

Financial Report 2010



MACMAHON

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Macmahon is a leading Australian construction and contract mining company with projects throughout Australia, New Zealand, Asia and Africa.

An ASX/S&P 200 company, Macmahon has been operating for more than 45 years and employs more than 3,000 people.

The company is headquartered in Perth and has offices in Sydney, Brisbane, Darwin, Adelaide, Kuala Lumpur, Hong Kong and Lagos.

Visit www.macmahon.com.au for more information.

Review of operations

Highlights

- Profit after tax up 120 per cent to \$37.9 million
- Won \$2.1 billion in new contracts and extensions – order book up 57 per cent to \$2.2 billion
- Final unfranked dividend of 1.5 cents – total dividends for the year 3 cents
- Strong cash flow and surplus cash over debt of \$43.8 million
- Overseas growth underway – \$300 million in new contracts and contract extensions awarded
- Continuous improvement in safety performance

Key financial indicators

\$ million except where stated	2010	2009		Change %
Group Revenue	896.4	1,358.5	▼	(34%)
Joint Venture Revenue	358.0	127.1	▲	182%
Total Revenue	1,254.4	1,485.6	▼	(16%)
EBIT	55.3	29.8	▲	86%
Net interest	(5.8)	(8.9)	▼	35%
Profit Before Tax	49.5	20.9	▲	137%
Tax	(10.7)	(2.7)	▲	(296%)
Minorities	(0.9)	(1.1)	▼	18%
Profit After Tax and Minorities	37.9	17.2	▲	120%
Profit After Tax Margin %	3.0	1.2	▲	150%
Earnings Per Share – Basic (cents per share)	5.2	3.1	▲	68%
Dividends Per Share (cents per share)	3.0	1.5	▲	100%
New Contracts and Extensions	2,057	1,108	▲	86%
Order Book	2,215	1,412	▲	57%
Lost Time Injury Frequency Rate*	0.4	0.8	▼	50%
Total Recordable Injury Frequency Rate*	4.6	7.4	▼	38%

*Per one million man hours worked

Revenue

Revenue for the 2010 year was \$1.25 billion, a 16 per cent decrease on the prior corresponding period of \$1.49 billion.

This decrease in revenue related to client imposed cancellations and scale backs of several mining projects during the second half of 2009, as a result of the global financial crisis.

Western Australia and Queensland continued to be key operating regions for the Company and both contributed the highest revenues for the period. New South Wales delivered the strongest revenue growth, on the back of several rail and water projects.

Profit

Net profit after tax attributable to equity holders was \$37.9 million, up more than 120 per cent on the prior year's result of \$17.2 million.

Macmahon has now returned to more stable profit margins after experiencing a difficult period in 2009, which saw profit decline as a result of one-off impacts driven by the global financial crisis.

Dividend

The Directors have declared a final unfranked dividend of 1.5 cents per share to be paid on 13 October 2010. Combined with the interim dividend of 1.5 cents per share, the total dividend for the year stands at 3.0 cents per share, representing a payout ratio of 58 per cent.

As a result of lower tax payments, the Company does not have sufficient franking credits available to frank the final dividend.

Order book

During the year, \$2.1 billion of new work, contract extensions and scope increases were awarded. At 30 June 2010, the Company's order book stood at \$2.2 billion, an increase of 57 per cent on the previous year's \$1.4 billion.

Mining extended all its contracts which were due for renewal in the period, including the Orebody 18 / Wheelarra open cut mines in Western Australia. New work was secured in Queensland's coal market, with the award of the Cameby Downs contract for Syntech Resources. The Renison underground tin mine contract was also awarded, signalling the Company's return to the Tasmanian mining market.

Overseas markets provided good growth opportunities for the Company. The Company was awarded its first major contract in Hong Kong which involves Macmahon utilising both its construction and mining expertise to deliver a key tunnelling contract. Additional work and contract extensions were secured in Asia with Lafarge. The strong relationship with Lafarge resulted in the award of a new contract in Nigeria, the first project in Africa for Macmahon.

Construction continued to add to its rail portfolio with a number of new contracts during the period. The New South Wales infrastructure market has been a key focus for Construction, with the business building up a larger presence in this sector underpinned by its contracts in rail, road and water.

A summary of movements in the order book since 30 June 2009 is shown below:

Order book movement	\$ million
Opening balance at 30 June 09	1,412
Less: Work completed	(1,254)
Add: New contracts	872
Add: Contract extensions/scope increases	1,185
Closing balance at 30 June 10	2,215

Key contract awards and extensions to 30 June 2010

Surface:

- Orebody 18 / Wheelarra, contract extension (Western Australia), complete mine service including drill and blast, mining, crushing and train loading, BHP Billiton Iron Ore, \$500 million
- Cameby Downs (Queensland), undertake all mining activities, including planning, mine development, waste stripping, coal mining and coal preparation, Syntech Resources, \$190 million
- Eaglefield, contract extension (Queensland), full scope of works, including the mining of coal, interburden and overburden and drill and blast, Peabody Energy, \$150 million
- Waihi, contract extension (New Zealand), open cut gold mining activities, including drill and blast, load and haul and crushing works, Newmont Mining, A\$72 million

Underground:

- Olympic Dam, contract extension (South Australia), mine development works, BHP Billiton, \$110 million
- Renison (Tasmania), mine production and development works, Metals X, \$65 million

International:

- Lafarge contracts:
 - Ewekoro (Nigeria, Africa), quarrying of limestone, US\$105 million
 - Kanthan, contract extension (Malaysia), quarrying of limestone, US\$35 million
 - Rawang (Malaysia), quarrying of limestone, US\$25 million
- XRL 822 Tunnelling Contract (Hong Kong), construction of a rail tunnel and associated ventilation systems, (Macmahon share \$115 million)

Construction:

- Goonyella to Abbot Point rail expansion project (Queensland), upgrade and expansion works along the rail corridor between the Abbot Point Coal Terminal and Bogie River, Queensland Rail, \$113 million, (Macmahon share \$90 million)
- Ulan Line Alliance (New South Wales), design and construction of 11 passing loops and associated tunnel ventilation works, Australian Rail Track Consortium, \$100 million (Macmahon share \$60 million)
- Shoal Bay waste management facility (Northern Territory), contract extension, management of landfill and greenwaste by integrating recycling operations and waste management techniques, \$61 million
- Glenugie Bypass (New South Wales), duplicating and upgrading a seven kilometre section of the existing Pacific Highway, Roads and Traffic Authority, \$54 million
- Glenfield Transport Interchange, contract extension (New South Wales), construction of a flyover, Transport Infrastructure Development Corporation, \$112 million (Macmahon share \$50 million)

Interest

Net interest expense decreased to \$5.8 million, from \$8.9 million in the prior year. This decrease was due to the Company maintaining a lower average debt balance during the year.

Tax

Group income tax expense increased to \$10.7 million. The effective tax rate for the year was

21.6 per cent, compared to the previous year's rate of 12.9 per cent.

The low effective tax rates in the current and preceding periods were primarily due to concessions available from increased research and development expenditure and the government investment allowance.

Cash flow and balance sheet

At 30 June 2010, cash on hand totalled \$102.2 million. Cash from operations was \$117.1 million, up from \$53.4 million in the prior period. This increase was primarily the result of the strong operating performance in the period, resulting in higher profits and cash flows.

Capital expenditure totalled \$60.5 million for the period, with a further \$10.7 million of equipment financed through operating leases. The majority of this expenditure related to equipment for mining projects, in particular at Orebody 18 / Wheelarra, Cameby Downs and new overseas contracts.

At 30 June 2010 the Company's balance sheet was in a strong position with a \$43.8 million cash surplus over debt.

Funding

During the period, Macmahon secured a new three-year debt and guarantee facility.

The A\$240 million syndicated facility is comprised of three tranches:

- Tranche A - A\$40 million working capital cash advance facility
- Tranche B - A\$75 million bank guarantee facility
- Tranche C - A\$125 million equipment finance facility

At 30 June 2010, Tranche A was fully undrawn, and Tranche B and Tranche C had \$38 million and \$85 million in undrawn facilities respectively.

In addition, Macmahon has an insurance bond facility that was undrawn to the amount of \$122 million at year end.

Construction

\$ millions	2010	2009		Change %
Revenue	788.8	840.7	▼	(6%)
Profit Before Tax (PBT)	34.8	29.6	▲	18%
PBT Margin %	4.4%	3.5%	▲	26%

Construction reported revenue of \$788.8 million, a decrease of 6 per cent on the prior comparative period. Profit before tax was up more than 18 per cent to \$34.8 million with a profit before tax margin of 4.4 per cent.

