MACMAHON

18 August 2005

The Manager
Companies Announcements Office
Australian Stock Exchange Limited
Level 4
20 Bridge St
SYDNEY NSW 2000

Dear Sir,

Please find attached Appendix 4E for the year ended 30 June 2005

Yours faithfully
MACMAHON HOLDINGS LIMITED

ELIZABETH LEE
COMPANY SECRETARY

Appendix 4E - Preliminary Final Report

For Year Ended 30 June 2005 - Issued 18 August 2005

2004/05

MACMAHON
WHEN EXPERIENCE COUNTS

MACMAHON

Results for Announcement to the Market
for the year ended 30 June 2005

Appendix 4E
Preliminary Final Report

18 August 2005

MACMAHON 2005 FULL YEAR RESULT – COMMENTARY

Profit

For the year ended 30 June 2005 Macmahon achieved a record profit after tax of $19.6 million, an increase of 69% on the 2004 profit. Earnings before Interest and Tax (EBIT) increased to $29.2 million delivering an EBIT margin on Total Revenue of 4.6% (2004: 4.4%). Earnings per share were 5.2 cents a 48% increase on the previous year.

The improved profit and focus on capital management delivered a Return on Equity of 16.6% (2004: 11.6%) and a Return on Capital of 13.7% (2004: 11.7%).

Revenue

Total Revenue increased by 52% to a record $641 million and included $116 million of revenue from civil joint venture operations.

Dividend

The directors have declared a final fully franked dividend of 1.0 cent per share (last year 0.5 cents) payable on 14 September 2005 to shareholders registered on 31 August 2005.

The dividend will be payable in cash with directors deciding at this time not to implement the Dividend Re-Investment Plan approved at the 2004 AGM.

Cashflow / Balance Sheet

Net operating cashflow for the year was $49.6 million. Replacement and growth capital expenditure totalled $57.5 million. Net balance sheet debt at year end was $61.5 million compared to $51.5 million in 2004. Cash at bank and on hand was $40 million.

Net debt to equity ratio was 52.2% (2004: 51.8%). Importantly interest cover continued to improve to 4.4 (2004: 3.1).

Order Book

During the year $740 million of new contracts and contract extensions were won taking the total order book at year end to $925 million (2004: $784 million). The order book is in its strongest position in the Company's history with 30% by value for Government infrastructure projects and 70% for leading mining companies across a range of commodities including coal, iron ore, copper and nickel.

People/Safety

The 52% increase in revenue required a significant increase in employee numbers. Notwithstanding the skills shortages in the mining and construction sectors, employee numbers increased by 857 during the year to 2543.

Safety performance across the Company continued to improve with the Total Recordable Injury Frequency Rate reducing 16% to 18.6 and the Lost Time Injury Frequency Rate reducing to 2.1 which is better than the industry average.

Divisional Results

Open Cut Mining

The strategy of the division to focus on major projects especially in coal and iron ore continued to deliver improved results.

Revenue for the year increased to $260 million (2004: $199 million) with EBIT of $19.0 million, a significant increase on the 2004 result of $8.1 million. EBIT margin at divisional level on revenue was 7.3%.

The improved result was achieved from a combination of full fleet utilisation, the benefits of new equipment and a focus by the division on productivity improvements.

Coal and iron ore contracts provided 60% of the division's turnover from large long life projects.

During the year contract extensions were awarded at Mt Whaleback (BHP Billiton – Iron Ore, WA), Moura/Dawson (Anglo Coal – Coal, QLD), Dampier/Cape Lambert Ports (Rio Tinto – Iron Ore, WA) and Argyle (Rio Tinto – Diamonds, WA). A new 3 year contract was awarded for manganese mining at Bootu Creek (NT) for OM Holdings/BHP Billiton.

Civil

The significant number of mine construction and expansion projects coupled with Government infrastructure work has provided growth opportunities for the civil division.

Total revenue for the year (including joint venture revenue) increased significantly to $287 million (2004: $147 million). The strategy of the division to increase its presence in the eastern states was successful with $116 million of revenue sourced outside Western Australia. However Western Australia remained the largest market. Revenue was split 54% from Government infrastructure and 46% from large mining infrastructure construction.

In March, Macmahon acquired the Northern Territory Civil business from the Administrator of Henry Walker Eltin. The business is expected to deliver over $50 million per year of revenue.

