above 63 cents (50% improvement)
- 50% of options if Macmahon's share price is above 84 cents (100% improvement)

{6} Expiry date - 30 October 2008

UNISSUED SHARES UNDER OPTION

At the date of this report, the following options over unissued shares exist:

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Balance	Value of option at grant date	Exercise price per share	Expiry Date	Dates when options may be exercised
Specified Directors								
D J Humann	2,000,000	-	-	2,000,000	\$0.15	\$0.15	30/10/2005	30/04/2002
N R Bowen	4,776,860	-	1,000,000	3,776,860	\$0.15	\$0.15	30/10/2005	30/04/2002
R J Carter	-	1,000,000	-	1,000,000	\$0.42	\$0.42	30/10/2008	30/04/2005
B L Cusack	-	1,000,000	-	1,000,000	\$0.42	\$0.42	30/10/2008	30/04/2005
C A McIntyre	-	-	-	-	-	-	-	-
Specified Executives								
R Blair	500,000	-	250,000 ^(a)	250,000	\$0.15	\$0.15	30/10/2005	30/04/2002
R Blair	-	500,000	-	500,000	\$0.42	\$0.42	30/10/2008	30/04/2005
P Hatt	-	400,000	-	400,000	\$0.42	\$0.42	30/10/2008	30/04/2005
W Rooney	600,000	-	-	600,000	\$0.15	\$0.15	30/10/2005	30/04/2002
D O'Reilly	600,000	-	600,000	-	\$0.15	\$0.15	30/10/2005	30/04/2002
N Savage	-	300,000	-	300,000	\$0.42	\$0.42	30/10/2008	30/04/2005
Total	8,476,860	3,200,000	1,850,000	9,826,860				

^(a) Exercised on 27 July 2004.

Directors' Report



EXERCISED OPTIONS

1,700,000 options were exercised during the financial year in accordance with the provisions of the Executive Options scheme resulting in the issue of 1,700,000 shares at an issue price of 15 cents per ordinary share.

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 of the company 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 directors' meetings (including meetings of committees of Directors) held during the financial year, and the number of meetings attended by each director while they were a director or committee member. During the financial year, 14 board meetings and 2 audit committee meetings were held.

	Meetings of Directors		Meetings of Audit Committee	
	Attended	Held	Attended	Held
D J Humann ⁸³	14	14	2	2
N R Bowen ⁸⁴	13	14	2 ⁸⁵	2
C A McIntyre ⁸⁶	3 ⁸⁶	3	1 ⁸⁶	1
R J Carter ⁸⁴	13	14	2	2
B L Cusack ⁸⁶	13	14	2	2
M A Kinnaird ⁸⁶	1 ⁸⁶	1	0 ⁸⁶	0

⁸⁴ Chairman of audit committee.

⁸⁵ Members of audit committee.

⁸⁶ Mr NR Bowen was an apology to one board meeting because the meeting was to discuss the terms and conditions for the renewal of his contract.

⁸⁶ Mr C A McIntyre retired on 20 October 2003.

⁸⁶ Mr M A Kinnaird was appointed on 25 June 2004.

⁸⁷ Mr NR Bowen and MR RL Blair (Chief Financial Officer) are not members of the Audit Committee but attend by invitation.

Directors' Report

DIRECTORS' AND EXECUTIVES' REMUNERATION

Executives' remuneration and other terms of employment are reviewed annually by the Board having regard to their 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 and on the Macmahon website at www.macmahon.com.au

Details of remuneration provided to the directors of the company and the five most highly remunerated executives are as follows:

DIRECTORS

	Primary				Post-Employment		Equity	Total
	Salary \$	Bonus \$*	Non-monetary FBT \$	Other benefits \$	Super- annuation \$	Prescribed benefits \$	Options \$	
2004								
Specified Directors								
N R Bowen	665,603	75,000	37,983	1,050	36,400	-	-	816,036
R J Carter	50,000	-	-	-	4,500	-	122,362	176,862
B L Cusack	50,000	-	-	-	4,500	-	122,362	176,862
D J Humann	119,153	-	-	-	10,315	-	-	129,468
M A Kinnaird	-	-	-	-	-	-	-	-
C A McIntyre	16,538	-	-	-	1,488	-	-	18,026
Grand Total	901,294	75,000	37,983	1,050	57,203	-	244,724	1,317,254

EXECUTIVES

	Primary				Post-Employment		Equity	Total
	Salary \$	Bonus \$*	Non-monetary FBT \$	Other benefits \$	Super- annuation \$	Prescribed benefits \$	Options \$	
2004								
Specified Executives								
R Blair	278,337	25,000	5,581	1,050	25,050	-	41,511	376,529
P Hatt	250,480	-	4,399	1,050	21,372	-	33,209	310,510
D O'Reilly	308,523	20,000	15,756	1,050	25,766	-	-	371,095
W Rooney	278,729	20,000	18,091	1,050	41,976	-	-	359,846
N Savage	218,786	20,000	9,566	1,050	17,951	-	24,907	292,260
Grand Total	1,334,855	85,000	53,393	5,250	132,115	-	99,627	1,710,240

* The bonus was granted in the period December 2003 to February 2004.

Directors' Report



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 94 to 98 of the Annual Report and on our website

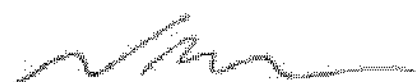
www.macmahon.com.au

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

A handwritten signature in black ink, appearing to read 'D. Humann'.

David James Humann
Chairman

A handwritten signature in black ink, appearing to read 'N. Bowen'.

Nicholas Ronald Bowen
Chief Executive Officer

Welshepool, 19 August 2004

Statement of Financial Performance

for the financial year ended 30 June 2004

	Note	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities		372,098	416,091	397	78
Share of net profits of associates and joint ventures accounted for using the equity method	15	8,951	10,231	-	-
	2	381,049	426,322	397	78
Materials and consumables used		(147,816)	(155,163)	-	-
Employee benefits expense		(144,146)	(179,422)	-	-
Subcontractor costs		(24,124)	(24,604)	-	-
Depreciation and amortisation expense	2(c)	(23,147)	(22,058)	(23)	(6)
Borrowing costs	2(c)	(6,492)	(8,115)	(3,314)	(4,735)
Rental expenses relating to operating leases		(2,307)	(7,522)	-	-
Written down value of assets sold		(9,420)	(13,300)	-	(106)
Other expenses from ordinary activities		(11,395)	(7,222)	(360)	(480)
Profit/(loss) on loans to controlled entities provided for, forgiven or written off		-	-	-	13,587
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		12,202	8,916	(3,300)	8,338
Income tax expense relating to ordinary activities	5	(638)	(437)	-	-
NET PROFIT/(LOSS)		11,564	8,479	(3,300)	8,338
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		11,564	8,479	(3,300)	8,338
Adjustment to retained profits at 1 July 2002 as a result of the adoption of AASB 1028 'Employee Benefits'		-	(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		11,564	8,302	(3,300)	8,338
Earnings per Share:					
Basic (cents per share)	42	3.51¢	3.40¢		
Diluted (cents per share)	42	3.42¢	3.30¢		

Notes to the financial statements are included on pages 51 to 89

Statement of Financial Position

as at 30 June 2004



		Consolidated		Parent Entity	
	Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
CURRENT ASSETS					
Cash assets	6	32,896	-	14,915	-
Receivables	7	42,512	38,891	-	-
Inventories	8	7,944	6,827	-	-
Other financial assets	9	1,029	1,327	44	-
Current tax assets	10	292	900	-	-
Other assets	11	411	680	245	587
Total Current Assets		85,084	48,625	15,204	587
NON-CURRENT ASSETS					
Receivables	12	-	-	205,180	186,340
Property, plant and equipment	13	126,032	100,557	-	23
Intangibles	14	6,790	7,081	-	-
Investments accounted for using the equity method	15	1,768	3,300	-	-
Other financial assets	16	27,223	11,011	33,025	33,025
Other	17	181	79	181	79
Total Non-Current Assets		161,994	122,028	238,386	219,467
TOTAL ASSETS		247,078	170,653	253,590	220,054
CURRENT LIABILITIES					
Payables	18	48,507	31,718	507	935
Interest-bearing liabilities	19	17,663	35,896	-	25,824
Current tax liabilities	20	894	255	-	-
Provisions	21	11,926	10,321	-	-
Total Current Liabilities		78,990	78,190	507	26,759
NON-CURRENT LIABILITIES					
Payables	22	-	-	141,415	115,011
Interest-bearing liabilities	23	66,706	33,417	32,059	25,264
Provisions	24	1,991	1,108	-	-
Total Non-Current Liabilities		68,697	34,525	173,474	140,275
TOTAL LIABILITIES		147,687	112,715	173,981	167,034
NET ASSETS		99,391	57,938	79,609	53,020
EQUITY					
Contributed equity	28	165,746	135,857	165,746	135,857
Reserves	29	(4,455)	(4,455)	429	429
Retained losses	30	(61,900)	(73,464)	(86,566)	(83,266)
TOTAL EQUITY		99,391	57,938	79,609	53,020

Notes to the financial statements are included on pages 51 to 69

Statement of Cash Flows

for the financial year ended 30 June 2004

	Note	Consolidated		Parent Entity	
		Inflows / (Outflows)		Inflows / (Outflows)	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		344,875	413,778	-	
Payments to suppliers and employees		(298,634)	(394,536)	(7,926)	(298)
Receipts from joint venture entities		10,483	11,200	-	-
		56,724	30,442	(7,926)	(298)
Interest received		531	111	397	20
Interest and other costs of finance paid		(6,492)	(8,510)	(3,314)	(4,630)
Income tax refund/paid		609	(243)	-	-
Net cash provided by/(used in) operating activities	41	51,372	21,800	(10,843)	(4,908)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for property, plant and equipment		(57,497)	(10,504)	-	-
Payment for investment securities		(16,212)	(11,011)	-	-
Payment for business		(348)	-	-	-
Loans to related parties		-	-	-	(9,008)
Proceeds from sale of property, plant and equipment		10,349	12,759	-	37
Net cash provided by/(used in) investing activities		(63,708)	(8,756)	-	(8,971)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		60,093	13,824	23,360	8,598
Repayment of borrowings		(39,924)	(36,510)	(13,000)	(15,000)
Proceeds from issues of equity securities		30,775	-	30,775	-
Payment for share issue cost		(886)	-	(886)	-
Other		95	198	-	198
Net cash provided by/(used in) financing activities		50,153	(22,488)	40,249	(6,204)
NET INCREASE/(DECREASE) IN CASH HELD		37,817	(9,444)	29,406	(20,083)
CASH/(OVERDRAFT) AT THE BEGINNING OF THE YEAR		(4,921)	4,523	(14,491)	5,592
CASH/(OVERDRAFT) AT THE END OF THE YEAR	6	32,896	(4,921)	14,915	(14,491)

Notes to the financial statements are included on pages 51 to 89

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.