Construction's revenue was underpinned by its rail portfolio. The Jilalan Rail Yard Extension and Rapid Growth Project 5 (RGP5) contributed to the revenue stream and a number of new rail projects awarded during the period also added to the revenue.

The Go-Between Bridge (previously the Hale Street Link) was successfully completed during the period, reinforcing Macmahon's ability to deliver large scale, complex infrastructure projects.

Construction continued to win work in New South Wales with a number of rail and road contracts awarded, including the Glenugie Bypass and Ulan Line Alliance. In Queensland, Macmahon was awarded the Goonyella to Abbot Point rail expansion project, which will see the alliance team undertake upgrade and expansion works on a section of the rail corridor.

During the year, Construction was awarded \$590 million of new contracts and extensions.

Mining

\$ millions	2010	2009		Change %
Revenue	465.6	644.9	▼	(28%)
Profit Before Tax (PBT)	34.8	11.7	▲	197%
PBT Margin %	7.5%	1.8%	▲	317%

Revenue for Mining was down 28 per cent on the previous year to \$465.6 million. This decrease was the result of contract cancellations and scope reductions late in 2009, which saw Mining start the period with a much lower revenue base.

Mining delivered a significant 197 per cent increase in profit before tax to \$34.8 million. The profit before tax margin of 7.5 per cent is a return to historical high levels.

Mining successfully extended all of its key surface and underground contracts during the period. The largest of these was the \$500 million Orebody 18 / Wheelara contract for BHP Billiton Iron Ore. Macmahon has been operating on site since 2006 and the extension will deliver an increased level of production. The Olympic Dam contract was also extended during the year. Macmahon commenced work at Olympic Dam in 2004 and the extension is valued at \$110 million.

Other key renewals during the period include the \$150 million Eaglefield open cut coal mine contract for Peabody Energy and the Waihi open cut gold mine in New Zealand, valued at A\$72 million.

Additionally, a number of new contracts were won including the new Cameby Downs open cut coal mine in Queensland's Surat Basin. This project further builds the Company's expertise in coal mining and is also the first contract where Macmahon will operate and maintain the coal handling and preparation plant.

The Mining Business continued its push into the overseas market, underpinned by the strong relationship with the French cement producer Lafarge. Macmahon has been working with Lafarge since 2004 and this relationship has been instrumental in building the Company's portfolio of overseas work.

During the period, Lafarge awarded Macmahon the Ewekoro limestone quarrying contract in Nigeria, the first contract won by the Company in Africa. In addition, Lafarge awarded Macmahon a five year contract at the Rawang limestone quarry and a five year contract extension at the Kanthan limestone quarry. Both contracts are located in Malaysia.

Mining won or extended more than \$1.4 billion of contracts during the period and has secured approximately \$540 million in revenue for 2011. This provides a solid revenue platform for Mining and guarantees revenue growth.

People and safety

At 30 June 2010, the Company employed a workforce of more than 3,000 throughout Australia, New Zealand, Asia and Africa.

The Company remained committed to improving its safety performance with all safety targets set for the period met or exceeded. The Total Recordable Injury Frequency rate was 4.6, an improvement of more than 38 per cent over the prior year and the Lost Time Injury Frequency rate was 0.4, an improvement of 50 per cent.

Attraction and retention of employees remained a focus during the year. Ongoing development is seen as a key retention strategy, with a wide variety of training opportunities offered to Macmahon employees during the year.

Government infrastructure outlook

While the short term outlook for the sector remains uncertain, the medium to long term outlook is positive.

With population growth expected to be a key challenge for Australia, it is essential that government expenditure is directed at infrastructure projects in order to meet the requirements of a growing population. Infrastructure Partnerships Australia forecasts that more than \$700 billion of funding will need to be spent in order to upgrade and develop new public infrastructure to meet the needs of the future Australian population.

A substantial portion of this funding is expected to be directed towards transport infrastructure, in particular road and rail works. Significant duplications and upgrades are currently occurring throughout Australia. New South Wales and Victoria are expected to experience solid growth in activity within these sectors as State governments seek to alleviate the tightening public transport systems.

Additionally, a number of major water projects are underway to ensure Australia's water supply will be sufficiently able to cope with the increasing population.

Recent survey data from construction groups suggest that the recovery in infrastructure construction activity will gradually gather momentum through 2011, with a return to stronger growth forecast in 2012.

Resources outlook

Commodity prices have rebounded significantly since the global financial crisis and a strong level of demand is expected to continue.

However, the proposed Minerals Resource Rent Tax (MRRT) has led to some short term uncertainty for domestic projects that will be affected by the tax if it is implemented. In particular, a number of greenfield iron ore projects proposed by small to mid tier players are likely to be impacted and will have difficulty in progressing their development plans until greater fiscal certainty is achieved.

The larger blue chip miners including BHP Billiton and Rio Tinto appear to be less impacted by the MRRT, and are continuing expansion plans for their respective iron ore operations in the Pilbara region of Western Australia.

Base metal prices have recovered as stocks have declined, although daily price movements have become very responsive to changes in macroeconomic sentiment. Gold prices are also at near record highs as investors look to precious metals as an alternative to equity investments.

Many mining houses that scaled back operations during the global financial crisis are considering ramping up projects as a result of these price increases. The longer term outlook for the underground sector also remains strong.

While the resurgence in commodity prices is seeing an increase of activity in the mining sector, the Liquefied Natural Gas (LNG) market also remains an area of growth potential, with several projects scheduled for construction in Western Australia and Queensland.

Supporting infrastructure to enable resource projects is also a priority. Increased iron ore and coal supply is creating port and freight bottleneck issues in Australia. Many of the nation's ports are now being upgraded to ensure they are adequately prepared to take advantage of the next export boom.

Overseas markets continue to be a key area of growth as developing markets such as Africa take advantage of their mineral wealth and need experienced mining operators for support.

Macmahon is well placed to take advantage of these opportunities in the resource sector as it has the experience, capability and balance sheet capacity necessary to win the work and deliver quality outcomes.

Company outlook

Macmahon approached the 2010 financial year with a focus on rebuilding the order book and consolidating its financial position.

This strategy proved successful, with more than \$2 billion of work awarded during the period. All contracts due for renewal were extended, demonstrating strong, long term relationships with key clients.

The contract awards and extensions significantly boosted the order book to more than \$2.2 billion. This order book growth, combined with a solid turn around in profitability, is a clear sign that the Company has recovered well from the impact of the global financial crisis.

2010 also saw the Company successfully execute its strategic push into the overseas market, as new work and contract extensions were generated from regions outside of Australia. This has increased Macmahon's geographical scope, and is underpinning the move towards further contract diversity and capability expansion.

Further, Macmahon's new funding facility, strong cash flow, robust balance sheet and excellent safety performance has placed it in a strong financial and operational position to take advantage of growth opportunities as they emerge.

At 30 June 2010, \$1.0 billion of work had been secured for 2011.

Of this \$1.0 billion, Construction has secured around \$460 million for 2011, but will need to win significant new work in the next six months in order to deliver growth above the 2010 revenue level of \$789 million.

Mining has already locked in approximately \$540 million of work for 2011, securing growth above the \$466 million achieved in 2010. Further contract wins in Mining will deliver additional growth and could offset possible lower growth in Construction.

Macmahon is in advanced stages of negotiation on several upcoming contracts, and strong tendering activities and project opportunities are visible across both the resources and infrastructure sectors. Macmahon views the medium to long term growth prospects positively.

However, delays in contract start ups are still occurring and until confidence and certainty returns to the market, the Company remains cautious on the short term outlook. Revenue is expected to exceed \$1.25 billion for 2011, and growth above this level is dependent on the amount of new work secured in the coming months.

Directors' Report

The Directors present their report together with the financial report of the consolidated entity, being Macmahon Holdings Limited ("the Company") and its controlled entities, for the year ended 30 June 2010 and the auditor's report.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

K B Scott-Mackenzie (Chairman - Non-executive) (appointed Chairman 27 November 2009)
B L Cusack (Deputy Chairman - Non-executive) (appointed Deputy Chairman 22 September 2009)
R J Carter (Chairman- Non-executive) (appointed 8 October 2001 and retired 27 November 2009)
N R Bowen (Chief Executive Officer and Managing Director)
B R Ford (Non-executive)
J C Massey (Non-executive)
V A Vella (Non-executive)
D M Smith (Non-executive) (appointed 1 April 2010)

Details relating to each Director's qualifications, experience and special responsibilities, as at the date of this report, are set out below.