The division's EBIT of $7.4 million was well below required targets. The low EBIT was as a result of a combination of factors including;

- Significant industry wide materials and labour cost increases impacting a number of shorter term fixed price contracts (1 year or less) where these contracts were priced in early calendar 2004 and the level of cost increases factored into project pricing was insufficient.
- Increased revenue without additional margin resulting from Macmahon taking over full responsibility for construction of Burnett River Dam following the voluntary administration of its joint venture partner Walter Construction in February 2005. Any additional margin on this project is deferred until contract completion in 2006.
- Increased expenditure on overheads in preparation for managing the increased size of the division.

By year end, new contract pricing reflected the increased cost structure of the industry and a focus on alliance style contracts was reducing risk. All of the civil divisions $379 million 30 June order book is profitable with over 75% of the order book at or above the required target margin.

Major contracts awarded during the year included Gove Expansion Alliance (Alcan – NT), Iron Ore Rail Duplication (Rio Tinto – WA) and Darwin Cove (Darwin Cove Convention Centre – NT).

Underground Mining

The division continued to focus on a select number of large clients and major mines around Australia.

Revenue for the year increased 33% to $72 million reflecting a combination of new contracts and increased scope of work on existing contracts. Divisional EBIT increased significantly to $9.6 million (2004: $4.3 million) with an EBIT margin on revenue of 13.3%.

The improved EBIT margin was a result of high fleet utilisation, productivity improvements and cost control across all operations. To meet the requirements of new and existing contracts, significant capital expenditure was committed to the underground division in the year.

Major contracts awarded during the year included Mt Isa N3500 Deep Orebody Development (Xstrata – QLD) and Bendigo Mine Development (BML – Victoria).

Allplant

The Allplant business provides large earthmoving plant hire, labour hire and mobile plant maintenance services to the mining and construction industries. The division has continued to see strong demand for its services and has accelerated growth with expansion of capabilities both in WA and the eastern states.

Total revenue (including internal work) increased by 135% to $43.6 million with some 43% of sales to external customers. EBIT increased to $10.2 million (2004: $3.9 million) and the division was able to maintain its strong EBIT margin, achieving 23%.

The division's capability to rebuild/refurbish older equipment is paying dividends in the current market where new equipment deliveries are in some cases in excess of one year. This capacity to rebuild existing machines and acquire second hand machinery for rebuild has provided capacity to grow the rental fleet which now includes 120 machines.

FreightLink (Macmahon 7.0% shareholder, $29.5 million investment)

The successful ramp up of the domestic freight business continued in the year with 604,000 tonnes of freight moved. The railway has now captured 85% market share of the domestic freight business to and from Darwin, the highest percentage of any railway in Australia. The business continues to expand with additional freight wagons added during the year. In the next 12 months freight volumes are expected to increase significantly with the commencement of manganese haulage from the Bootu Creek mine and the progressive transfer of bulk liquids (fuel) from road to rail as the necessary rolling stock becomes available. Work continues on securing regular Darwin to Asia shipping to facilitate growth in the international freight business.

Market Outlook

Prospects in the mining and infrastructure areas remain very strong. BIS Schrapnel is forecasting significant growth in the infrastructure, mining contracting and maintenance areas over the next 2 to 3 years. Indications from our major clients are that mining volumes will remain at current levels or expand over the next 3 to 5 years.

Importantly very strong growth is forecast in our two main areas of operation being Western Australia and Queensland.

Macmahon Outlook

The June Order Book of $925 million has increased to over $1 billion in August following the award of the 12 month $50 million Woodside Train V civil contract, the $36 million Eyre Highway contract and the 33 month $82 million extension at Olympic Dam. The $1 billion order book includes over $660 million of secured work for the 2006 year.

The existing order book combined with forecast contract extensions and new work is expected to deliver Total Revenue for 2006 in excess of $800 million.

As a result of increased EBIT from the Civil division the overall Company EBIT margin is expected to increase in 2006.

Replacement and growth capital expenditure is expected to be in the range of $70 to $80 million subject to equipment deliveries. Strong cashflows are forecast from existing contracts and net debt to equity is expected to be maintained below 60% notwithstanding the high level of capital expenditure.

For the 2006 year the Company will be applying a 30% tax rate to the accounting profit (8% in 2005) although actual tax paid will be lower than 30%.

Even after allowing for the increased tax rate the combination of increased revenue and improved EBIT margin is expected to deliver an improved profit after tax for 2006. With the progressive ramp up of new contracts second half profit will be stronger than the first half.