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.

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.

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.

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 monthly each individual contract performance 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

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.

Exchange differences are recognised in net profit or loss in the period in which they arise except that:

- 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.

Notes to the Financial Statements



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) Receivables and construction work in progress

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts. Construction work in progress only relates to civil engineering contracts and is stated at cost plus attributable profit to date less progress billings.

i) Inventories

Inventories have been valued at the lower of cost and net realisable value.

j) Acquisitions of assets

Assets acquired 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.

k) 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.

l) 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 using the equity method of accounting in the consolidated financial statements and the cost method in the company financial statements.

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) 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.

n) 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.

o) 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 the economic benefits from the leased assets are consumed.

{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.

p) 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 plans 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.

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

q) 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.

Notes to the Financial Statements



NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[1] 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.

[2] Dividends

A provision is recognised for dividends when they have been declared, determined or publicly recommended by the directors on or before the reporting date.

r) 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.

s) Off balance sheet derivative financial instruments

The consolidated entity uses interest rate derivatives to manage interest rate exposures. Interest rate derivatives are not revalued to fair value or shown on the Statement of Financial Position at year end.

t) Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

u) International Financial Reporting Standards

For the reporting periods beginning on or after 1 January 2005, the entity must comply with International Financial Reporting Standards (A-IFRS) as issued by the Australian Accounting Standards Board. The entity will report for the first time under A-IFRS for the half year ended 31 December 2005. Comparative financial information will be required to be restated and adjustments to opening retained earnings will be required on first time adoption of A-IFRS.

The directors have engaged consultants to assess the impact of first time adoption of A-IFRS on the financial statements of the entity and how this may also impact on customers and suppliers. A high level scoping exercise was conducted to identify key areas of impact that will arise on adoption of A-IFRS. The entity intends to conduct a business impact study to determine options for future reporting periods based on this information received from the consultants.

The Directors have not quantified the impact of adopting A-IFRS on financial performance but believe that the key potential implications of conversion are as follows:

Financial Instruments

Under current Australian GAAP, financial assets and liabilities are recognised at cost, fair value or net market value. On adoption of A-IFRS the entity will be required to classify these instruments into various specified categories which will be measured depending on their classification. The consolidated entity has not made any determination of the accounting to be adopted and the impact of the change on the financial statements cannot yet be quantified.

Share Based Payments

Share-based compensation forms part of the remuneration of employees of the consolidated entity (including executives) as disclosed in the notes to the financial statements. The consolidated entity does not recognise an expense for any share based compensation granted. Under A-IFRS, the fair value of options and shares granted to employees and directors will be expensed in the profit and loss over the period from their grant date to vesting date, or at grant date if there is no vesting period.

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

Non-current assets are written down to recoverable amount when the asset's carrying amount exceeds recoverable amount. Historically, Macmahon Holdings Limited has not discounted cash flows in determining the recoverable amount of its non-current assets.

Under A-IFRS, both current and non-current assets, including property, plant and equipment previously excluded as they were measured on the fair value basis, are tested for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Consequently, on adoption of A-IFRS, a further impairment of certain assets may need to be recognised, thereby decreasing opening retained earnings and the carrying amount of assets - the consolidated entity has not yet determined the impact, if any, of any further impairment which may be required. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

Off-balance sheet financial assets and liabilities

A-IFRS requires the recognition of all financial assets and financial liabilities, including all derivatives and embedded derivatives, some of which may not be recognised under current Australian GAAP. Accordingly, recognition of these financial assets and financial liabilities may significantly change the net asset position of the consolidated entity, but the impact of the change will not be known until all financial instruments, including any embedded derivatives, are identified, measured and recognised in accordance with the new requirements.

An embedded derivative will have to be separately recognised at fair value from its host contract unless certain conditions are met. Changes in the fair value of the derivative are to be recognised in the income statement unless specific hedging criteria are met. The process of reviewing all contracts (e.g. lease contracts) for the existence of such derivatives is time-consuming, and whether any such derivatives exist and the value attaching to them, can only be determined subsequent to the review.

Goodwill

As disclosed in note 1, goodwill is currently amortised over a 20 year period. A-IFRS does not permit goodwill to be amortised, but instead requires the carrying amount to be tested for impairment at least annually. Goodwill currently recognised in the balance sheet, adjusted if necessary on the optional restatement of business combinations, must be allocated to individual cash-generating units (or groups of cash-generating units) and tested for impairment at the allocated level. This change in policy may result in increased volatility in the profit and loss, where impairment losses are likely to occur.

Defined benefit plans

The entity makes contributions to a limited number of employees in the former defined benefit plan. Under A-IFRS, the consolidated entity will be required to recognise the surplus or deficit of these plans in its balance sheet, with the resulting movement recognised in its income statement. This change in policy is likely to introduce more volatility in the income statement.

Income tax

The consolidated entity currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet.

Because A-IFRS has a wider scope than the entity's current accounting policies, it is likely that the amount of deferred taxes recognised in the balance sheet will increase. The consolidated entity also has carried forward tax losses which have not been recognised as deferred tax assets as they do not satisfy the 'virtually certain' criteria under current Australian GAAP.

Under A-IFRS, it may be easier to recognise these tax losses as deferred tax assets as they are recognised based on a 'probable' recognition criteria. The impact of this difference may be to increase deferred tax assets and opening retained earnings, and result in a higher level of recognised deferred tax assets on a go-forward basis.

Adjustments to the recognised amounts of deferred taxes will also result as a consequence of adjustments to the carrying amounts of assets and liabilities resulting from the adoption of other A-IFRS. The likely impact of these changes on deferred tax balances has not currently been determined.

Notes to the Financial Statements



	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'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	357,160	396,387	-	-
Net foreign exchange gain	642	481	-	-
Joint venture entity profits (note 15)	8,951	10,231	-	-
Interest received or receivable:				
Other corporations	531	112	397	20
Other revenue	3,416	6,352	-	20
b) Non-operating Revenue				
Proceeds on sale of non current assets:				
Property, plant and equipment	10,349	12,759	-	38
	381,049	426,322	397	78
c) Expenses				
Depreciation:				
Depreciation of buildings	-	32	-	-
Depreciation of plant & equipment	14,129	11,428	23	6
	14,129	11,460	23	6
Amortisation of non-current assets:				
Amortisation of leasehold improvements	22	45	-	-
Amortisation of capitalised leases	8,357	9,915	-	-
Amortisation of goodwill	639	638	-	-
	9,018	10,598	-	-
Borrowing costs:				
Interest paid or payable				
- Other persons and/or corporations	3,843	6,043	2,845	4,630
Amortisation of borrowing expenses	469	105	469	105
Finance charges on capitalised leases	2,180	1,967	-	-
	6,492	8,115	3,314	4,735
Net bad and doubtful debts arising from:				
Other entities	11	75	-	-
	11	75	-	-
Operating lease rental expense	2,307	7,522	-	-
	2,307	7,522	-	-
Contribution made to the defined benefits superannuation plan during the financial year	588	707	-	-
	588	707	-	-

Notes to the Financial Statements

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 3 REMUNERATION OF AUDITORS				
Auditors of the parent entity				
Audit of the financial statements	226,525	225,891	226,525	195,000
Other services	23,873	10,132	23,873	10,132
	250,398	236,023	250,398	205,132

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'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	930	-	-	-
	930	-	-	-

Net losses

Property, plant and equipment	-	541	-	69
	-	541	-	69

NOTE 5 INCOME TAX

- a) 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	12,202	8,916	(3,300)	8,338
Income tax expense/(benefit) calculated at 30% (2003: 30%)	3,661	2,675	(990)	2,501
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation	192	192	-	-
Sundry items	7	44	-	43
Unrealised foreign exchange gains	(193)	(178)	-	-
Benefit of tax losses of prior years recouped	(4,709)	(5,242)	-	-
Tax losses not recognised	-	-	-	1,531
Loans to controlled entities written off	-	-	-	(4,076)
Foreign exchange difference on consolidation	-	-	-	1
Effect of different tax rates on overseas income	-	674	-	-
Under/(over) provision in previous year	-	311	-	-
Provision for deferred income tax no longer required	-	-	-	-
Net Future Income Tax Benefit written off	1,680	1,961	990	-
Income tax expense/(benefit) relating to ordinary activities	638	437	-	-
The directors estimate that the potential future income tax benefit at 30 June in respect of tax losses not brought to account is:	16,301	18,160	5,726	5,233

Notes to the Financial Statements



NOTE 5 INCOME TAX (CONTINUED) 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 substantively enacted on 21 October 2002. The company and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and the directors of these entities consider it likely that they will elect to implement the tax consolidation system in due course.

However, at the date of this report the directors have not yet finalised an assessment of the financial effect that implementation may have on the company and the consolidated entity. Accordingly, the directors have not made a final formal decision whether or not to implement the tax consolidation system, and if so, from which date implementation would occur. As a result, only the financial effects of the mandatory aspects of the enabling legislation has been recognised in the financial statements and no adjustment has been made to recognise the financial effects that may result from the implementation of the tax consolidation system. In the event that the tax consolidation system is implemented, the company is likely to become the 'head entity' of the tax-consolidated group, and has agreed to compensate each wholly-owned subsidiary for the carrying amount of its deferred tax balances.

Consolidated		Parent Entity	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

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

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- 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)	1,063	1,059	-	-
--	-------	-------	---	---

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

- franking credits that will arise from the payment of income tax payable as at the end of the year;
- franking debits that will arise from the payment of dividends proposed as at the end of the year; and
- franking credits that may be prevented from being distributed in the subsequent years.