Kenneth Scott-Mackenzie, Age 60
BE (Mining), Diploma of Law (BAB), GAICD
Independent Non-executive Chairman

Mr Scott-Mackenzie joined the Board as a Non-executive Director in May 2009 and was appointed Chairman in November 2009. Mr Scott-Mackenzie has more than 36 years experience in the engineering, mining and construction sectors in both Australia and overseas. He has a Bachelor of Engineering (Mining) degree and is a solicitor of the Supreme Court of New South Wales. He is also a graduate and member of the Australian Institute of Company Directors.

Mr Scott-Mackenzie was the Chief Executive Officer of Bilfinger Berger Australia Pty Ltd from 2005 to April 2009, during which time he was the Vice President of the Australian Contractors Association. Prior to his appointment to Bilfinger Berger Australia, he held a number of positions at Abigroup Limited, including Chief Executive Officer from 2004 to 2005. During his time at Abigroup, Mr Scott-Mackenzie was responsible for the development of the company's highly successful infrastructure division, and had primary responsibility for Abigroup's involvement in the \$560 million M2 Motorway, the \$280 million Sydney SuperDome (Acer Arena) and the \$2.3 billion WestLink M7.

Mr Scott-Mackenzie is currently a Non-executive Director of Adelaide Brighton Limited (appointed July 2010).

Mr Scott-Mackenzie is also Chairman of the Board's Remuneration Committee. Mr Scott-Mackenzie was a member of the Board's Audit Committee from 22 September 2009 to 11 February 2010.



Barry Cusack, Age 68
BE (Hons), M.Eng.Sc, FTSE, FAusIMM, FAIM, MAICD
Independent Non-executive Deputy Chairman

Mr Cusack joined the Board as a Non-executive Director in June 2002 and was appointed Deputy Chairman in September 2009. Mr Cusack is an honorary life member of the Chamber of Minerals and Energy of Western Australia Inc. He joined CRA Limited (now Rio Tinto Limited) in 1966 and retired from the position of Managing Director of Rio Tinto Australia in December 2001. Mr Cusack was President of the Minerals Council of Australia from 2001 to 2003 (member since 1996).

Mr Cusack is currently a Non-executive Director of Toll Holdings Limited (appointed October 2007) and Chairman of Brockman Resources Limited (appointed June 2010). Mr Cusack was also a Director and Chairman of OZ Minerals Limited from April 2002 to April 2010, and a Non-executive Director of Smorgon Steel Group Ltd from June 2002 to August 2007.

Mr Cusack retired as Chairman of the Board's Audit Committee on 22 September 2009 and is now a member of the Board's Audit Committee. Mr Cusack is also a member of the Board's Remuneration Committee.



Nick Bowen, Age 49

BE (Mining, Hons), FAICD, MAusIMM

Chief Executive Officer and Managing Director

Mr Bowen joined the Board as Chief Executive Officer and Managing Director in February 2000. He has 26 years experience in the contracting industry. His experience covers open cut mining, underground mining and civil engineering in Australia and overseas.

Mr Bowen is currently a member of the Executive Council of the Chamber of Minerals and Energy of WA (appointed 2001) and a Director of the Australian Constructors Association Limited (appointed February 2000).



Barry Ford, Age 66

B.Econ (Adel), CPA

Independent Non-executive Director

Mr Ford joined the Board as a Non-executive Director in July 2006. The majority of Mr Ford's career was spent with the General Motors Corporation in both Australia and North America. He held various positions including Director of Financial Analysis and Planning for General Motors Overseas Operations in Detroit. In Australia, he was Treasurer and later Director of Finance and Strategic Planning for General Motors Holden Ltd. During the 1990's, Mr Ford was Director of Finance and Chief Financial Officer of Goodman Fielder Limited, Chief Financial Officer of Southcorp Holdings and Finance Director of Pratt Industries Pty Ltd. Mr Ford has also held board positions with the National Heart Foundation (Vic) and the Australian Red Cross (NSW Division).

Mr Ford is Chairman of Think Tank Group Pty Limited (appointed March 2006).

Mr Ford is a member of the Board's Audit Committee. Mr Ford retired as a member of the Risk & Opportunity Management Steering Committee on 24 June 2010.



John Massey, Age 64

BCom, CPA, FAICD (Life), FAIM

Independent Non-executive Director

Mr Massey joined the Board as a Non-executive Director in September 2007. Mr Massey became an Independent Non-executive Company Director in December 1997, and has extensive and broadly-based commercial, leadership and strategic experience as a Chairman, Director and Chief Executive spanning many different industries. Mr Massey was made a Life Fellow of the Australian Institute of Company Directors in recognition of his eminence in the field of directorship and for distinguished service. Mr Massey is also a member of the Board of Governors of the Committee for the Economic Development of Australia (CEDA).

Mr Massey is currently the Chairman of Cardno Limited (appointed July 2004) and Sunstate Cement Limited (appointed July 2010). Mr Massey is also a Non-executive Director of the Stockyard/ Kerwee Beef Group (appointed August 2008). Mr Massey's previous appointments include being a Non-executive Director of the South East Queensland Water Corporation Limited from 2006 to 2007, Chairman of Ventracor Limited from July 1998 to April 2008 and Chairman of Symbiosis Group Limited from December 2004 to October 2008.

Mr Massey was a member of the Board's Audit Committee until 22 September 2009 when he became Chairman of the Board's Audit Committee.



Vyrl Vella, Age 62

BSc, BE (Hons), M.Eng.Sc, FIEAust, FICD.

Non- Independent Non-executive Director

Mr Vella joined the Board as a Non-independent Non-executive Director in November 2007. Mr Vella has 40 years experience in the civil engineering, building, property and construction industries. During Mr Vella's 34 years with the Leighton Group he held various positions including General Manager NSW, Director of Leighton Contractors Pty Ltd, Founding Director of Welded Mesh Pty Ltd, Managing Director of Leighton Properties and Associate Director of Leighton Holdings. Mr Vella is a consultant to Leighton Holdings, where he advises that group on investment in the residential market, general property issues and major construction and infrastructure projects.

Mr Vella is currently a Non-executive Director of Devine Limited (appointed April 2007) and Chairman of the Supervisory Board for the Airport Link Project in Queensland (appointed 2008).

Mr Vella is a member of the Board's Remuneration Committee.



David Smith, Age 57

BSc (Hons), Ph.D. in Metallurgy, FAIM, FAICD, FWLG

Independent Non-executive Director

Dr Smith joined the Board as a Non-executive Director in April 2010. Dr Smith has over 30 years of technical, operational and senior management experience within the Rio Tinto organisation. Dr Smith was until recently the President of Rio Tinto Atlantic covering the Simandou Project in Guinea, West Africa. Prior to this, Dr Smith was Managing Director of Rio Tinto's iron ore operations in the Pilbara covering Hamersley Iron and Robe River and before that Dr Smith was the Chief Executive Officer of Rössing Uranium Limited in Namibia.

Dr Smith is a qualified metallurgist and his formal qualifications include a Bachelor of Science and Ph.D. in Metallurgy from the University of New South Wales in Australia.

Dr Smith is currently the Chairman of Bannerman Resources Limited (appointed May 2010) and has been a Non-executive of that Company since November 2009. Dr Smith is also a Non-executive Director of Atlas Iron Limited (appointed November 2009). Dr Smith's previous appointments include President of the Chamber of Minerals and Energy of Western Australia (2005 to 2008) and Chairman of the Board of the National Skills Shortages Strategy working group (2006). Dr Smith was also a founding Director of Leadership WA (2004 – 2007), a Commissioner with Tourism WA (2005 – 2007) and a Director of AIM (2001 – 2007).

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of Board committees) held during the financial year and the number of meetings attended by each Director:

	Standard Board Meetings		Special Board Meetings ⁴		Audit Committee		Remuneration Committee	
No. Of Meetings Held	A	B	A	B	C	B	C	B
KB Scott-Mackenzie ¹	8	8	2	2	2	2	3	3
RJ Carter ²	4	4	0	0	2	2	2	2
NR Bowen	8	8	2	2	*	*	*	*
BL Cusack	8	8	2	2	4	4	3	3
BR Ford	8	8	2	2	4	4	*	*
JC Massey	8	8	2	2	4	4	*	*
VA Vella	8	8	2	2	*	*	3	3
DM Smith ³	2	2	0	0	*	*	*	*

A - number of meetings held during the time the Director held office during the year.