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

Results for Announcement to the Market

For the year ended 30 June 2005

Name of entity

MACMAHON HOLDINGS LTD

ACN

007 634 406

$A'000

Revenues from ordinary activities	up	50.4 %	to	559,483
Revenues from ordinary activities – Share of JV Revenue	up	86.7%	to	115,764
Revenue from ordinary activities – Elimination of revenue (labour and cost recoveries) from Joint Ventures				(33,940)
Total Revenues from ordinary activities – Group and JV Entities	up	52.4%	to	641,307
Profit from ordinary activities after tax attributable to members	up	69.1 %	to	19,552
Net profit for the period attributable to members	up	69.1 %	to	19,552

Dividends	Amount per security	Franked amount per security %
Dividend declared	1.0¢	100%

The directors declared the payment of an annual dividend of 1.0c per share (franked to 100%) to the holders of fully paid ordinary shares, registered on 31 August 2005 to be paid on 14 September 2005.

The accounts have been audited and the audit report is attached at Page 19 to 20

Annual meeting

The annual meeting will be held as follows:

Place	**The West Australian Club 101 St Georges Terrace PERTH WA**
Date	**11 November 2005**
Time	**10:00am**
Approximate date the annual report will be available	**7 October 2005**

Statement of Financial Performance
for the year ended 30 June 2005

	NOTE	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000
Revenue from ordinary activities		559,483	372,098
Share of net profit of associates and joint ventures accounted for using the equity method		3,683	8,951
	1(a)	563,166	381,049
Materials and consumables used		(216,001)	(147,816)
Employee benefits expense		(229,953)	(144,146)
Subcontractor costs		(40,372)	(24,124)
Depreciation and amortisation expenses	1(b)	(30,987)	(23,147)
Borrowing costs	1(b)	(8,067)	(6,492)
Rental expenses relating to operating leases		(1,803)	(3,112)
Written down value of assets sold		(1,646)	(9,420)
Other expenses from ordinary activities		(13,175)	(10,590)
Profit / (loss) from ordinary activities before income tax expense		21,162	12,202
Income tax expense relating to ordinary activities	2	(1,610)	(638)
Net profit / (loss) attributable to members of the parent entity		19,552	11,564
Total changes in equity other than those resulting from transactions with owners as owners		19,552	11,564
Earnings Per Share			
Basic (cents per share)		5.19¢	3.51¢
Diluted (cents per share)		5.14¢	3.42¢

Statement of Financial Position
as at 30 June 2005

	NOTE	CONSOLIDATED 2005 $'000	2004 $'000
Current assets			
Cash assets		40,074	32,896
Receivables		75,519	42,512
Inventories		11,411	7,944
Other financial assets		990	1,029
Current tax assets		325	292
Other assets		253	411
Total current assets		**128,572**	**85,084**
Non current assets			
Property, plant and equipment		155,613	126,032
Intangibles		6,135	6,790
Investments accounted for using the equity method	6	1,246	1,768
Other financial assets		29,565	27,223
Other		14	181
Total non current assets		**192,573**	**161,994**
Total assets		**321,145**	**247,078**
Current liabilities			
Payables		79,653	48,507
Interest bearing liabilities		25,426	17,663
Current tax liabilities		619	894
Provisions		19,566	11,926
Total current liabilities		**125,264**	**78,990**
Non current liabilities			
Interest bearing liabilities		76,155	66,706
Provisions		1,857	1,991
Total non current liabilities		**78,012**	**68,697**
Total liabilities		**203,276**	**147,687**
Net assets		**117,869**	**99,391**
Equity			
Contributed equity		166,549	165,746
Reserves		(4,455)	(4,455)
Accumulated losses	7	(44,225)	(61,900)
Total equity		**117,869**	**99,391**
Net Tangible Assets per Ordinary Share		29.46¢	24.76¢