Notes to the Financial Statements

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
NOTE 6 CURRENT CASH ASSETS				
Cash at bank and on hand	32,896	-	14,915	-
	32,896	-	14,915	-
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	32,896	-	14,915	-
Balances per statement of cash flows	32,896	(4,921)	14,915	(14,491)
NOTE 7 CURRENT RECEIVABLES				
Trade receivables	35,378	36,097	-	-
Less: provision for doubtful debts	(650)	(638)	-	-
	34,728	35,459	-	-
Civil construction contracts in progress				
Gross cost plus profit recognised to date	216,727	140,064	-	-
Less: progress billings received	(208,943)	(136,632)	-	-
	7,784	3,432	-	-
	42,512	38,891	-	-
NOTE 8 CURRENT INVENTORIES				
Raw materials and stores - at cost	7,944	6,827	-	-
	7,944	6,827	-	-
NOTE 9 OTHER FINANCIAL ASSETS				
Other receivables	1,029	1,327	44	-
	1,029	1,327	44	-
NOTE 10 CURRENT TAX ASSETS				
Tax refund receivable	292	900	-	-
	292	900	-	-
NOTE 11 OTHER CURRENT ASSETS				
Prepayments	166	141	-	48
Capitalised borrowing costs	245	539	245	539
	411	680	245	587
NOTE 12 NON CURRENT RECEIVABLES				
Loans to wholly owned controlled entities	-	-	286,257	267,417
Provision for loss on loans	-	-	(81,077)	(81,077)
	-	-	205,180	186,340

Notes to the Financial Statements



Consolidated

	Freehold Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Plant and Equipment \$'000	Equipment Under Finance Lease \$'000	Total \$'000
NOTE 13 PROPERTY, PLANT AND EQUIPMENT						
Gross Carrying Amount at Cost						
Balance at 30 June 2003	77	348	139	160,171	87,790	248,525
Additions	-	-	50	25,234	32,213	57,497
Disposals	-	-	-	(18,347)	(5,283)	(23,630)
Internal transfers	-	-	-	242	(2,242)	(2,000)
Net foreign exchange differences	-	-	-	(15)	-	(15)
Transferred from leased to owned	-	-	-	32,397	(32,397)	-
Balance at 30 June 2004	77	348	189	199,682	80,081	280,377
Accumulated Depreciation/Amortisation						
Balance at 30 June 2003	-	181	35	105,232	42,520	147,968
Depreciation	-	6	43	13,663	8,796	22,508
Disposals	-	-	-	(11,778)	(2,433)	(14,211)
Internal transfers	-	-	-	(944)	(1,056)	(2,000)
Net foreign exchange differences	-	-	-	80	-	80
Transferred from leased to owned	-	-	-	22,602	(22,602)	-
Other	-	-	-	(929)	929	-
Balance at 30 June 2004	-	187	78	127,926	26,154	154,345
Net Book Value						
As at 30 June 2003	77	167	104	54,939	45,270	100,557
As at 30 June 2004	77	161	111	71,756	53,927	126,032

Freehold land, buildings, leasehold improvements and plant and equipment are covered by a registered charge as security for the banking facilities and lease facilities, as disclosed in notes 19 and 23 to the financial statements.

Notes to the Financial Statements

NOTE 13 NON CURRENT ASSETS PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Parent Entity					Total \$'000
	Freehold Land \$'000	Buildings \$'000	Leasehold Improve- ments \$'000	Plant and Equipment \$'000	Equipment Under Finance Lease \$'000	
Gross Carrying Amount at Cost						
Balance at 30 June 2003	-	-	-	146	-	146
Additions	-	-	-	-	-	-
Balance at 30 June 2004	-	-	-	146	-	146
Accumulated Depreciation/Amortisation						
Balance at 30 June 2003	-	-	-	123	-	123
Depreciation	-	-	-	23	-	23
Balance at 30 June 2004	-	-	-	146	-	146
Net Book Value						
As at 30 June 2003	-	-	-	23	-	23
As at 30 June 2004	-	-	-	-	-	-

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'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:				
Buildings	6	32	-	-
Leasehold improvements	43	11,428	-	23
Plant and equipment	13,663	45	23	-
Equipment under finance lease	8,796	9,915	-	-
	22,508	21,420	23	23

NOTE 14 INTANGIBLES

Goodwill	13,120	12,772	-	-
Accumulated amortisation	(6,330)	(5,691)	-	-
	6,790	7,081	-	-

Aggregate amortisation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.

Notes to the Financial Statements



NOTE 15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The consolidated entity's interests in joint venture entities accounted for using the equity method are detailed below:

Type of Joint Venture	Principal Activity	Ownership Interest		Consolidated Carrying Amount	
		2004 %	2003 %	2004 \$'000	2003 \$'000
Joint Venture Entity					
ADrail Joint Venture *	Railway Construction	10%	10%	411	2,991
Jervoise Bay Joint Venture *	Port Construction	50%	50%	380	100
Eastern Gas Pipeline JV	Gas Pipeline Construction	30%	30%	500	-
Adelaide Crafers Highway JV	Highway Construction	50%	50%	-	-
Learmonth JV	RAAF Base Development	50%	50%	20	20
Roe Highway JV *	Highway Construction	50%	50%	57	189
Tonkin Highway JV *	Highway Construction	50%	50%	-	-
Burnett River Dam JV *	Dam Construction	42.5%	-	400	-
RailLink JV*	Railway Construction	25%	-	-	-
				1,768	3,300

* 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	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'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

3,300 4,269 - -

Share of net profit

8,951 10,231 - -

Cash distribution received

(10,483) (11,200) - -

Equity accounted amount of investment at the end of the financial year

1,768 3,300 - -

Share of assets and liabilities of joint venture entities:

Current Assets

Cash 2,564 2,678 - -

Inventories 2,448 - - -

Receivables 6,150 9,869 - -

Other 37 339 - -

Non Current Assets

Property, plant and equipment 66 668 - -

Other - 5 - -

Current Liabilities

Payables (5,802) (5,736) - -

Other (3,721) (1,622) - -

Non Current Liabilities

Provisions - - - -

Net Assets 1,742 6,201 - -

Share of net profit of joint venture entities:

Revenue from ordinary activities 62,001 69,066 - -

Expenses from ordinary activities (48,354) (61,071) - -

Net Profit 13,647 7,995 - -

Profit recognition in joint venture accounts is not based on % of completion and therefore only reflects the differences between revenue and costs for the period.

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

Share of retained profits of joint venture entities

At the beginning of the financial year 6,201 7,419 - -

At the end of the financial year 1,742 6,201 - -

Notes to the Financial Statements



	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
NOTE 16 OTHER NON CURRENT FINANCIAL ASSETS				
Interest in APT	20,692	8,375	-	-
Shares in Freightlink Pty Ltd	6,531	2,636	-	-
Shares in controlled entities				
- at cost	-	-	33,025	33,025
	27,223	11,011	33,025	33,025

The consolidated entity has a combined 7.5% investment in the Asia Pacific Transport Joint Venture via shares, options and interests in joint ventures.

The entity is involved in the operation of the Alice Springs to Darwin Railway.

NOTE 17 OTHER NON CURRENT ASSETS

Capitalised borrowing costs	181	79	181	79
	181	79	181	79

NOTE 18 PAYABLES

Trade payables	17,152	10,806	-	-
Other creditors and accruals	31,355	20,912	507	935
	48,507	31,718	507	935

NOTE 19 CURRENT INTEREST-BEARING LIABILITIES

Secured

- Overdraft (Note 6) (i)	-	4,921	-	14,491
- Hire purchase liabilities (Note 33) (ii)	3,932	1,558	-	-
- Lease liabilities (Note 33) (ii)	12,119	12,998	-	-
- Chattel mortgage (iii)	1,612	5,086	-	-
- Term loan note (i)	-	11,333	-	11,333
	17,663	35,896	-	25,824

i. The overdraft and term loan note are secured by a registered charge over all assets of the consolidated entity

ii. The hire purchase liabilities and lease liabilities are secured by the assets under lease

iii. The chattel mortgage is secured by the assets under the chattel agreement

NOTE 20 CURRENT TAX LIABILITIES

Income tax payable attributable to:

Parent entity	-	-	-	-
Other	894	255	-	-
	894	255	-	-

Notes to the Financial Statements

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
NOTE 21 CURRENT PROVISIONS				
Employee benefits (Note 25)	11,267	8,994	-	-
Project closure (Note 26)	659	1,327	-	-
	11,926	10,321	-	-

NOTE 22 NON CURRENT LIABILITIES

Loan from wholly owned controlled entities	-	-	141,415	115,011
	-	-	141,415	115,011

NOTE 23 NON CURRENT INTEREST BEARING LIABILITIES

Secured

- Hire purchase liabilities (Note 33) (ii)	7,813	466	-	-
- Lease liabilities (Note 33) (ii)	25,016	7,224	-	-
- Chattel mortgage (iii)	1,818	463	-	-
- Term loan note (i)	-	1,666	-	1,666
- Revolving working capital facility (i)	15,000	15,000	15,000	15,000
- Fully drawn advance - APT Investment (i)	17,059	8,598	17,059	8,598
	66,706	33,417	32,059	25,264

- i. The term loan note, revolving working capital facility and the fully drawn advance are secured by a registered charge over all assets of the consolidated entity
- ii. The hire purchase liabilities and lease liabilities are secured by the assets under lease
- iii. The chattel mortgage is secured by the assets under the chattel agreement

NOTE 24 NON CURRENT PROVISIONS

Employee benefits (Note 25)	438	453	-	-
Project closure (Note 26)	1,553	655	-	-
	1,991	1,108	-	-

Notes to the Financial Statements



	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'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)	11,267	8,994	-	-
Non-current (Note 24)	438	453	-	-
Accrued wages and salaries (i)	3,933	1,791	-	-
	15,638	11,238	-	-

Number of employees at the end of the financial year	1,686	1,184	-	-
--	-------	-------	---	---

i. Accrued wages and salaries between the last pay date and 30 June 2004 are included in the other creditors and accruals balance as disclosed in Note 18 to the financial statements.