B - number of meetings attended.

C - number of meetings held during the time the Director was a member of the relevant committee.

* - not a member of the relevant committee.

Notes:

1. Mr Scott-Mackenzie was a member of the Audit Committee from 22 September to 11 February 2010.
2. Mr Carter retired 27 November 2009.
3. Dr Smith was appointed 1 April 2010.
4. Special Board meetings were held during the financial year due to corporate activities.

2. Company Secretaries

Efstratios (Strati) Gregoriadis B.A., L.L.B., M.B.A joined the Company in 2002. Mr Gregoriadis was appointed to the position of Group General Counsel / Company Secretary in December 2005. Mr Gregoriadis previously held the role of Commercial Manager and Legal Counsel for the Company. Prior to joining the Company he worked as a lawyer in private legal practice.

Katina Nadebaum B.Com, CA joined the Company in 2008 as Company Secretary. Mrs Nadebaum has previously held the role of Company Secretary for various public companies, and has also worked as an accountant in public practice where she provided corporate and company secretarial advice.

3. Principal activities

The principal activities of the consolidated entity consist of the provision of civil construction and contract mining services.

There were no significant changes in the nature of the activities of the consolidated entity during the financial year under review.

4. Review of operations

A review of and information about, the operations of the consolidated entity during the financial year and of the results of those operations is contained in the Review of Operations on pages 1 to 7, which forms part of this Directors' Report.

5. Dividends

Dividends paid or declared by the Company to members since 1 July 2009 were:

	Cents per share	Total amount \$'000	Franked/ Unfranked	Date of payment
2010				
Interim 2010 ¹	1.5	11,006	Unfranked	12 April 2010
Final 2010 ²	1.5	11,006	Unfranked	13 October 2010
Total amount	3.0	22,012		
Final 2009	-	-	-	

¹ The Interim 2010 dividend was declared and paid during the year and was unfranked. Further information is set out in note 25 to the financial statements.

² This dividend has been declared by the Directors after the balance sheet date. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2010 and will be recognised in subsequent financial reports.

6. Events subsequent to reporting date

As at the date of this Directors' Report, the Directors are not aware of any matter or circumstance that has arisen in the interval between the end of the financial year under review and the date of this Directors' Report that, in the opinion of the Directors 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.

7. Likely developments, future business strategies and prospects

Some information regarding the likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is included in the Review of Operations on pages 1 to 7, which forms part of this Directors' Report.

All information that members of the Company would reasonably require to make an informed assessment of the consolidated entity's operations, financial position, and business strategies and prospects for future financial years, is included in the Review of Operations on pages 1 to 7 and the financial statements on pages 39 to 100.

8. Significant changes in the state of affairs

Information about changes in the state of affairs of the consolidated entity is contained in the Review of Operations on pages 1 to 7 and the financial information sections of this Financial Report on pages 39 to 100, which form part of this report.

In the opinion of the Directors there are no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

9. Environmental regulation

The consolidated entity's operations are subject to a range of Commonwealth, State and Territory laws governing the protection of the environment.

The consolidated entity conducts its operations in accordance with the Macmahon Environmental Management System, which is designed to ensure the consolidated entity complies with these environmental regulations. This system is certified to the International Standard ISO14001 and is subject to regular external third party and internal audits. The consolidated entity's overall environmental performance against this system is assessed during these audits as well as during regular business unit and senior management meetings and risk reviews. The consolidated entity's Health, Safety, Environment, Quality and Community Report contains further information regarding its environmental performance and can be accessed on the Company's website at www.macmahon.com.au.

In the financial year under review all of its mining and construction operations were subject to regular internal environmental audits. The company was recertified to the ISO 14001 Environmental Management system requirements in October 2009. All corrective actions have been closed out and verified during the recertification audit. No breaches of environmental regulations have been notified by any government agency in respect of the consolidated entity's operations during the financial year under review.

10. Corporate Governance

In recognising the need for high standards of corporate behaviour and accountability, the Directors support and have adhered to the second edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Company's corporate governance statement is on pages 30 to 37 of this Financial Report.

11. Remuneration Report (Audited)

11.1 Remuneration policies

The Board reviews the remuneration packages and policies applicable to the executives and the Directors of the Company and the consolidated entity. The Board, in consultation with the Remuneration Committee, also sets the rewards strategy for the Company and the consolidated entity which includes equity schemes, incentive packages, superannuation entitlements, retirement and termination entitlements, and fringe benefits policies. The Company's Remuneration policy is overseen by the Board, in consultation with the Remuneration Committee.

Non-executive remuneration

Remuneration of Non-executive Directors is determined by the Board upon the recommendations of the Remuneration Committee and with the assistance of external advice. Information about fees paid to other non-executive directors of comparable companies is considered by the Remuneration Committee and the Board. Additional fees may be paid for participation on Board Committees and for the position of Chairperson. The maximum aggregate amount of annual fees that can be paid to Non-executive Directors is currently \$1,100,000 as approved by members at the 2008 Annual General Meeting.

Non-executive Directors do not receive performance related remuneration nor any termination or retirement benefits.

Executive remuneration

Remuneration packages are set at levels that are intended to attract and retain executives of suitable experience and qualifications.

The Company's remuneration philosophy is underpinned by the following key objectives:

- To offer market competitive remuneration;
- To include a combination of both fixed and variable remuneration elements in order to effectively drive performance;
- To ensure the quantum of scheduled remuneration increases are largely dictated by the individual's performance; and
- To ensure internal relativities are maintained.

The Company's remuneration framework comprises a mix of both fixed and variable remuneration elements including:

- Total Fixed Remuneration;
- Short Term Incentives; and
- Long Term Incentives.

Information regarding the short and long term incentives provided to the Chief Executive Officer, Mr Bowen is contained in the service contract section below. Mr Bowen absents himself from the meetings before any discussion by the Board in relation to his own remuneration.

Fixed Remuneration

Executives are provided a total fixed remuneration package which comprises base salary remuneration, including any applicable role specific allowances, and superannuation. Fixed remuneration levels are established with consideration of the following factors: market analysis, the individual's skills and experience and internal relativities. A scheduled annual review of remuneration levels is undertaken. The same factors used to set a remuneration package are also considered when determining the quantum of any salary review increase.

Variable Remuneration

The Company acknowledges that variable remuneration is a key component of the overall remuneration package offered to its executives with greater emphasis placed on "at risk" remuneration components for more senior staff. In order to drive performance, executives participate in both short and long-term incentive schemes which are linked to the Company's strategic objectives. The various schemes offered to executives are detailed below.

Short Term Incentive ("STI")

The Macmahon STI Plan pays an annual cash incentive to executives subject to overall business profitability, safety and individual performance conditions being met. Performance conditions are a critical element of the scheme and demonstrate the Company's overarching commitment to its shareholders, ensuring that bonus payments are only made following a successful performance period.

An eligible individual's maximum level of participation is determined based on role impact and criticality; and is expressed as a percentage of total fixed remuneration. A combination of key performance indicators ("KPIs") is established at the group, business unit and personal levels. The Board approves the KPIs for the Chief Executive Officer and his direct reports, and the payment of any cash bonuses that may be payable as a result of the achievement of the KPIs. For other executives, annual KPIs are set by the Chief Executive Officer. In all instances, KPIs are set to encourage and reward superior performance against targets.

Subject to the achievement of the initial performance conditions relating to the generation of adequate profit to fund incentive payments and safety performance as determined by the Board, STI awards are paid based on performance against the pre-determined KPIs. For the year ended 30 June 2010, KPIs were established at three levels - Group, Business Unit and Personal. These include measures relating to profit after tax, net profit after tax margin, overheads to revenue, earning per share growth, return on equity, order book and safety, both the total recordable injury frequency rate and the lost time injury frequency rate. The individual's level of performance against the KPIs will determine the quantum of the STI award with three levels of performance achievable, being minimum, budget and target. The STI Plan is designed to reward over achievement against target hurdles.

STI awards are paid subject to approval by the Board, in consultation with the Remuneration Committee.

Long Term Incentive

Executive Equity Plan ("EEP")

The Macmahon EEP provides certain executives and key employees of Macmahon (excluding the Managing Director and Directors) with the opportunity to receive fully paid shares in Macmahon as an incentive, subject to certain specified time restrictions and performance conditions.

Through the application of performance conditions established by the Board relating to Total Shareholder Return ("TSR"), the EEP ensures that the performance of the Company's executives is aligned with the overall group objective to maximise shareholder return. Furthermore, the scheme is designed to assist with the retention of key talent.