Statement of Cash Flows
for the year ended 30 June 2005

	NOTE	CONSOLIDATED Inflows/ (Outflows) 2005 $'000	2004 $'000
Cashflows from operating activities			
Receipts from customers		511,668	344,875
Payments to suppliers and employees		(457,874)	(298,634)
Receipts from joint venture entities		4,205	10,483
		57,999	56,724
Interest received		1,396	531
Interest and other costs of finance paid		(8,067)	(6,492)
Income tax (paid) refund		(1,765)	609
Net cash provided by/(used in) operating activities	8	49,563	51,372
Cashflows from investing activities			
Payments for property, plant and equipment		(57,535)	(57,497)
Payment for investment securities		(2,340)	(16,212)
Payment for business		(2,645)	(348)
Proceeds from sales of property and equipment		1,607	10,349
Net cash used in/(provided by) investing activities		(60,913)	(63,708)
Cashflows from financing activities			
Proceeds from borrowings		42,060	60,093
Repayment of borrowings		(24,848)	(39,924)
Proceeds from issues of equity securities		803	30,775
Payment for share issue cost		-	(886)
Dividends Paid		(1,877)	-
Other		2,390	95
Net cash provided by financing activities		18,528	50,153
Net increase in cash held		7,178	37,817
Cash/(Overdraft) at beginning of the year		32,896	(4,921)
Cash at end of the year		**40,074**	**32,896**

	CONSOLIDATED	
	2005	2004
	$'000	$'000
Note 1 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	555,393	357,160
Net foreign exchange gain	-	642
Joint Venture Entity profits (note 15)	3,683	8,951
Interest received or receivable: Other corporations	1,396	531
Other	1,087	3,416
Non operating revenue		
Proceeds on sale of non current assets:		
Property, plant and equipment	1,607	10,349
	563,166	381,049
(b) **Expenses**		
Depreciation:		
Depreciation of buildings	27	6
Depreciation of plant and equipment	16,476	13,663
	16,503	13,669
Amortisation of non current assets:		
Amortisation of leasehold improvements	42	43
Amortisation of capitalised leases	13,787	8,796
Amortisation of goodwill	655	639
	14,484	9,478
Borrowing costs:		
Interest paid or payable – other persons and/or corporations	3,413	3,843
Amortisation of borrowing expenses	246	469
Finance charges on capitalised leases	4,408	2,180
	8,067	6,492
Net bad and doubtful debts arising from:		
Other entities	-	11
Operating lease rental expense:		
- Machinery	690	2,307
- Property	1,113	805
	1,803	3,112
Contribution made to the defined benefits superannuation plan during the financial year	184	588

Note 2 Income Tax

	CONSOLIDATED	
	2005 $'000	**2004 $'000**
(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:	21,162	12,202
Income tax expense / (benefit) calculated at 30%	6,349	3,661
Tax effect of permanent differences:		
Non deductible depreciation and amortisation	197	192
Sundry items	10	7
Loans to controlled entities written off	(1,291)	-
Unrealised foreign exchange gains	-	(193)
Benefit of tax losses of prior years recouped	(4,509)	(4,709)
Under / (Over) provision in previous year	(26)	-
Net effect of timing differences not recognised	880	1,680
Income tax expense relating to ordinary activities	1,610	638
The directors estimate that the potential future income tax benefit at 30 June not brought to account is:		
Tax losses – revenue	11,969	16,301
Timing differences	(8,597)	(9,709)
	3,372	6,592

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

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

Tax Consolidation

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 have elected to be taxed as a single entity from 1 July 2003. The head entity within the tax consolidated group for the purposes of the tax consolidation system is Macmahon Holdings Limited.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, Macmahon Holdings Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

Note 3 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.

Open Cut Mining:

The Open Cut division provides complete mine to mill capability and is able to provide total mining solutions to mine owners. 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 7.0% (2004: 7.5%) equity investment in Asia Pacific Transport Corporation (APT). APT is the owner and operator of the Alice Springs to Darwin railway.

Note 3 Segment Information (cnt'd)