NOTE 26 PROVISIONS - PROJECT CLOSURE PROVISION

Balance at 30 June 2003	1,982	4,900	-	-
Additional provisions recognised	1,287	1,335	-	-
Reductions arising from payments/other sacrifices of future economic benefits	(1,057)	(4,253)	-	-
Balance at 30 June 2004	2,212	1,982	-	-
Current (Note 21)	659	1,327	-	-
Non-current (Note 24)	1,553	655	-	-
	2,212	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.

NOTE 27 CAPITALISED BORROWING COSTS

Balance at 30 June 2003	395	-	395	-
Borrowing costs capitalised during the financial year	500	500	500	500
Amortised during the financial year	(468)	(105)	(468)	(105)
Balance at 30 June 2004	427	395	427	395

Weighted average capitalisation rate on funds borrowed generally	8.3%	10.6%	8.3%	10.6%
--	------	-------	------	-------

Notes to the Financial Statements

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000

NOTE 28 CONTRIBUTED EQUITY

a) Issued and paid up capital

Ordinary shares fully paid 373,952,403 (2003: 246,405,547)	165,746	135,857	165,746	135,857
	165,746	135,857	165,746	135,857

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

	2004 No.'000	2004 \$'000	2003 No.'000	2003 \$'000
Balance at beginning of financial year	246,406	135,857	245,082	135,659
Issue of shares under executive share option plan (Note 36)	1,700	255	1,324	198
ANZ options exercised	20,000	3,000	-	-
Shareholders purchase plan	28,847	7,500	-	-
Share placement scheme	77,000	20,020	-	-
Share issue costs	-	(886)	-	-
Balance at end of financial year	373,953	165,746	246,406	135,857

Share Options

2000 Executive Option Scheme

In accordance with the provisions of the 2000 Executive/Directors Option Scheme, as at 30 June 2004, executives and directors are entitled to purchase 11,476,860 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. These options were exercised on 9 January 2004.

Shareholders Purchase Plan

Shareholders registered at 9 January 2004 were each offered up to 19,230 ordinary shares at 26 cents per share. 28.9 million shares were subsequently subscribed for and issued.

Share Placement Scheme

A share placement to sophisticated investors of 77 million shares at an issue price of 26 cents per share was made in January 2004.

Notes to the Financial Statements



	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'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 self sustaining foreign operations.

NOTE 30 ACCUMULATED LOSSES

Opening accumulated losses	(73,464)	(81,766)	(83,266)	(91,604)
Adjustment to opening accumulated losses on initial adoption of AASB 1028 'Employee Benefits'	-	(177)	-	-
Net profit/(loss) after tax for the year	11,564	8,479	(3,300)	8,338
Closing accumulated losses	(61,900)	(73,464)	(86,566)	(83,266)

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	-	13,000
Fully Drawn Advance	17,059	8,598	17,059	8,598
Leasing, Hire Purchase and Chattel Mortgage Facilities	72,018	60,884	-	-
	114,077	107,482	42,059	46,598

Used at balance date:

Overdraft Facility	-	4,921	-	4,921
Revolving Working Capital Loan	15,000	15,000	15,000	15,000
Term loan	-	13,000	-	13,000
Fully Drawn Advance	17,059	8,598	17,059	8,598
Leasing, Hire Purchase and Chattel Mortgage Facilities	52,294	34,426	-	-
	84,353	75,945	32,059	41,519

Unused at balance date:

Overdraft Facility	10,000	5,079	10,000	5,079
Leasing, Hire Purchase and Chattel Mortgage Facilities	19,724	26,458	-	-
	29,724	31,537	10,000	5,079

Macmahon has in place a banking facility with ANZ Bank Ltd totalling \$54 million, (2003: \$68 million) which is due for renewal in August 2006. The facility covers working capital, amortising debts, letters of credit and bank guarantees. The unused amount of the facility is reflected in the above table.

Notes to the Financial Statements

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
NOTE 32 CONTINGENT LIABILITIES				
Bank Guarantees:				
- Australasia (Other) (1)	5,918	8,804	-	-
	5,918	8,804	-	-
Letters of Credit:				
- In relation to equity and financial support of APT (2)	2,343	2,938	-	-
	2,343	2,938	-	-
Insurance Performance Bonds:				
- In Favour of Clients (1)	22,352	14,004	-	-
	22,352	14,004	-	-

Consolidated Entity

- 1) Bank guarantees and insurance bonds are issued in the normal course of business to clients to guarantee the performance of Macmahon under contracts and the period of each guarantee varies by contract agreement.
- 2) Macmahon has provided a letter of credit of \$1.093 million to cover ramp up support to the Asia Pacific Transport Corporation (APT). The letter of credit is likely to be progressively called over the next two years. In addition there is a letter of credit of \$1.25 million to cover financing support to APT.

Parent Entity

Unsecured guarantees by the parent entity in respect of leases and hire purchase commitments of controlled entities totalled \$52.3 million (2003: \$34.4 million). This amount is included in consolidated interest bearing liabilities.

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 (c).

Details of finance leases are as follows:

Total lease liability				
- current (Note 19)	12,119	12,998	-	-
- non current (Note 23)	25,016	7,224	-	-
	37,135	20,222	-	-
Finance lease commitments				
Due within 1 year	14,747	14,131	-	-
Later than 1 year but not later than 5 years	25,229	7,605	-	-
After 5 years	3,943	-	-	-
Minimum lease payments	43,919	21,736	-	-
Less: future finance charges	(6,784)	(1,514)	-	-
	37,135	20,222	-	-

Notes to the Financial Statements



	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000

NOTE 33 COMMITMENTS FOR EXPENDITURE (CONTINUED)

b) Operating leases (non-cancellable)

Due within 1 year	913	5,495	-	-
Later than 1 year but not later than 5 years	17	1,053	-	-
After 5 years	-	-	-	-
Minimum lease payments	930	6,548	-	-
Plus: future finance charges	-	50	-	-
	930	6,598	-	-

c) Hire purchase commitments contracted for at balance date:

- current (Note 19)	3,932	1,558	-	-
- non current (Note 23)	7,813	466	-	-
	11,745	2,024	-	-
Due within 1 year	4,697	1,660	-	-
Later than 1 year but not later than 5 years	8,514	486	-	-
After 5 years	-	-	-	-
Minimum hire purchase payments	13,211	2,146	-	-
Less future finance charges	(1,466)	(122)	-	-
	11,745	2,024	-	-

d) Capital expenditure commitments

Capital expenditure contracted for at balance date but not provided for:

Due within 1 year	15,992	-	-	-
Later than 1 year but not later than 5 years	-	-	-	-
After 5 years	-	-	-	-
	15,992	-	-	-

e) Additional Equity Contribution

Asia Pacific Transport Corporation

Due within 1 year	-	15,543	-	-
Later than 1 year but not later than 5 years	-	-	-	-
After 5 years	-	-	-	-
	-	15,543	-	-

For general terms of finance leases and operating leases refer Note 44.

Notes to the Financial Statements

NOTE 34 DIRECTORS' AND EXECUTIVES' REMUNERATION

Directors

The directors of Macmahon Holdings Limited during or since the end of the financial year are:

Non-executive Chairman

David James Humann

Executive Director

Nicholas Ronald Bowen (Chief Executive Officer & Managing Director)

Non-executive Directors

Colin Arthur McIntyre - Retired on 20 October 2003

Richard John Carter

Barry Lionel Cusack

Malcolm Alexander Kinnaird AO - Appointed on 25 June 2004

The specified executives of Macmahon Holdings Limited during the year were:

Richard Lennox Blair (Chief Financial Officer)

Philip Stewart Hatt (General Manager Strategic Development)

Damien Marian O'Reilly (General Manager Open Cut Division)

William Albert Rooney (General Manager Civil Division)

Nicholas Mark Savage (General Manager Underground Division)

The directors and specified executives above are employed by Macmahon Holdings Limited, Macmahon Contractors Pty Ltd and Macmahon Underground Pty Ltd.

Executives' remuneration and other terms of employment are reviewed annually by the Board having regard to their 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 are 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 directors of Macmahon Holdings Limited must not exceed the maximum annual amount approved by the Company shareholders (currently \$400,000 as approved at the 2002 Annual General Meeting).

	Primary				Post-Employment		Equity	
	Salary	Bonus	Non-monetary	Other	Super-	Prescribed	Options	Total
	\$	\$*	FBT	benefits	annuation	benefits		
2004	\$	\$*	\$	\$	\$	\$	\$	\$
Specified Directors								
N R Bowen	665,603	75,000	37,983	1,050	36,400	-	-	816,036
R J Carter	50,000	-	-	-	4,500	-	122,362	176,862
B L Cusack	50,000	-	-	-	4,500	-	122,362	176,862
D J Humann	119,153	-	-	-	10,315	-	-	129,468
M A Kinnaird	-	-	-	-	-	-	-	-
C A McIntyre	16,538	-	-	-	1,488	-	-	18,026
Grand Total	901,294	75,000	37,983	1,050	57,203	-	244,724	1,317,254

Notes to the Financial Statements



NOTE 34 DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

	Primary				Post-Employment		Equity	Total
	Salary \$	Bonus \$*	Non-monetary FBT \$	Other benefits \$	Super- annuation \$	Prescribed benefits \$	Options \$	
2004								
Specified Executives								
R Blair	278,337	25,000	5,581	1,050	25,050	-	41,511	376,529
P Hatt	250,480	-	4,399	1,050	21,372	-	33,209	310,510
D O'Reilly	308,523	20,000	15,756	1,050	25,766	-	-	371,095
W Rooney	278,729	20,000	18,091	1,050	41,976	-	-	359,846
N Savage	218,786	20,000	9,566	1,050	17,951	-	24,907	292,260
Grand Total	1,334,855	85,000	53,393	5,250	132,115	-	99,627	1,710,240

* The bonus was granted in the period December 2003 to February 2004.

Executives' remuneration

The Company is committed to remunerating its senior executives in a manner that is market competitive, consistent with best practice and supports the interests of shareholders. The Company aims to align the interests of senior executives with those of shareholders by remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration.