Participants are granted performance rights which, subject to performance conditions being satisfied, and the participant remaining an employee, will entitle the participant to receive shares in the Company. The number of performance rights granted to the participant will be determined by the Board.

A summary of the main aspects of the performance rights granted under the EEP is as follows:

- The plan is offered to executives and key employees who are deemed by the Board as eligible to participate.
- Executives are offered performance rights at no cost, which are contractual rights to acquire shares, subject to stated time restrictions and performance conditions being met.
- Each performance right that vests will entitle the participant to receive one Macmahon share.
- The TSR performance condition is based on a comparison of the Company's TSR performance with the TSR performance in a comparative group over the performance period.
- The comparative group is selected by the Board, and comprises the entities included in the S&P/ASX 200 (which will count towards 50% of the TSR performance) and the peer group (being a group of peer entities selected by the Board at its discretion) (which will count towards the remaining 50% of the TSR performance).
- The peer group of companies for the above purposes is Ausdrill Limited, Clough Limited, Downer EDI Limited, Leighton Holdings Limited, Monadelphous Group Limited, NRW Holdings Limited, Transfield Services Limited and United Group Limited.
- Unless the Board determines otherwise:
 - a. 25% of the total performance rights granted to a participant will be eligible to vest on the second anniversary of the grant date provided the participant remains an employee.
 - b. The remaining 75% of the performance rights will be eligible to vest, subject to the TSR performance condition being achieved, in four equal tranches as follows:
 - (i) one quarter (first tranche) if the participant is employed by Macmahon on the second anniversary of the grant date;
 - (ii) one quarter (second tranche) if the participant is employed by Macmahon on the third anniversary of the grant date;
 - (iii) one quarter (third tranche) if the participant is employed by Macmahon on the fourth anniversary of the grant date;
 - (iv) one quarter (fourth tranche) if the participant is employed by Macmahon on the fifth anniversary of the grant date; and
 - (v) provided the Board has determined that the performance rights are eligible to vest pursuant to the EEP Rules.

The performance period in respect of each tranche will be determined as follows:

Macmahon's TSR rank relative to the Comparative Group	Proportion of TSR Performance Rights that are eligible to vest
Less than 50th percentile	0%
50th percentile	50%
Between 50th percentile and 75th percentile	50% plus an additional 2% of this award for each additional percentile ranking above the 50th percentile.
At or above the 75th percentile	100%

The performance rights will lapse if:

- The executive terminates employment with the Company; or
- The TSR performance condition has not been achieved within a 5½ year period.

Deferred Bonus Scheme

The previous bonus scheme (replaced by the Macmahon STI and EEP), was extended to key employees (other than the Chief Executive Officer) and incorporated a deferred element. A portion of the total bonus was withheld and paid in equal instalments, subject to the individual remaining employed, on the three and five year anniversary after initial payment.

Whilst no longer offered to employees, Macmahon administers the deferred element relating to bonuses for the 2006, 2007 and 2008 financial year. Amounts previously allocated under the deferred scheme will continue to be held in a pool until eligibility criteria are met. Interest will continue to accrue for the benefit of the relevant executives on the amount in this account every 12 months based on the 180 day bank bill swap rate.

Executive Option Scheme (2005)

The Long-Term Incentive provided options over ordinary shares of the Company under the Executive Option Scheme approved by shareholders at the 2005 Annual General Meeting.

In addition to a continuing employment service condition, the ability to exercise options is conditional on the Company achieving certain performance hurdles; briefly these are that the Total Shareholder Return (TSR) has been at least 15% per annum compound for all of the measurement periods preceding the date the options become eligible for exercise. The performance hurdles are cumulative. For example, this means that if the performance hurdle for the first two measurement periods are not met, the first tranche cannot be exercised. However, in the succeeding measurement periods if the cumulative TSR over the subsequent measurement point is more than the 15% annual compounded return, then all unexercised tranches which have passed their exercise date, can be exercised.

A full summary of the options issued under this scheme are detailed in note 23.

Consequences of performance on shareholders' wealth

In considering the Company's performance and benefits for shareholders' wealth, the Board has regard to the following indices in respect of the current financial year and previous financial years.

	2010	2009	2008	2007	2006
Net profit attributable to equity holders of the parent (\$m)	37.9	17.2	48.8	44.5	7.5
Net profit (normalised \$m)	37.9	17.2	48.8	33.4	27.4
Dividends declared (cents)	3.0	1.5	5.5	3.0	2.0
Share price at 30 June (cents)	54.5	34.0	166.5	129.0	80.0
Return on equity (%)	11.4	5.9	19.4	21.1	4.4
Return on equity (%) (normalised profit)	11.4	5.9	19.4	15.8	15.9
Basic Earnings per share (cents)	5.17	3.07	9.20	8.54	1.50
Basic Earnings per share (cents) (normalised profit)	5.17	3.07	9.20	6.41	5.49
Order book (\$m)	2,215	1,412	2,138	2,005	1,218
New contracts and extensions (\$m)	2,057	1,108	1,377	1,753	1,100
Lost time injury frequency rate	0.4	0.8	2.0	1.9	0.7
Total recordable injury frequency rate	4.6	7.4	12.9	12.7	14.0

Remuneration relationship to Group performance

STI

Financial and safety results for the current year demonstrate significant improvement when compared with the previous financial year with budget profit exceeded and further improvement on the already strong 2009 safety performance. In recognition of this result, the Board has approved the payment of STI awards to executives where pre-determined financial, safety and other KPIs have been achieved. The Macmahon STI Plan is designed to link directly to Group profitability and safety performance for the financial year and in applying 2010 result, provides an average STI award of 61% of the maximum possible award.

EEP

Seventy five percent of the potential EEP benefit is subject to the achievement of TSR performance conditions which require the Company to achieve a TSR rank against the comparative group of 50% in order for half of the available rights to vest. Performance at the 75th percentile is required for 100% of rights to vest.

Eligible executives and key employees were extended an invitation to participate in the EEP over the course of the financial year, with the first tranche of rights eligible to vest in 2012. As at the date of this report, the trustee of the EEP purchased 8,075,776 Macmahon shares on market in anticipation of the EEP rights vesting.

Employment agreements of executives

Service contracts

Remuneration and other terms of employment for the Key Management Personnel and relevant group executives of the Company and the Group as at 30 June 2010 are formalised in contracts. A summary of each contract is as follows:

Nick Bowen, Chief Executive Officer and Managing Director

Mr Bowen commenced on 17 January 2000 and entered into a new service contract with the Company effective from 1 July 2009. The Contract is ongoing and has no fixed term. The components of Mr Bowen's new remuneration package include:

- A salary package (including superannuation) of \$1,225,000 per annum.
- A STI based on a number of KPIs specified in his contract (including safety, earnings per share, profit after tax, order book and return on equity elements). Achievement of all stretch KPIs can deliver a cash bonus of 150% of the salary (base and superannuation).
- The contract can be terminated by either party with 6 months notice or payment in lieu.
- A LTI, of which 12 million performance rights were granted to Mr Bowen on 30 November 2009 for nil consideration, following Shareholder approval at the 2009 Annual General Meeting. If vested, the performance rights may be exercised by Mr Bowen, upon which the Company will issue one ordinary share per Performance Right to him for nil cash consideration. Vesting of the performance rights is dependent on the criteria detailed below, based on the following periods:
 - 6 million Class A Performance Rights - 1 July 2009 to 1 July 2011
 - 3 million Class B Performance Rights - 1 July 2009 to 1 July 2012
 - 3 million Class C Performance Rights - 1 July 2009 to 1 July 2013
- Provided Mr Bowen remains as Managing Director of the Company each class of performance rights will vest immediately following the end of the relevant period referred to above, if the following criteria are met in respect of that relevant period:
 - *One third of the Performance Rights:* The Company's Total Shareholder Return ("TSR") will be compared to the mean TSR of a reference group of peer companies and the companies comprised in the S&P/ASX 200 index as at 1 July 2009 ("Reference Group"). The relevant performance rights will vest if the Company's TSR is equal to or greater than the mean Reference Group TSR. The TSR growth will be calculated based on the one month average TSR index, as at the start and end of the relevant period.
 - *Two thirds of the Performance Rights:* The Company's TSR will be compared to the TSR of the constituents of each sub-group within the Reference Group for the purpose of determining the Company's rank. The rank within each sub-group will be converted to a percentile rating. The average percentile rating of the two sub-groups will be used to determine the proportion of the relevant performance rights that vest as per the scale below. The TSR growth will be calculated based on the one month average TSR index, as at the start and end of the relevant period.