Segment Information – Primary Segment

	Total	
	2005	**2004**
	$'000	**$'000**
Segment Revenue		
Civil Construction (including joint ventures)	287,275	146,818
Open Cut Mining (including Malaysia and New Zealand)	259,953	199,246
Underground Mining	71,650	53,721
Allplant (including internal revenue)	43,627	18,580
Investments	-	-
Total Segment Revenue	**662,505**	**418,365**
Elimination of internal sales (Allplant)	(24,775)	(9,629)
Unallocated revenue	3,577	12,021
Revenues from ordinary activities	641,307	420,757
Elimination of attributable joint venture revenue	(115,764)	(62,001)
Elimination of labour and cost recoveries from Joint Ventures	33,940	13,342
Share of net profit from joint ventures	3,683	8,951
Total Consolidated Revenue	**563,166**	**381,049**
Segment Results		
Civil Construction	7,395	15,160
Open Cut Mining (including Malaysia and New Zealand)	18,997	8,147
Underground Mining	9,560	4,261
Allplant	10,168	3,886
Investments	-	-
Total Segment Result (EBIT)	46,120	31,454
Unallocated expenses	(24,958)	(19,252)
Profit from ordinary activity before income tax expense	21,162	12,202
Income tax expense	(1,610)	(638)
Profit from Ordinary Activity after Income Tax Expense	**19,552**	**11,564**
Segment Assets		
Civil Construction	44,127	12,657
Open Cut Mining (including Malaysia and New Zealand)	124,046	121,287
Underground Mining	36,087	27,314
Allplant	39,970	20,496
Investments	29,565	27,223
Total Segment Assets	**273,795**	**208,977**
Unallocated assets	47,350	38,101
Total Assets	**321,145**	**247,078**
Segment Liabilities		
Civil Construction	40,740	15,722
Open Cut Mining (including Malaysia and New Zealand)	39,576	33,607
Underground Mining	10,972	7,200
Allplant	3,800	2,088
Investments	-	-
Total Segment Liabilities	95,088	58,617
Unallocated liabilities	108,188	89,070
Total Liabilities	**203,276**	**147,687**

Note 3 Segment Information (cnt'd)

Segment Information – Primary Segment

Other Segmented Information	Civil Construction		Open Cut Mining		Underground Mining		Allplant		Investments	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Carrying value of investments accounted for using the equity method	1,246	1,768	-	-	-	-	-	-	-	-
Share of net profit/(loss) of associates and joint venture entities account for under the equity method	3,683	8,951	-	-	-	-	-	-	-	-
Acquisition of segmented assets	1,502	896	22,231	44,684	11,127	3,893	20,774	8,024	-	-
Depreciation and amortisation of segment assets	882	735	20,816	18,940	2,408	1,796	5,449	1,037	-	-

Segment Information – Secondary Segment
Geographic Segments

	Australasia		South East Asia		Inter Segment Eliminations		Consolidated	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Segment revenue from external customers	659,039	416,464	3,466	1,901	-	-	662,505	418,365
Segment assets	267,499	204,813	6,296	4,164	-	-	273,795	208,977
Acquisition of segment assets	53,436	57,270	2,198	2,700	-	(2,473)	55,634	57,497

Note 4 Dividends

	2005		2004	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised Amounts				
Fully paid ordinary shares				
Franked to 100%	0.5	1,877	-	-
Unrecognised Amounts				
Fully paid ordinary shares				
Franked to 100%	1.0	3,793	0.5	1,870

The dividend in respect of ordinary shares for the year ended 30 June 2005 has not been recognised in this financial report because the dividend was declared, determined or publicly recommended subsequent to 30 June 2005. 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 dividend in respect of the prior financial year.

	CONSOLIDATED	
	2005 $'000	2004 $'000
Adjusted franking account balance (tax paid basis)	2,595	1,063

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

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

Note 5 Impact of adopting Australian equivalents to IFRS

Management of the Transition to A-IFRS

Macmahon Holdings Limited will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, the consolidated entity's first half-year report prepared und A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

Entities complying with A-IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of A-IFRS to their comparative period.

Most adjustments required on transition to A-IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

In 2004 Macmahon Holdings Limited engaged consultants to assess the impact of first time adoption of A-IFRS on the financial statements of the consolidated entity. The consolidated entity established a project plan to manage the transition which resulted in a business impact analysis and evaluation. This analysis, which provides impacts on first time adoption and best options for the consolidated entity for future reporting periods, is substantially complete and expected to be finalised in late 2005.

The Directors believe that the consolidated entity will be able to achieve its plan for A-IFRS implementation before 31 December 2005, and will be able to comply with its reporting obligations to present a financial report in accordance with A-IFRS.

Note 5 Impact of adopting Australian equivalents to IFRS (cnt'd)

The likely impacts of A-IFRS on the Results and Financial position of the Consolidated Entity.

The following narration outlines the likely impacts on the current year result and financial position of the consolidated entity had the financial statements been prepared using A-IFRS, based on the directors' accounting policy decisions current at the date of this financial report. Readers of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the directors and, consequently, the likely impacts outlined in the following narration.