Remuneration and other terms of employment for the Chief Executive Officer and Chief Financial Officer are formalised in service agreements. Other senior executives are employees of the company.

Remuneration for all senior executives provides for the provision of performance related cash bonuses, other benefits including novated leases, airline membership, telephone expenses, and participation, when eligible, in the Executive Share Option Plan.

Consequently, senior executives' remuneration consists of the following elements:

- fixed salary;
- short-term incentive bonus based on performance;
- long-term incentive option scheme;
- shares; and
- other benefits including superannuation.

Fixed Salary

The salary of senior executives is determined from a review of the market and reflects core performance requirements and expectations. In addition, the Company considers the following:

- the scope of the individual's role;
- the individual's level of skill and experience;
- the Company's legal and industrial obligations;
- labour market conditions; and
- the size and complexity of the Company's business.

Notes to the Financial Statements

NOTE 34 DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

Performance Bonus

The purpose of the performance bonus is to reward actual achievement by the individual of performance objectives and for materially improved company performance. Consequently, performance based remuneration is paid where a clear contribution to successful outcomes for the company is demonstrated and the individual attains and excels against pre agreed key performance indicators during a performance cycle.

The performance bonus is earned against specified individual performance targets which include:

- profitability;
- return on capital;
- safety performance;
- order book and
- growth

Long-Term Incentives

The Company has an option scheme that has been approved by shareholders in which senior executives may participate. The number of options issued under the scheme is reasonable in relation to the capitalisation of the Company and granting of options under the scheme are made in accordance with thresholds set in plans approved by shareholders. The issue of share options is not included in employment contracts.

N. Bowen - Chief Executive Officer, Managing Director

- Terms of agreement - 2 years commencing on 30 November 2003, with a further option, subject to mutual agreement of both parties, to extend the contract to 30 November 2006.
- The components of the package include:
 - a) A base salary (including superannuation) of \$735,000 per annum.
 - b) A short term annual performance incentive based on a number of key performance indicators (KPI's) set by the board. These include continuous improvement and success in various areas including, safety, earnings per share, order book levels and return on total capital employed.
 - c) Achievement of all KPI's can deliver a cash bonus of up to 50% of the base salary. For performance substantially above the established KPI's, which requires an exceptionally high level of performance, a further performance bonus of up to 50% of base salary could be earned.
 - d) A long term incentive which is subject to shareholder approval, entitles the Chief Executive to receive up to 4 million ordinary shares in Macmahon Holdings Limited for nil consideration. The shares cannot be granted prior to November 2005 and are subject to the Company exceeding the total shareholder returns of a group of listed companies which are in direct competition to Macmahon.
 - e) Payment of a benefit in lieu of notice other than for summary dismissal is equal to 50% of the base salary.

R. Blair - Chief Financial Officer

- Term of agreement - 2 years commencing July 2004.
- The components of the package include:
 - a) A base salary (including superannuation) of \$314,600 per annum.
 - b) A short term annual performance incentive based on a number of key performance indicators (KPI's) set in the service agreement as outlined above.
 - c) Achievement of all KPI's can deliver a cash bonus of up to 30% of the base salary (excluding superannuation). If the KPI's are exceeded a further cash bonus for up to 15% of base salary (excluding superannuation) may be paid.
 - d) Payment of a benefit in lieu of notice other than for summary dismissal is equal to 50% of the base salary.

Notes to the Financial Statements



NOTE 34 DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

W. Rooney - General Manager Civil Division

- Term of agreement - full time employee
- The components of the package include:
 - a) A base salary (including superannuation) of \$329,840 per annum.
 - b) A short term annual performance incentive based on a number of key performance indicators (KPI's) set in the agreement as outlined on page 74.
 - c) Achievement of all KPI's can deliver a cash bonus of up to 30% of the base salary (excluding superannuation). If the KPI's are exceeded a further cash bonus for up to 15% of base salary (excluding superannuation) may be paid.
 - d) Payment of a benefit in lieu of notice other than for summary dismissal is equal to 50% of the base salary.

D. O'Reilly - General Manager Open Cut Mining Division

- Term of agreement - full time employee.
- The components of the package include:
 - a) A base salary (including superannuation) of \$341,188 per annum.
 - b) A short term annual performance incentive based on a number of key performance indicators (KPI's) set in the agreement as outlined on page 74.
 - c) Achievement of all KPI's can deliver a cash bonus of up to 30% of the base salary (excluding superannuation). If the KPI's are exceeded a further cash bonus for up to 15% of base salary (excluding superannuation) may be paid.
 - d) Payment of a benefit in lieu of notice other than for summary dismissal is equal to 50% of the base salary.

N. Savage - General Manager Underground Division

- Term of agreement - full time employee.
- The components of the package include:
 - a) A base salary (including superannuation) of \$243,066 per annum.
 - b) A short term annual performance incentive based on a number of key performance indicators (KPI's) set in the agreement as outlined on page 74.
 - c) Achievement of all KPI's can deliver a cash bonus of up to 30% of the base salary (excluding superannuation). If the KPI's are exceeded a further cash bonus for up to 15% of base salary (excluding superannuation) may be paid.
 - d) Payment of a benefit in lieu of notice other than for summary dismissal is equal to 12% of the base salary.

P. Hatt - General Manager Strategic Development

- Term of agreement - full time employee
- The components of the package include:
 - a) A base salary (including superannuation) of \$297,892 per annum.
 - b) A short term annual performance incentive based on a number of key performance indicators (KPI's) set in the agreement as outlined on page 74.
 - c) Achievement of all KPI's can deliver a cash bonus of up to 30% of the base salary (excluding superannuation). If the KPI's are exceeded a further cash bonus for up to 15% of base salary (excluding superannuation) may be paid.
 - d) Payment of a benefit in lieu of notice other than for summary dismissal is equal to 25% of the base salary.

NOTE 35 RELATED PARTY AND SPECIFIED EXECUTIVE DISCLOSURES

- a) The numbers of options over ordinary shares in the company held during the financial year by each director of Macmahon Holdings Limited and specified executive of the consolidated entity are set out below.

During the financial year, options were granted as equity compensation benefits to certain specific directors and specified executives as disclosed below. The options were issued for nil consideration. Each option entitles the holder to one fully paid ordinary share in the entity at an exercise price of \$0.42. (Refer to Note 36 Share options)

Notes to the Financial Statements

NOTE 35 RELATED PARTY AND SPECIFIED EXECUTIVE DISCLOSURES (CONTINUED)

Name	Balance at 1/7/2003	Granted during the year as remuneration	Exercised during the year	Balance at 30/6/2004
Specified Directors				
D J Humann	2,000,000	-	-	2,000,000
N R Bowen	4,776,860	-	1,000,000	3,776,860
R J Carter	-	1,000,000	-	1,000,000
B L Cusack	-	1,000,000	-	1,000,000
M A Kinnaird AO	-	-	-	-
Specified Executives				
W A Rooney	600,000	-	-	600,000
R L Blair	500,000	500,000	-	1,000,000
D M O'Reilly	600,000	-	600,000	-
N A Savage	-	300,000	-	300,000
P S Hatt	-	400,000	-	400,000
Total	8,476,860	3,200,000	1,600,000	10,076,860

- b) Specified directors' and specified executives' equity holdings
Fully paid ordinary shares issued by Macmahon Holdings Ltd.

Name	Balance at 1/7/2003	Received during the year on the exercise of options	Net Change other	Balance at 30/6/2004
Specified Directors				
D J Humann	-	-	-	-
N R Bowen ^{a)}	3,551,127	1,000,000	1,180,651	5,731,778
R J Carter	200,000	-	-	200,000
B L Cusack	-	-	-	-
C A McIntyre	2,000,000	-	(2,000,000)	-
M A Kinnaird AO	-	-	-	-
Specified Executives				
W A Rooney	-	-	-	-
R L Blair	170,000	-	-	170,000
D M O'Reilly	-	600,000	(600,000)	-
N A Savage	-	-	-	-
P S Hatt	-	-	-	-
Total	5,921,127	1,600,000	(1,419,349)	6,101,778

^{a)} Includes indirect interest in 2,750,452 shares

Notes to the Financial Statements



NOTE 36 SHARE OPTIONS

- i. 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 are 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, and 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.
- ii. The Executive Option Plan was renewed and approved by shareholders at the 2003 AGM and a summary of the main aspects of the options issued in October 2003 and March 2004 under the Plan are as follows:

[1] Options issued over unissued ordinary shares:

• Mr R Carter (Non Executive Director)	-	1,000,000
• Mr B Cusack (Non Executive Director)	-	1,000,000
• Group's Executives	-	1,800,000 in total

[2] Grant Price - 42 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 \$394,164. (\$244,723 - 2million option, and \$149,441 - 1.8million option)

[4] Escrow Period - 30 April 2005

[5] Performance Hurdles:

- 50% of options if Macmahon's share price is above 63 cents (50% improvement)
- 50% of options if Macmahon's share price is above 84 cents (100% improvement)

[6] Expiry date - 30 October 2008

There were 1,700,000 shares issued during the year as a result of the exercise of options issued under the 2000 Executive/Directors Option Scheme.