Percentile	Proportion of performance rights vesting
Below or equal to 50%	0%
80th and above	100%
Between 50th and 80th	Pro rata between 0% and 100%

** The peer group of companies for the above purposes is Ausdrill Limited, Clough Limited, Downer EDI Limited, Leighton Holdings Limited, Monadelphous Group Limited, NRW Holdings Limited, Transfield Services Limited and United Group Limited.*

Note:

1. The performance rights are non-transferable and do not carry any right to vote or entitlement to dividends. The ordinary shares issued upon exercise of performance rights will rank pari passu with all other shares then on issue. The performance rights will not be quoted on the ASX.

Ross Carroll, Chief Financial Officer / Director International Mining

Mr Carroll commenced on 6 November 2006 and has an ongoing employment contract with the Company. The components of Mr Carroll's remuneration package include:

- A current total fixed remuneration (including superannuation) of \$700,000 per annum.
- A STI based on a number of KPIs determined by the Chief Executive Officer in consultation with the Board.
- Achievement of all stretch KPIs can deliver a cash bonus of up to 80% of the salary (base and superannuation).
- A LTI in accordance with the terms of the Executive Equity Plan.
- Retrenchment/severance benefit in accordance with the applicable legislation.
- The contract can be terminated by either party with 6 months notice or payment in lieu.

Patrick Doyle, Executive General Manager Construction

Mr Doyle commenced on 15 April 2008 and has an ongoing employment contract with the Company. The components of Mr Doyle's remuneration package include:

- A current total fixed remuneration (including superannuation) of \$682,890 per annum.
- A STI based on a number of KPIs determined by the Chief Executive Officer in consultation with the Board.
- Achievement of all stretch KPIs can deliver a cash bonus of up to 60% of the salary (base and superannuation).
- A LTI in accordance with the terms of the Executive Equity Plan.
- Retrenchment/severance benefit in accordance with the applicable legislation.
- The contract can be terminated by either party with 6 months notice or payment in lieu.

Neil Wilson – Executive General Manager of Health, Safety, Environment and Quality

Mr Wilson commenced on 7 April 2003 and has an ongoing employment contract with Macmahon Contractors Pty Ltd, a controlled entity of the Company. The components of Mr Wilson's remuneration package include:

- A current total fixed remuneration (including superannuation) of \$408,000 per annum.
- A STI based on a number of KPIs determined by the Chief Executive Officer in consultation with the Board.
- Achievement of all stretch KPIs can deliver a cash bonus of up to 40% of the salary (base and superannuation).
- A LTI in accordance with the terms of the Executive Equity Plan.
- Retrenchment/severance benefit based on greater of 2 weeks salary for each completed year of service or provision made by the relevant legislation.
- The contract can be terminated by either party with 3 months notice or payment in lieu.

Fraser Ramsay - Executive General Manager Surface Mining

Mr Ramsay commenced on 1 March 2006 and was promoted to his current position on 4 November 2009. Mr Ramsay has an ongoing employment contract with Macmahon Contractors Pty Ltd, a controlled entity of the Company. The components of Mr Ramsay's remuneration package include:

- A current total fixed remuneration (including superannuation) of \$385,000 per annum.
- A STI based on a number of KPIs determined by the Chief Executive Officer in consultation with the Board.
- Achievement of all stretch KPIs can deliver a cash bonus of up to 50% of the salary (base and superannuation).
- A LTI in accordance with the terms of the Executive Equity Plan.
- Retrenchment/severance benefit in accordance with the applicable legislation.
- The contract can be terminated by either party with 3 months notice or payment in lieu.

Gregory Miller – General Manager Underground

Mr Miller commenced on 2 April 1996 and was promoted to his current position on 18 February 2009. Mr Miller has an ongoing employment contract with Macmahon Contractors Pty Ltd, a controlled entity of the Company. The components of Mr Miller's remuneration package include:

- A current total fixed remuneration (including superannuation) of \$355,000 per annum.
- A STI based on a number of KPIs determined by the Chief Executive Officer in consultation with the Board.
- Achievement of all stretch KPIs can deliver a cash bonus of up to 50% of the salary (base and superannuation).
- A LTI in accordance with the terms of the Executive Equity Plan.
- Retrenchment/severance benefit based on greater of 2 weeks salary for each completed year of service or provision made by the relevant legislation.
- The contract can be terminated by either party with 12 weeks notice or payment in lieu.

Stewart Maddison – General Manager Plant

Mr Maddison commenced on 6 June 2000 and has an ongoing employment contract with Macmahon Contractors Pty Ltd, a controlled entity of the Company. The components of Mr Maddison's remuneration package include:

- A current total fixed remuneration (including superannuation) of \$364,500 per annum.
- A STI based on a number of KPIs determined by the Chief Executive Officer in consultation with the Board.
- Achievement of all stretch KPIs can deliver a cash bonus of up to 40% of the salary (base and superannuation).
- A LTI in accordance with the terms of the Executive Equity Plan.
- Retrenchment/severance benefit based on greater of 2 weeks salary for each completed year of service or provision made by the relevant legislation.
- The contract can be terminated by either party with 3 months notice or payment in lieu.

Diane Jaksa – Group General Manager People and Organisational Development

Mrs Jaksa commenced on 7 July 2008 and was promoted to her current position on 14 October 2009. Mrs Jaksa has an ongoing employment contract with Macmahon Contractors Pty Ltd, a controlled entity of the Company. The components of Mrs Jaksa's remuneration package include:

- A current total fixed remuneration (including superannuation) of \$162,000 per annum (0.9 FTE).
- A STI based on a number of KPIs determined by the Chief Executive Officer in consultation with the Board.
- Achievement of all stretch KPIs can deliver a cash bonus of up to 30% of the salary (base and superannuation).
- A LTI in accordance with the terms of the Executive Equity Plan.
- Retrenchment/severance benefit based on greater of 2 weeks salary for each completed year of service or provision made by the relevant legislation.
- The contract can be terminated by either party with 4 weeks notice or payment in lieu.

Mark Hamilton – Construction Manager- Queensland

Mr Hamilton commenced on 1 March 2005 and has an ongoing employment contract with Macmahon Contractors Pty Ltd, a controlled entity of the Company. The components of Mr Hamilton's remuneration package include:

- A current total fixed remuneration (including superannuation) of \$418,761 per annum.
- A STI based on a number of KPIs determined by the Executive General Manager Construction and approved by the Chief Executive Officer.
- Achievement of all stretch KPIs can deliver a cash bonus of up to 40% of the salary (base and superannuation).
- A LTI in accordance with the terms of the Executive Equity Plan.
- Retrenchment/severance benefit based on greater of 2 weeks salary for each completed year of service or provision made by the relevant legislation.
- The contract can be terminated by either party with 4 weeks notice or payment in lieu.

11.2 Directors' and executive officers' remuneration (Consolidated)

Details of the nature and amount of each major element of remuneration of each Director and each of the consolidated entity's key management personnel and highest remunerated executives are:

	Year	Short-term				Post employment ⁴	Other long term ⁵	Share-based payments					
		Salary & fees \$	STI cash bonus (A) \$	Non-cash benefits \$	Total \$	Superannuation benefits \$	Deferred Bonus Scheme \$	Value of options (B) \$	Value of Performance Rights (C) \$	Total \$	Proportion of remuneration performance related %	Value of options as proportion of remuneration %	Value of performance rights as proportion of remuneration %
Directors - Non-executive													
KB Scott-Mackenzie (Chairman)	2010	137,797	-	-	137,797	50,103	-	-	-	187,900	-	-	-
	2009	16,309	-	-	16,309	1,468	-	-	-	17,777	-	-	-
R J Carter ¹	2010	91,743	-	-	91,743	8,257	-	-	-	100,000	-	-	-
	2009	220,184	-	-	220,184	19,817	-	-	-	240,001	-	-	-
B L Cusack	2010	129,549	-	-	129,549	11,659	-	-	-	141,208	-	-	-
	2009	117,461	-	-	117,461	10,572	-	-	-	128,033	-	-	-
B R Ford	2010	74,344	-	-	74,344	41,888	-	-	-	116,232	-	-	-
	2009	2,918	-	-	2,918	107,083	-	-	-	110,001	-	-	-
DM Smith ²	2010	22,936	-	-	22,936	2,064	-	-	-	25,000	-	-	-
	2009	-	-	-	-	-	-	-	-	-	-	-	-
J C Massey	2010	93,744	-	-	93,744	24,021	-	-	-	117,765	-	-	-
	2009	80,243	-	-	80,243	29,757	-	-	-	110,000	-	-	-
V A Vella	2010	99,083	-	-	99,083	8,917	-	-	-	108,000	-	-	-
	2009	92,762	-	-	92,762	8,349	-	-	-	101,111	-	-	-
Directors - Executive													
N R Bowen,	2010	1,168,750	1,225,000	15,616	2,409,366	25,000	-	-	1,748,724	4,183,090	29	-	42
Chief Executive Officer	2009	1,100,000	230,000	8,972	1,338,972	50,000	-	-	-	1,388,972	17	-	-