Income Tax

Increases in deferred tax assets and deferred tax liabilities will arise as a consequence of the recognition of deferred tax assets due to the recognition of carried forward tax losses and deferred tax liabilities associated with accelerated depreciation, investments and inventories. The cumulative impact on the financial position at 30 June 2005 will be to increase deferred tax assets by $36,628,000, and to increase deferred tax liabilities by $32,171,000. The impact on the profit and loss for the financial year ended 30 June 2005 will be an increase in tax expense of $3,187,000.

Defined benefit Superannuation Plans

Under A-IFRS, the consolidated entity will be required to recognise the surplus or deficit of defined benefit plans as an asset or liability in the statement of financial position and has elected for all movements, including actuarial gains and losses, to be recognised in profit or loss.

The impact of this standard on the financial report for the year ended 30 June 2005 is not reliably estimable as at the reporting date. An actuarial assessment will be obtained over the coming year.

Property, plant and equipment

On initial adoption of A-IFRS, the directors have elected to retain existing asset written down values rather than then to deem the fair values of plant and equipment at 1 July 2004 to be cost for accounting purposes, as permitted by the first-time adoption provisions in AASB 1. Consequently, this election on the adoption of A-IFRS will not result in any changes to plant and equipment or depreciation charges.

As a consequence of A-IFRS impairment rules, the cumulative impact on the financial position at 30 June 2005 will be to reduce plant and machinery assets by $2,099,000. The impact on the profit and loss for the financial year ended 30 June 2005 will be an increase in profits on sale of plant and equipment of $219,000.

Derivative Financial Instruments

The directors have elected to apply the first-time adoption exemption available to the consolidated entity to defer the date of transition of AASB 139 until 1 July 2005. Accordingly, there will be no quantitative impacts on the 30 June 2005 financial statements.

The directors have not determined the classifications that will apply to the various financial assets and financial liabilities held by the consolidated entity. The classification of the financial assets and financial liabilities determines the measurement basis to be adopted.

Business Combinations

On initial adoption of A-IFRS the directors have elected not to restate business combinations that occurred before 1 July 2004. Accordingly, the impacts of the adoption of A-IFRS on the financial report associated with past business combinations will be limited to the cessation of goodwill amortisation (refer to the goodwill note). The application of A-IFRS to the acquisition during the financial year ended 30 June 2005 is not expected to impact the financial statements.

Note 5 Impact of adopting Australian equivalents to IFRS (cnt'd)

Goodwill

The adoption of A-IFRS will not significantly impact the carrying amount of goodwill as the directors have decided not to restate past business combinations (refer to the business combinations note). Under A-IFRS, goodwill is not subject to amortisation, but must be tested for impairment annually and whenever there is an indication that goodwill may be impaired. As a result amortisation expense will decrease by $655,000 for the financial year ended 30 June 2005.

Share-based Payments

Equity-settled share based payments in respect of equity instruments issued after 7 November 2002 that were unvested as at 1 January 2005 are measured at fair value at grant date. The fair value determined at grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimated number of equity instruments that will vest. As a consequence, equity settled benefits reserve will increase by $2,615,000 and an additional employee benefit expense of $1,976,000 will be recognised in profit and loss for the financial year ended 30 June 2005.

Revenue from Ordinary Activities

Although not impacting the net profit of the consolidated entity, the adoption of A-IFRS will result in a number of transactions being recorded on a "net" rather than a "gross" basis. In addition, the adoption of A-IFRS results in the reclassification of proceeds from sale of non-current assets from "revenue from ordinary activities" to other income and expense items in the statement of financial performance.

As a consequence, revenue from ordinary activities will decrease by $1,607,000, other expenses will decrease by $1,568,000 and a loss on sale, before adjustment for impairment losses, of non current assets of $39,000 will be recognised for the financial year ended 30 June 2005.

Foreign Currency Translation

On initial adoption of A-IFRS the directors have determined that the functional currency for its foreign operation is the local currency in the country of operation. Accordingly, non monetary assets are translated at current rates rather than historic rates. As a consequence, plant and equipment will decrease by $28,000 and a foreign currency translation reserve of $403,000 will be recognised in the year ended 30 June 2005. Retained losses will decrease by $375,000.

The directors have elected to apply the first-time adoption exemption relating to the balance of the foreign currency translation reserve. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve will be deemed to be zero at the date of transition to A-IFRS.

As a result of this exemption the balance of the foreign currency translation reserve of the Group at 30 June 2005 will of $4,455,000 will be increased/ decreased to nil. Retained losses will increase/decrease by corresponding amounts.