Notes to the Financial Statements

NOTE 36 SHARE OPTIONS (CONTINUED)

	2004 No.	2003 No.
Balance at beginning of the financial year	9,376,860	11,700,000
Granted during the financial year	3,800,000	-
Exercised during the financial year	(1,700,000)	(1,323,140)
Lapsed during the financial year	-	(1,000,000)
Balance at the end of the financial year	11,476,860	9,376,860

Balance at the beginning of the financial year

Options Series	No.	Grant Date	Expiry Date	Exercise Price
October 2000	9,376,860	15/01/2001	30/10/2005	0.15¢

Granted during the financial year

Options Series	No.	Grant Date	Expiry Date	Exercise Price
October 2003	2,000,000	31/10/2003	30/10/2008	0.42¢
October 2003	1,800,000	26/03/2004	30/10/2008	0.42¢
	3,800,000			

Exercised during the financial year

Options Series	No. of Options exercised	Grant Date	Exercise Date	Expiry Date	Exercise Price	No. of shares issued	Fair value received	Fair value of shares at date of issue
October 2000	1,000,000	15/01/2001	11/09/2003	30/10/2005	0.15¢	1,000,000	\$150,000	\$270,000
October 2000	600,000	15/01/2001	9/10/2003	30/10/2005	0.15¢	600,000	\$90,000	\$204,000
October 2000	100,000	15/01/2001	24/10/2003	30/10/2005	0.15¢	100,000	\$15,000	\$34,000
	1,700,000					1,700,000	\$255,000	\$508,000

Balance at end of the financial year

Options Series	No.	Vested No.	Unvested No.	Grant Date	Expiry Date	Exercise Price \$
October 2000	7,676,860	7,676,860	-	15/01/2001	30/10/2005	0.15¢
October 2003	2,000,000	2,000,000	-	31/10/2003	30/10/2008	0.42¢
October 2003	1,800,000	1,800,000	-	26/03/2004	30/10/2008	0.42¢
	11,476,860	11,476,860				

Notes to the Financial Statements



NOTE 37 SUPERANNUATION COMMITMENTS

Macmahon Employees Superannuation Fund

Perpetual Trustees is the Trustee of the Macmahon Employees Superannuation Fund and is responsible for all areas of compliance with regard 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 2004, nearly all 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 was undertaken by D Butterly F.I.A.A. of Financial Solutions Pty Ltd.

The accumulation section of the Fund has over 1,365 members at 30 June 2004.

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 the June 2003 assessment 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.

\$'000

Information from the last actuarial assessment:

Accrued benefits as at the date of the last measurement (1/7/2003)	9,729
Net market value of fund assets as at 1/7/2003	9,703
Shortfall of net market value of fund assets over accrued benefits as at 1/7/2003	26

Information from the last financial report:

Vested benefits as at 1/7/2003	9,703
Net market value of fund assets as at 1/7/2003	9,703
Excess of net market value of fund assets over vested benefits as at 1/7/2003	-

Net market value of fund assets and vested benefits were determined with reference to the most recent financial statements being 30 June 2003.

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

Notes to the Financial Statements

NOTE 38 INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	% Holding	
		2004	2003
Parent Entity			
Macmahon Holdings Limited	Australia		
Directly Controlled by Macmahon Holdings Limited			
Macmahon Contractors Pty Ltd	Australia	100	100
Macmahon Underground Pty Ltd	Australia	100	100
Allplant Pty Ltd	Australia	100	100
Macmahon Properties Pty Ltd	Australia	100	100
Macmahon Rail Holdings Pty Ltd	Australia	100	100
Macmahon (Southern) Pty Ltd	Australia	100	100
Thomco (No. 2020) Pty Ltd	Australia	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
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	Australia	100	100
Directly Controlled by Thomco (No. 2020) Pty Ltd			
Thomco (No. 2021) Pty Ltd	Australia	100	100
Thomco (No. 2022) Pty Ltd	Australia	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	Malaysia	100	100
Extra Yield Marketing SDN BHD	Malaysia	100	100

Notes to the Financial Statements



NOTE 39 INVESTMENT IN ASSOCIATED COMPANIES

Name	Principal Activity	Ownership Interest		Carrying Amount of Investment	
		2004 %	2003 %	2004 %	2003 %
Bluff Harbour Pty Ltd	Sub Division Developer	-	50	(a)	(a)
Encounter Lakes Pty Ltd	Sub-Division Developer	-	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. The carrying amount of the 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 been disposed of during the financial year.

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

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, Allplant and Investments. These divisions are the basis on which the consolidated entity reports its primary segment information. The principal products and services of each of these divisions are as follows:

Civil Division

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 Alice Springs to Darwin railway.

Notes to the Financial Statements

	Total	
	2004	2003
	\$'000	\$'000

NOTE 40 SEGMENT INFORMATION (CONTINUED)

SEGMENT INFORMATION - PRIMARY SEGMENT

Segment Revenue

Civil Construction (including joint ventures)	169,111	227,660
Open Cut Mining including Malaysia	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 Construction	15,160	18,213
Open Cut Mining including Malaysia	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 INFORMATION - PRIMARY SEGMENT

Segment Assets

Civil Construction	12,657	8,492
Open Cut Mining including Malaysia	121,287	117,766
Underground Mining	27,314	26,625
Allplant	20,496	1,486
Investments	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 Construction	15,722	10,075
Open Cut Mining including Malaysia	33,607	26,269
Underground Mining	7,200	7,591
Allplant	2,088	111
Investments	-	-
Total Segment Liabilities	58,617	44,046
Unallocated liabilities	89,070	68,669
Total Liabilities	147,687	112,715

Notes to the Financial Statements



NOTE 40 SEGMENT INFORMATION (CONTINUED) SEGMENT INFORMATION - PRIMARY SEGMENT

Other Segmented Information	Civil Construction		Open Cut Mining		Underground Mining		Allplant		Investments	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying value of investments accounted for using the equity method	1,768	3,300	-	-	-	-	-	-	-	-
Share of net profit/(loss) of associates and joint venture entities account for under the equity method	8,951	10,231	-	-	-	-	-	-	-	-
Acquisition of segment 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	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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 of segment assets	57,270	10,012	2,700	-	(2,473)	-	57,497	10,012

Notes to the Financial Statements

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
NOTE 41 CASH FLOW INFORMATION				
Reconciliation of net inflow from operating activities to operating profit after tax				
Net profit/(loss) after tax	11,564	8,479	(3,300)	8,338
Depreciation and amortisation	23,147	22,058	23	6
(Decrease) in allowance for doubtful debts	-	(329)	-	-
Net (profit)/ loss on sale on non current assets	(930)	541	-	68
Loans to controlled entities written off	-	-	-	-
Share of associates / joint venture profits less dividends	1,532	969	-	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
Decrease/(increase) in trade receivables	(3,621)	16,058	(18,884)	304
Decrease/(increase) in inventories	(1,117)	783	-	-
Decrease/(increase) in other financial assets	298	1,334	-	-
Decrease/(increase) in prepayments	(25)	(254)	342	(270)
Increase/(decrease) in current tax liability	1,247	194	-	-
Increase/(decrease) in trade payables	6,346	(18,492)	11,404	(13,482)
Increase/(decrease) in accruals	10,443	(6,844)	(428)	128
Increase/(decrease) in other provisions	2,488	(2,697)	-	-
Net cash inflow/(outflow) from operating activities	51,372	21,800	(10,843)	(4,908)

Notes to the Financial Statements



NOTE 42 EARNINGS PER SHARE

	2004 cents per share	2003 cents per share
Basic earnings per share	3.51¢	3.40¢
Diluted earnings per share	3.42¢	3.30¢

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:

	2004 \$'000	2003 \$'000
Earnings (a)	11,564	8,479
	No.	No.
Weighted average number of ordinary shares (b)	329,462,242	246,167,707

(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:

	2004 \$'000	2003 \$'000
Earnings (a)	11,564	8,479
	No.	No.
Weighted average number of ordinary shares (b)	338,518,720	256,613,500

(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:

	2004 No.	2003 No.
Weighted average number of ordinary shares used in the calculation of basic EPS	329,462,242	246,167,707
ANZ Options	4,912,825	6,956,521
Executive Option Scheme	4,143,653	3,489,272
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	338,518,720	256,613,500

On 23 July 2004, 250,000 ordinary shares were issued resulting from the exercise of 250,000 Executive options at an exercise price of \$0.15.

Notes to the Financial Statements

NOTE 43 FINANCIAL INSTRUMENTS

Terms and Conditions

Cash

Interest is receivable on cash deposits monthly in arrears. As at 30 June 2004, interest rates on term deposits were 5.31% and interest rates on cash deposits (not exceeding \$15 million) were 7.35% (2003: 2.8%).

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 investing activities are 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 defaulting debtors.

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.

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 7 years. The average discount rates implicit in the leases is 8.0% (2003: 7.5%).

Dividends Payable

Dividends payable are recognised when declared by the company.

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 rates.

(i) Interest Rate Derivatives

The majority of leases and other asset financing are based on fixed interest rates. To cover unfavourable movements in variable interest rates, the consolidated entity has entered into the following:

- Interest rate derivatives
\$25 million capped to 5.8% expires on 30 September 2004.

Notes to the Financial Statements



NOTE 43 FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Risk

All asset finance leases are taken at a fixed interest rate.

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 \$'000	Fixed Interest Maturing			Non Interest Bearing \$'000	Total \$'000
2004			< 1 Yr \$'000	1-5 Yrs \$'000	> 5 Yr \$'000		
Financial Assets							
Cash and deposits	7.2%	32,896	-	-	-	-	32,896
Receivables	-	-	-	-	-	34,728	34,728
Other financial assets	-	-	-	-	-	16,757	16,757
		32,896	-	-	-	51,485	84,381
Financial Liabilities							
Trade and other creditors	-	-	-	-	-	48,507	48,507
Revolving working capital facility	7.2%	15,000	-	-	-	-	15,000
Fully drawn advance	7.1%	17,059	-	-	-	-	17,059
Hire purchase liabilities	6.8%	-	3,932	7,813	-	-	11,745
Lease liabilities	7.6%	-	12,119	21,073	3,943	-	37,135
Chattel Mortgage	8.8%	-	1,612	1,818	-	-	3,430
Employee entitlements	-	-	-	-	-	11,705	11,705
Other provisions	-	-	-	-	-	2,212	2,212
		32,059	17,663	30,704	3,943	62,424	146,793
Net financial assets (liabilities)		837	(17,663)	(30,704)	(3,943)	(10,939)	(62,412)

Notes to the Financial Statements

NOTE 43 FINANCIAL INSTRUMENTS (CONTINUED)

2003	Average Interest Rate %	Variable Interest Rate \$'000	Fixed Interest Maturing			Non Interest Bearing \$'000	Total \$'000
			< 1 Yr \$'000	1-5 Yrs \$'000	> 5 Yr \$'000		
Financial Assets							
Receivables	-	-	-	-	-	35,459	35,459
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	8,153	1,667	43,146	112,460
Net financial assets (liabilities)		(28,519)	(30,975)	(8,153)	(1,667)	4,651	(64,663)

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. 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 44 LEASES

Finance Leases

Leasing Arrangements

Finance leases relate to plant and equipment with lease terms of between 2 to 7 years. The consolidated entity is obliged 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 consolidated entity does not have an option to purchase the leased asset at the expiry of the lease period.