	Year	Short-term				Post employment ⁴	Other long term ³	Share-based payments					
		Salary & fees \$	STI cash bonus (A) \$	Non-cash benefits \$	Total \$	Superannuation Benefits \$	Deferred Bonus Scheme \$	Value of Options (B) \$	Value of Performance Rights (C) \$	Total \$	Proportion of remuneration performance related %	Value of options as proportion of remuneration %	Value of performance rights as proportion of remuneration %
Executives													
R A Carroll, Chief Financial Officer	2010	623,770	345,000	15,639	984,409	45,833	-	64,339	153,340	1,247,921	28	5	12
	2009	563,774	75,000	8,972	647,746	49,772	-	112,169	-	809,687	9	14	-
P F Doyle, EGM Construction	2010	621,386	120,000	23,235	764,621	55,925	-	80,803	115,005	1,016,354	12	8	11
	2009	585,249	75,000	10,094	670,343	100,000	-	77,704	-	848,047	9	9	-
N J Wilson, EGM HSEQ	2010	382,132	105,000	12,776	499,908	34,392	-	22,171	30,668	587,139	18	4	5
	2009	362,642	35,000	-	397,642	32,638	-	25,840	-	456,120	8	6	-
F E Ramsey, EGM Surface Mining	2010	353,798	245,420 ⁶	9,640	608,858	30,437	-	5,501	38,335	683,131	36	1	6
	2009	-	-	-	-	-	-	-	-	-	-	-	-
G J Miller, GM Underground	2010	318,043	90,000	9,904	417,947	28,624	-	6,571	30,668	483,810	19	1	6
	2009	-	-	-	-	-	-	-	-	-	-	-	-
S G Maddison, GM Plant	2010	330,369	105,000	10,487	445,856	29,733	-	20,785	23,001	519,375	20	4	4
	2009	-	-	-	-	-	-	-	-	-	-	-	-
D J Jaksa, Group GM POD	2010	131,698	32,500	6,807	171,005	22,654	-	-	11,501	205,160	16	-	6
	2009	-	-	-	-	-	-	-	-	-	-	-	-
M H Hamilton, Construction Manager - QLD	2010	377,447	115,000	21,328	513,775	37,894	-	5,543	38,335	595,547	19	1	6
	2009	383,471	95,000	-	478,471	51,516	-	6,460	-	536,447	18	1	-
Total compensation: directors and executive personnel	2010	4,956,589	2,382,920	125,432	7,464,941	457,401	-	205,713	2,189,577	10,317,632	-	-	-
	2009	5,424,308	575,718	28,038	5,710,312	396,627	-	222,173	-	7,318,355	-	-	-

1 R J Carter retired on 27 November 2009.

2 D M Smith was appointed on 1 April 2010.

3 These amounts are the deferred bonus payable under the Deferred Bonus Scheme as detailed in paragraph 11.1 above.

4 Post employment benefits include superannuation only.

5 No termination benefits were paid during the 2010 financial year.

6 STI cash bonus for F Ramsay includes a project bonus of \$125,420 relating to his previous role.

Notes in relation to the table of directors' and executive officers remuneration

- (A) The STI bonus is calculated based on performance during the financial year using the criteria set out in paragraph 11.1. The amount was finally determined on 11 August 2010 after performance reviews were completed and approved by the Board.
- (B) The fair value of the options is calculated at the date of grant using the Monte Carlo model and the expense is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed as remuneration is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

The following factors and assumptions were used in determining the fair value of options on grant date:

	2010 Executive Options ²	2009 Executive Options ¹
Fair value at measurement date	-	\$0.53 - \$0.57
Valuation Model	-	Monte Carlo
Share price	-	\$1.66
Exercise Price	-	\$1.62
Expected life (years)	-	4.2 - 5.5
Company volatility	-	40%
Dividend yield	-	2.6%
Risk free interest rate	-	6.26% - 6.33%

¹ Options were issued at various dates. Fair values and assumptions above relate to those new options issued during the period, and were provided by independent valuers.

² No options were issued during the period.

- (C) The fair value of the performance rights is calculated at the date of grant using the Monte Carlo model and the expense is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed as remuneration is the portion of the fair value of the performance rights allocated to this reporting period. In valuing the performance rights, market conditions have been taken into account.

	2010	
	CEO Performance Rights ¹	Executive Performance Rights ²
Fair value at measurement date	\$0.367-\$0.370	\$0.439-\$0.609
Valuation Model	Monte Carlo	Monte Carlo
Share price	\$0.58	\$0.66
Expected life (years)	1.6-3.6	2.0-5.1
Company volatility	55%	55%
Dividend yield	4.0%	4.0%
Risk free interest rate	4.35%-4.84%	4.69%-5.32%

¹ Issued on 30 November 2009. Fair values and assumptions detailed above were provided by independent valuers.

² Issued on 15 January 2010. Fair values and assumptions detailed above were provided by independent valuers.

Details of performance related remuneration

Details of the Company's policy in relation to the proportion of remuneration that is performance related is discussed under paragraph 11.1.

11.3 Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each of the Company executives and key management personnel are detailed below.

Short term incentive bonus

Consolidated	Grant date	Included in remuneration \$ (A)	% vested in year	% forfeited in year (B)
N R Bowen	11/08/2010	1,225,000	100	34
R A Carroll	11/08/2010	345,000	100	38
P F Doyle	11/08/2010	120,000	100	71
N J Wilson	11/08/2010	105,000	100	36
F E Ramsay	11/08/2010	245,420	100	23
G J Miller	11/08/2010	90,000	100	49
S G Maddison	11/08/2010	105,000	100	28
D J Jaksa	11/08/2010	32,500	100	33
M H Hamilton	11/08/2010	115,000	100	31

(A) Amounts included in remuneration for the financial year represent amounts that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. Details of the performance criteria used to determine the amounts of these bonuses are set out in paragraph 11.1 of this report. No amounts vest in future financial years in respect of the bonus schemes for the 2010 financial year.

(B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

11.4 Equity instruments

11.4.1 Analysis of share-based payment granted as remuneration

Options

All options refer to options granted by the Company over unissued ordinary shares of the Company which are exercisable on a one for one basis under the Executive Option Scheme.

Details of vesting profile of the options granted as remuneration to each Director of the Company and each of the named Company executives and key management personnel is detailed below.

Executives	Options granted		% vested in year	% Forfeited in year (A)	Financial years in which grant vests	Value yet to vest \$	
	Number	Date				Min (B)	Max (C)
R A Carroll	2,000,000	08/09/2006	Nil	Nil	2009-2012	-	320,000
F P Doyle	500,000	14/07/2008	Nil	Nil	2010-2013	-	277,500
N J Wilson	400,000	14/02/2006	Nil	Nil	2008-2011	-	57,000
F E Ramsey	75,000	20/04/2007	Nil	Nil	2009-2012	-	17,250
G J Miller	93,750	14/02/2006	Nil	Nil	2008-2011	-	13,359
G J Miller	18,750	20/04/2007	Nil	Nil	2009-2012	-	4,313
S G Maddison	500,000	14/02/2006	Nil	Nil	2008-2011	-	71,250
D J Jaksa	Nil	Nil	Nil	Nil	Nil	Nil	Nil
M H Hamilton	100,000	14/02/2006	Nil	Nil	2008-2011	-	14,250

(A) The percentage forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level performance criteria not being achieved.

(B) The minimum value of options yet to vest is \$0.00 as the performance criteria may not be met and consequently the option may not vest.

(C) The maximum value of options yet to be exercised is not determinable as it depends on the market price of shares of the company on the Australian Securities Exchange ("ASX") at the date the option is exercised. The maximum value presented in the table above represents the portions of the fair value of the options which have not vested at 30 June 2010.