Retained Earnings

With limited exceptions (refer to the share-based payments note), adjustments required on first-time adoption of A-IFRS are recognised directly in retained earnings (or if appropriate another category of equity) at the date of transition to A-IFRS. The cumulative effect of these adjustments for the consolidated entity will be a decrease in retained earnings of $4,690,000 and an increase in total equity of $1,977,000.

Note 6 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 2005 %	Ownership Interest 2004 %	Consolidated Carrying Amount 2005 $'000	Consolidated Carrying Amount 2004 $'000
Joint Venture Entity					
ADrail Joint Venture Ø	Railway Construction	**10**	10	**411**	411
Jervoise Bay Joint Venture	Port Construction	**50**	50	**9**	380
Eastern Gas Pipeline JV	Gas Pipeline Construction	**30**	30	**-**	500
Learmonth JV	RAAF Base Development	**50**	50	**17**	20
Roe Highway JV Ø	Highway Construction	**50**	50	**-**	57
Tonkin Highway JV Ø	Highway Construction	**50**	50	**76**	-
Burnett River Dam JV Ø	Dam Construction	**85**	42.5	**-**	400
RailLink JV Ø	Railway Construction	**25**	25	**733**	-
				1,246	1,768

Ø Active

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

	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000
Share of joint venture entity's results and financial position:		
Movement in investment in Joint Venture entities		
Equity accounted amount of investment at beginning of the Financial Year	1,768	3,300
Share of net profit	3,683	8,951
Cash distribution received	(4,205)	(10,483)
Equity accounted amount of investment at the end of the Financial Year	1,246	1,768
Share of Assets and Liabilities of Joint Venture Entities		
Current assets:		
Cash	6,156	2,564
Inventories	-	2,448
Receivables	13,511	6,150
Other	15	37
Non current assets:		
Property plant and equipment	-	66
Current liabilities:		
Payables	(14,958)	(5,802)
Other	(2,650)	(3,721)
Non current liabilities		
Provisions	-	-
Net Assets	2,074	1,742
Share of Net Profit of Joint Venture Entities		
Revenue from ordinary activities	115,764	62,001
Expenses from ordinary activities	(112,282)	(48,354)
Net profit	3,482	13,647
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	1,742	6,201
At the end of the financial year	2,074	1,742

	CONSOLIDATED	
	2005	**2004**
	$'000	**$'000**
Note 7 Accumulated Losses		
Opening accumulated losses	(61,900)	(73,464)
Dividends provided for or paid	(1,877)	-
Net profit / (loss) after tax for the year	19,552	11,564
	(44,225)	(61,900)
Note 8 Cashflow Information		
Reconciliation of net inflow from operating activities to operating profit after tax		
Net profit / (loss) after tax	19,552	11,564
Depreciation and amortisation	30,987	23,147
Net (profit) / loss on sale on non current assets	39	(930)
Share of associates / joint venture profits less dividends	522	1,532
Change in operating assets and liabilities, net of effects from purchase of controlled equity		
Decrease / (increase) in trade receivables	(30,964)	(3,621)
Decrease / (increase) in inventories	(3,467)	(1,117)
Decrease / (increase) in other financial assets	39	298
Decrease / (increase) in prepayments	80	(25)
Increase / (decrease) in current tax liability	(308)	1,247
Increase / (decrease) in trade payables	9,060	6,346
Increase / (decrease) in accruals	17,860	10,443
Increase / (decrease) in other provisions	6,163	2,488
Net cash inflow / (outflow) from operating activities	49,563	51,372

a) Acquisition of Business

On 1 April 2005 Macmahon Contractors Pty Ltd acquired the Northern Territory civil contracting business and assets of Henry Walker Eltin from the administrator at a fair value of $3,988,000 satisfied by cash of $2,357,000, assumed employee liabilities of $1,343,000 and incidental costs of acquisition of $288,000.

Consideration	
Cash (including costs of acquisition)	2,645
Fair value of Net Assets Acquired	
Non-current Assets	
Plant and Equipment	3,988
Current Liabilities	
Provisions	(429)
Non-current Liabilities	
Provisions	(914)
Net Assets Acquired	2,645

Note 9 Subsequent Events

Since the end of the financial year the Directors are not aware of any matter or circumstance not otherwise dealt with within the 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.

Deloitte.

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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 2005 as set out on pages 15 to 58. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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

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

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

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

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

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

Deloitte.

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 2005 and of their performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

PETER RUPP
Partner
Chartered Accountants

Perth, 18 August 2005