NOTE 45 SUBSEQUENT EVENTS

Since the end of the financial year, the entity sold its interest in the SANT companies at par value (\$312,000). The Directors are not aware of any other 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.

NOTE 46 DIVIDENDS

	2004		2003	
	cents per share	Total \$'000	cents per share	Total \$'000
Unrecognised Amounts				
Fully paid ordinary shares				
Final Dividend				
Franked to 100%	0.5	1,870	-	-

The final dividend in respect of ordinary shares for the year ended 30 June 2004 has not been recognised in this financial report because the final dividend was declared, determined or publicly recommended subsequent to 30 June 2004. On the basis that directors will continue to publicly recommend dividends in respect of ordinary shares subsequent to reporting date, in future financial reports the amount disclosed as "recognised" will be the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

Directors' Declaration

The Director's declare that:

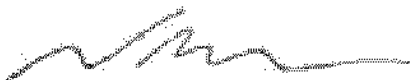
- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;
- c) in the directors' opinion, the attached 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.

On behalf of the Directors



David James Humann
Chairman



Nicholas Ronald Bowen
Chief Executive Officer

Welshpool, 19 August 2004

Independent Audit Report



Deloitte

Chartered Accountants
A.B.N. 74 406 123 000

Current Page
Level 15
155-156 St. Georges Terrace
Perth WA 6000
GPO Box 940
Perth WA 6001 Australia

09 499 9999
Fax 08 949 9999 9999
Fax 08 949 9999 9999
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 cash flows, 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 48 to 90. 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
Chartered Accountants

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of,
the Australian Corporations Act 2001 and the Professional Standards Act 2004 (NSW).

Independent Audit Report

Deloitte.

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 requirements 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.



DELOITTE TOUCHE TOMHATSU



KEITH P. JONES
Partner
Chartered Accountant

Perth, 19 August 2004

Additional ASX Information



The following details of shareholders of Macmahon Holdings Limited have been taken from the Share Register on 24 September 2004.

a) The twenty largest shareholders held 53.29% of the Ordinary Shares.

b) There were 6,462 ordinary shareholders as follows:

Size of Holdings	Ordinary Shareholders
1 - 1,000	144
1001 - 5,000	1,556
5001 - 10,000	1,261
10,001 - 100,000	3,215
Over 100,000	286
	6,462

228 ordinary shareholders held less than a marketable parcel.

Twenty Largest Ordinary Shareholders	Number	%
AUSTRALIAN PERMANENT TRUST	73,895,212	19.69%
NATIONAL NOMINEES LIMITED	52,036,056	13.87%
WESTPAC CUSTODIAN NOMINEE	11,016,910	2.94%
JP MORGAN NOMINEES AUSTRALIA	8,900,651	2.37%
AUSTRALIAN PERMANENT TRUST	7,927,434	2.11%
CITICORP NOMINEES PTY LIMITED	6,850,269	1.83%
UBS NOMINEES PTY LTD	4,703,397	1.25%
NBT PTY LIMITED	4,673,944	1.25%
NICHOLAS BOWEN	3,981,326	1.06%
QUINTAL PTY LTD	3,500,001	0.93%
JOHN ALISTER FORSYTH	3,300,217	0.88%
HEALTH SUPER PTY LTD	3,247,590	0.87%
INVIA CUSTODIAN PTY LTD	2,500,000	0.67%
JANVIN PTY LTD	2,371,717	0.63%
TRANSFIELD (PART OWNED) PTY LTD	2,000,000	0.53%
CONWAY JEFFREY JONES	1,960,217	0.52%
WAXWORKS MADAM TUSSAUDS	1,830,018	0.49%
BB NOMINEES PTY LTD	1,750,000	0.47%
DRAYCOTT PTY LTD	1,748,235	0.47%
GUGLIELMIN OSCAR ROMEO	1,737,017	0.46%
	199,930,211	53.29%

SUBSTANTIAL SHAREHOLDERS

As at 24 September 2004, the register of substantial shareholders disclosed the following information:

Holders Giving Notice	Number of Ordinary Shares in which interest is held
Australia Permanent Trust	73,895,212
National Nominees Limited	52,036,056

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

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

The Board of Macmahon Holdings Limited ("Board") is committed to ensuring that its obligations and responsibilities to its various stakeholders are fulfilled in its corporate governance practices. The directors undertake to perform their duties with honesty, integrity, care and diligence, to act in good faith in the best interests of Macmahon Holdings Limited (MAH) in a manner that reflects the highest standards of corporate governance.

MAH has adopted Australian Stock Exchange Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles") as the minimum baseline for our corporate governance practices.

BOARD OF DIRECTORS AND ITS COMMITTEES

Role of the Board

The Board is responsible for the overall corporate governance policies and practices of MAH 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.

Board processes

To assist in the execution of its responsibilities, the Board has established a Nomination/Remuneration Committee and an Audit Committee. These committees have committee charters which are reviewed on a regular basis. 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 approves and signs off on half-year and full-year result for release to the market. The Chief Executive Officer and Chief Financial Officer provide letters of assurance to the board for each half-year and full-year result.

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 Director's understanding of important operational issues.

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

The Chairman of the Board is an independent non-executive Director.

- The Board comprises of Directors with the required operational, financial, industry legal specific skills, which enables the objectives of the consolidated entity to be met, as set out on Page 38 and 39 of the Annual Report.
- Non-executive Directors are subject to re-election by rotation at least every three years.

Issues of nomination and remuneration of Directors, business risk management and strategy are considered by the full Board.

The full Board of Directors acts as the Remuneration/Nomination Committee and the majority of members are independent non-executive Directors.

As Chief Executive Officer, Mr Bowen absents himself from the meetings before any discussion by the Board in relation to his own remuneration.

Mr Bl. Cusack who is an independent non-executive director is the Chairman of the Remuneration/Nomination committee.

Corporate Governance Statement



Nomination

Any invitation to join the board will be extended, in writing, by the Chairman of MAH setting out the terms and conditions of the appointment. Those nominated are assessed by the board against background, experience, professional skills, personal qualities, and whether their skills and experience will augment the existing board and their availability to commit themselves to the board's activities.

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

- 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 MAH must not exceed the maximum annual amount approved by the Company's shareholders (currently \$400,000 as determined at the 2002 Annual General Meeting)
- 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 which was renewed and approved at the Year 2003 Annual General Meeting.
- Details of directors' and executives' remuneration and the company's 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 including 2 years forecasts 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;

Corporate Governance Statement

- 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.

Audit Committee

The role of the Audit Committee is outlined below and has been approved by the full Board of Directors. The full Board of Directors with the exception of the Chief Executive Officer are members of the Audit Committee. The 4 members are all independent non-executive Directors.

Mr RJ Carter who is an independent non-executive director is the Chairman of the Audit Committee.

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

The role of the 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 review its performance no less than once a year. The intent of the review is to gauge the effectiveness of the Board as a whole. The Chairman reviews individual performance of board members no less than once a year by way of questionnaires and private forum.

An external facilitator is appointed to collate the responses from board members for the assessment of the Chairman.

The Board, in open forum, also focus on the appropriate skills and characteristics required of Board Members. This assessment includes issues of diversity, age, skills, background, and other matters necessary to achieve the company's objectives and is 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.

Corporate Governance Statement



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

Directors have unrestricted access to company records and information and receive regular detailed financial and operational reports from executive management and regular site visits to enable them to perform their duties. Directors may consult executive management and request additional information regularly with the CEO's knowledge.

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.

Continuous Disclosure Policy

In accordance with the ASX Listing Rules, Macmahon Holdings Limited (MAH) will immediately notify the ASX of information:

- a) concerning MAH that a reasonable person would expect to have a material effect on the price or value of MAH's securities; and
- b) that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of MAH's securities.

The only exception to this is where the ASX Listing Rules do not require such information to be disclosed.

Upon confirmation of receipt from the ASX, MAH will post all information disclosed in accordance with this policy on MAH's website.

Internal notification and decision-making concerning the disclosure obligation

The Board has designated the Company Secretary as the person responsible to ensure that a system is in place for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

The Company Secretary will be responsible for ensuring that Company announcements are made in a timely manner. All information is vetted to ensure that the announcements are factual and do not omit any material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

General Managers of operating divisions are responsible for ensuring that the information is provided to the CEO or CFO as soon as they become aware of it and that it is factual and does not omit any material information.

The CEO or his delegated representatives determine whether information is to be disclosed to the ASX.

Promoting and monitoring compliance

The Company Secretary or CFO is responsible for monitoring compliance with this policy on a daily basis. All major announcements to the ASX are reviewed for compliance with this policy.

Corporate Governance Statement

External communications including analysts briefings and responses to shareholders questions

MAH discloses its financial and operational results to the market at least each half year as well as informing the market of other events throughout the year as they occur. Half-yearly financial reports, media releases and AGM speeches are all lodged with the ASX and subsequently posted to MAH's website. As all financial information is disclosed through the ASX, MAH will only comment on factual errors in information and underlying assumptions when commenting on market analysts' financial projections, rather than commenting on the projections themselves.

In addition to the above disclosures, MAH does conduct briefings and discussions with analysts and institutional investors. However, price sensitive information will not be discussed unless that particular information has been previously formally disclosed to the market via an ASX announcement. Slides and presentations used in briefings will also be released immediately prior to the briefing to the market via the ASX and posted on MAH's website.

If any new price sensitive information is to be used in briefing media, institutional investors and analysts or in answering shareholder queries, written materials containing such information will be lodged with the ASX prior to the briefing commencing. These briefing materials may also include information that may not strictly be required under continuous disclosure requirements. The briefing material will be posted to MAH's website as soon as the ASX confirms that this information has been received.

Periodic disclosure

MAH is committed to the full and accurate reporting of its financial results. Consequently, when complying with its periodic disclosure requirements MAH will provide commentary on its financial results. The purpose of the commentary will be to clarify and balance the information in the financial results and it will be delivered in a manner that is neutral, free from any bias and easy to understand. This may involve the provision of both positive and negative information that MAH believes is necessary to keep investors fully informed.

Establishment of a Shareholder information centre on MAH website

MAH's Corporate Governance policies and procedures, annual reports, profit announcements, CEO briefings, notice of meetings, media releases and ASX announcements are published on the company website.

Shareholders are encouraged to attend general meetings or other shareholders briefings from time to time. At these meetings shareholders are given the opportunity to meet with and question the board and management on MAH's performance and activities.

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.

Statistical Summary



	2004	2003	2002	2001	2000
PROFIT & LOSS (\$M)					
Operating Revenue	372.1	416.1	441.0	409.5	434.3
Joint Venture Revenue	62.0	69.1	39.3	21.2	61.4
Total Revenue	434.1	485.2	480.3	430.8	495.7
EBITDA	41.8	39.1	46.9	24.3	(6.7)
Depreciation and amortisation	(23.1)	(22.1)	(27.4)	(32.3)	(41.3)
EBIT	18.7	17.0	19.5	(8.0)	(48.0)
Interest payable	(6.5)	(8.1)	(9.9)	(13.7)	(14.5)
Operating profit	12.2	8.9	9.6	(21.7)	(62.5)
Tax Expense	(0.6)	(0.4)	(2.5)	(11.1)	16.6
NPAT	11.6	8.5	7.1	(32.8)	(45.9)
BALANCE SHEET (\$M)					
Plant & Equipment	126.0	100.6	125.4	146.7	207.4
Investment (APT)	27.2	11.0	-	-	-
Total assets	247.1	170.7	208.1	231.0	325.9
Net assets	99.4	57.9	49.4	42.4	75.2
Net Debt	51.5	69.3	82.5	120.1	172.4
CASH FLOW (\$M)					
EBITDA	41.8	39.1	46.9	24.3	(6.7)
Net Interest paid	(5.9)	(8.4)	(9.8)	(13.3)	(11.7)
Income Tax (Paid)/refund	0.6	(0.2)	(1.1)	(3.5)	(1.5)
Miscellaneous	0.1	1.4	(2.9)	1.3	6.3
Working Capital Decrease/(Increase)	14.8	(10.1)	10.3	18.9	13.9
Operating Cash flow including JV	51.4	21.8	43.4	27.7	0.3
Investing and Financing cash flows (net)	(13.5)	(31.3)	(41.8)	(19.3)	(21.1)
Cash at beginning of the FY	(5.0)	4.5	2.9	(5.5)	15.3
Closing Cash Balance	32.9	(5.0)	4.5	2.9	(5.5)

Statistical/Ratio Summary

	2004	2003	2002	2001	2000
Work in hand (\$m)	784	341	480	618	369
New Contracts & extension (\$m)	862	326	333	647	865
Number of employees	1,686	1,184	1,865	1,429	1,993

PROFIT & LOSS RATIOS

Revenue Growth (%)	(10.5)%	1.0%	11.5%	(13.1)%	(8.1)%
EBITDA/Total Revenue (%)	9.6%	8.1%	9.8%	5.6%	(1.3)%
EBIT/Total Revenue (%)	4.3%	3.5%	4.1%	(1.9)%	(9.7)%
EV/EBITDA (x)	3.6	2.8	3.3	6.0	(28.0)
Basic EPS (cents)	3.51¢	3.40¢	2.90¢	(15.10)¢	(29.20)¢
Diluted EPS (cents)	3.42¢	3.30¢	2.80¢	(13.40)¢	(18.70)¢
Effective Tax Rates (%)	5.2%	4.9%	26.0%	(50.9)%	26.5%
Net Interest Cover (x)	3.1	2.1	2.0	(0.6)	(3.6)

BALANCE SHEET RATIOS

Gearing (Net Debt/Equity) (%)	51.8%	119.6%	166.9%	283.5%	229.3%
ROC (%)	11.7%	12.6%	10.3%	(2.7)%	(27.1)%
ROE (%)	11.6%	14.6%	14.3%	(77.5)%	(61.0)%
ROA (%)	4.7%	5.0%	3.4%	(14.2)%	(14.1)%
NTA per share (\$)	0.25	0.21	0.17	0.14	0.42

CASH FLOW RATIOS

Operating cash flow per share	13.74¢	8.85¢	17.70¢	11.29¢	0.17¢
EBITDA per share	11.19¢	15.86¢	19.14¢	9.90¢	(4.24)¢

SHAREHOLDERS

Shares on Issue (m) @ 30 June	373.95	246.41	245.08	245.08	157.09
Share Price @ 30 June (\$)	0.27	0.16	0.30	0.11	0.09
Market Capitalisation (\$m)	101	39	72	26	14
Price/NTA (x)	1.1	0.8	1.7	0.8	0.2

GLOSSARY

EBIT	- Earnings before Interest Payable and Tax
EBITDA	- Earnings before Interest Payable, Tax, Depreciation and Amortisation
EV	- Enterprise Value, being market capitalisation plus Net Debt
FY	- Financial Year
NPAT	- Net Profit After Tax
NTA	- Net Tangible Assets
ROC	- Return on Capital - EBIT/Average Capital Employed, where Capital Employed is Total Tangible Assets less Payables less Bank Overdraft.
ROE	- Return on Equity - NPAT/Net Assets.
ROA	- Return on Assets - NPAT/Total Assets

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 Officer/Managing Director*
Dick Carter – *Non Executive Director*
Barry Cusack – *Non Executive Director*
Malcolm Kinneird AO – *Non Executive Director*

COMPANY SECRETARIES

Elizabeth Lee
Rick Blair

MACMAHON OFFICES

Australia

Perth – Head Office

44 Kurnall Road
Welshpool, WA 6106
Telephone: +61 (08) 9365 1111
Facsimile: +61 (08) 9365 1199
Email: info@macmahon.com.au
Website: www.macmahon.com.au

Brisbane

10 Finchley Street
Milton, Queensland 4064
Telephone: +61 (07) 3369 2625
Facsimile: +61 (07) 3368 3788

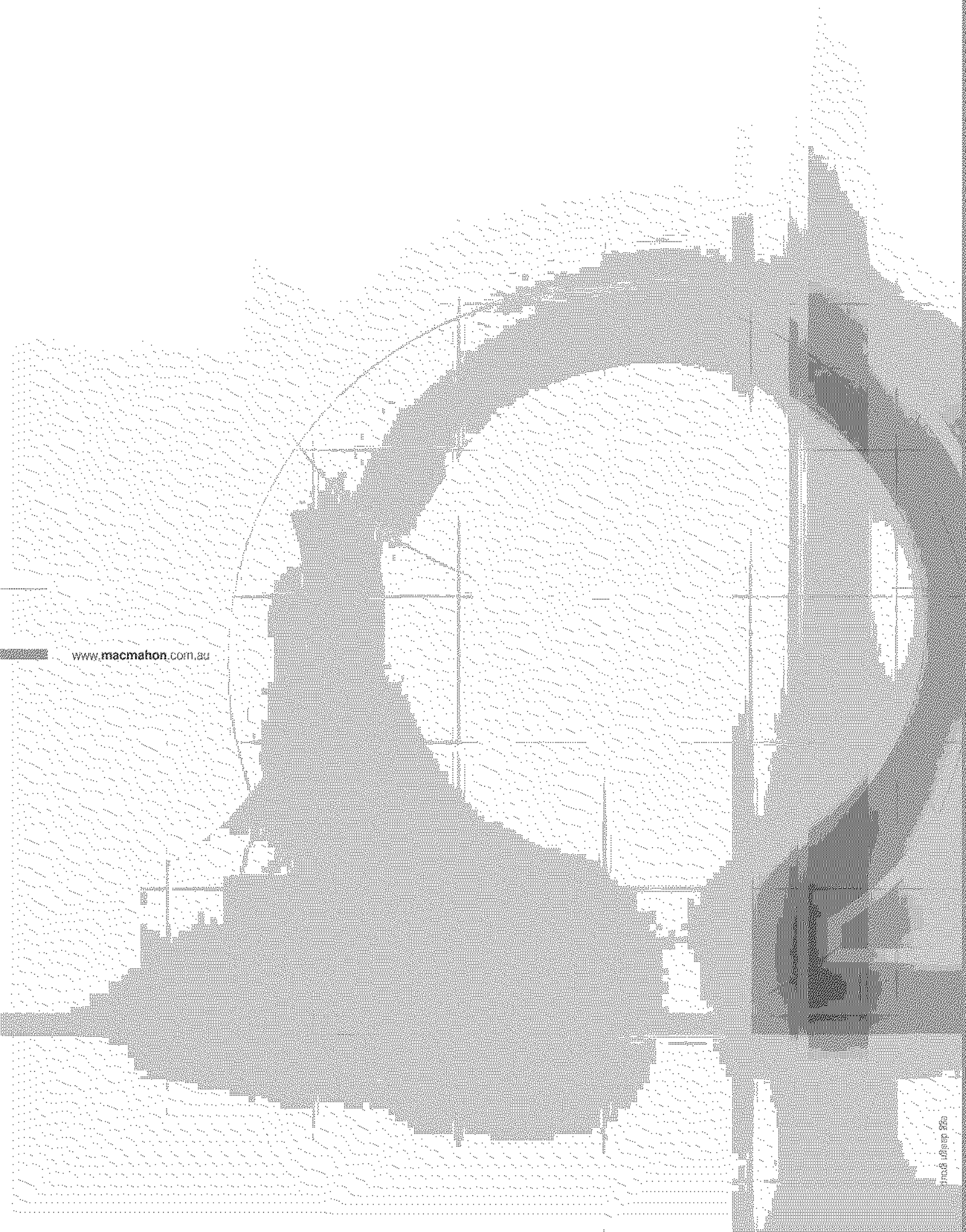
International

New Zealand

Junction Road
Waihi, New Zealand
Telephone: +64 7 863 7810
Facsimile: +64 7 863 8446

Malaysia

Macmahon Sdn Bhd
No 60 1 Jalan 1/76D
Desa Pandan
55200 Kuala Lumpur, Malaysia
Telephone: +60 3 9282 6129
Facsimile: +60 3 9282 3691



www.macmahon.com.au