Performance Rights

All performance rights refer to performance rights granted by the Company over unissued ordinary shares of the Company which are contractual rights to acquire shares on a one for one basis under the Executive Equity Plan.

Details of vesting profile of the performance rights granted as remuneration to each of the named Company executives and key management personnel is detailed below.

Executives	Performance Rights granted		% vested in year	% Forfeited in year (A)	Financial years in which grant vests	Value yet to vest \$	
	Number	Date				Min (B)	Max (C)
N R Bowen ¹	12,000,000	30/11/2009	Nil	Nil	2011-2013	Nil	4,419,000
R A Carroll ²	2,000,000	15/01/2010	Nil	Nil	2012-2015	Nil	1,042,875
F P Doyle ²	1,500,000	15/01/2010	Nil	Nil	2012-2015	Nil	782,156
N J Wilson ²	400,000	15/01/2010	Nil	Nil	2012-2015	Nil	208,575
F E Ramsey ²	500,000	15/01/2010	Nil	Nil	2012-2015	Nil	260,719
G J Miller ²	400,000	15/01/2010	Nil	Nil	2012-2015	Nil	208,575
S G Maddison ²	300,000	15/01/2010	Nil	Nil	2012-2015	Nil	156,431
D J Jaksa ²	150,000	15/01/2010	Nil	Nil	2012-2015	Nil	78,216
M H Hamilton ²	500,000	15/01/2010	Nil	Nil	2012-2015	Nil	260,719

¹ N R Bowen was granted 6,000,000 A Class performance Rights, 3,000,000 B Class performance rights and 3,000,000 Class C performance rights pursuant to his service contract dated 1 July 2009. Further details regarding the performance rights granted to Mr Bowen are set out in paragraph 11.1 of this report and note 23 to the financial statements.

² The performance rights granted to all the other executives is under the Executive Equity Plan.

(A) The percentage forfeited in the year represents the reduction from the maximum number of performance rights available to vest due to the highest level performance criteria not being achieved.

(B) The minimum value of performance rights yet to vest is \$0.00 as the performance criteria or service condition may not be met and consequently the performance rights may not vest.

(C) The maximum value of performance rights yet to be exercised is not determinable as it depends on the market price of shares of the company on the Australian Securities Exchange ("ASX") at the date the performance rights are exercised. The maximum value presented in the table above represents the portions of the fair value of the performance rights which have not vested at 30 June 2010.

11.4.2 Options and Performance Rights over equity instruments granted as compensation

Details on options and performance rights over ordinary shares in the Company that were granted as compensation to each of the named Company executives and key management personnel during the reporting period and details on options and performance rights that vested during the reporting period are as follows:

Options

Executives	Number of Options granted during 2010	Grant date	Number of Options vested (v)/ exercised (e) during 2010 ¹	Fair value per Option at grant date (\$)	Exercise price per Option granted (g) / vested (v) (\$)	Expiry date of Option granted in 2010	Expiry date of Option vested / exercised
R A Carroll	-	08/09/2006	Nil	0.20-0.23	0.84(g)	-	07/03/2012
N J Wilson	-	14/02/2006	Nil	0.28-0.30	0.60(g)	-	14/08/2011
F E Ramsey	-	20/04/2007	Nil	0.21-0.24	0.82(g)	-	19/04/2013
G J Miller	-	14/02/2006	Nil	0.28-0.30	0.60(g)	-	14/08/2011
G J Miller	-	20/04/2007	Nil	0.21-0.24	0.82(g)	-	19/04/2013
S G Maddison	-	14/02/2006	Nil	0.28-0.30	0.60(g)	-	14/08/2011
M H Hamilton	-	14/02/2006	Nil	0.28-0.30	0.60(g)	-	14/08/2011

1 These options were issued pursuant to the Macmahon 2005 Executive Option Scheme. The options were provided at no cost to the recipients. All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable on the 2nd, 3rd, 4th and 5th anniversary of the grant date. In addition to a continuing employment service condition, the ability to exercise options is conditional on the Company achieving certain performance hurdles; briefly these are that the Total Shareholder Return (TSR) has been at least 15% per annum compound for all of the measurement periods preceding the date the options become eligible for exercise. The performance hurdles are cumulative. For example, this means that if the performance hurdle for the first 2 measurement periods are not met, the first tranche cannot be exercised. However, in the succeeding measurement periods if the cumulative TSR over the subsequent measurement point is more than the 15% annual compounded return, then all unexercised tranches which have passed their exercise date, can be exercised.

Further details regarding options granted to executives under the 2005 Executive Option Scheme and previous schemes are in note 23 to the financial statements.

Performance Rights

Executives	Number of Performance Rights granted during 2010	Grant date ¹	Number of Performance Rights vested (v)/ exercised (e) during 2010	Fair value per Performance Rights at grant date (\$)
N R Bowen	12,000,000 ²	30/11/2009	Nil	\$0.367-\$0.370
R A Carroll	2,000,000	15/01/2010	Nil	\$0.439-\$0.609
P F Doyle	1,500,000	15/01/2010	Nil	\$0.439-\$0.609
N J Wilson	400,000	15/01/2010	Nil	\$0.439-\$0.609
F E Ramsey	500,000	15/01/2010	Nil	\$0.439-\$0.609
G J Miller	400,000	15/01/2010	Nil	\$0.439-\$0.609
S G Maddison	300,000	15/01/2010	Nil	\$0.439-\$0.609
D J Jaksa	150,000	15/01/2010	Nil	\$0.439-\$0.609
M H Hamilton	500,000	15/01/2010	Nil	\$0.439-\$0.609

1) The performance rights were granted pursuant to the Macmahon Executive Equity Plan. The performance rights were provided at no cost to the recipients. Further details regarding performance rights granted to executives under the Executive Equity Plan are set out in paragraph 11.1 of this report and note 23 to the financial statements.

2) N R Bowen was issued with 6,000,000 A Class performance rights, 3,000,000 B Class Performance Rights and 3,000,000 Class C performance rights pursuant to his service contract dated 1 July 2009. Further details regarding performance rights granted to Mr Bowen are set out in paragraph 11.1 of this report and note 23 to the financial statements.

3) Subject to the holder remaining an employee and the performance right vesting, each performance right will entitle the holder to receive one fully paid share in the Company for nil consideration.

Any performance rights that do not vest by the end of the 5 1/2 year period will lapse. Further details regarding performance conditions and vesting of the performance rights granted to executives under the Executive Equity Plan are set out in paragraph 11.1 of this report and note 23 to the financial statements.

11.4.3 Shares issued as a result of the exercise of options by key management personnel during the year

The Company did not issue any shares as a result of the exercise of options by key management personnel during the year. Further details regarding the shares held by key management personnel is set out in note 33 to the Financial Statements.

11.5 Analysis of movements in options and performance rights

The movement during the reporting period, by value, of options and performance rights over ordinary shares in the Company held by each Director and each of the named Company executives and key management personnel is detailed below.

Options

Executives	Value of Options			
	Granted in year \$ (A)	Exercised in year \$ (B)	Forfeited in year \$ (C)	Total value in year \$
R A Carroll	-	-	-	-
P F Doyle	-	-	-	-
N J Wilson	-	-	22,000	22,000
F E Ramsey	-	-	-	-
G J Miller	-	-	-	-
S G Maddison	-	-	-	-
D J Jaksa	-	-	-	-
M H Hamilton	-	-	-	-
	Nil	Nil	22,000	22,000

(A) There were no options granted to the Directors or the named company executives and key management personnel during the reporting period.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company on the ASX as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a Monte Carlo formula with no adjustments for whether the performance criteria have or have not been achieved.

Performance Rights

Executives	Value of Performance Rights			
	Granted in year \$ (A)	Exercised in year \$ (B)	Forfeited in year \$ (C)	Total value in year \$
N R Bowen	4,419,000	-	-	4,419,000
R A Carroll	1,042,875	-	-	1,042,875
P F Doyle	782,156	-	-	782,156
N J Wilson	208,575	-	-	208,575
F E Ramsey	260,719	-	-	260,719
G J Miller	208,575	-	-	208,575
S G Maddison	156,431	-	-	156,431
D J Jaksa	78,216	-	-	78,216
M H Hamilton	260,719	-	-	260,719
	7,417,266	Nil	Nil	7,417,266

(A) The performance rights were granted to the Directors or the named company executives and key management personnel on 15 January 2010.

(B) None of the performance rights were exercised during the year.

(C) None of the performance rights were forfeited during the year.

11.6 Board policy in relation to limiting exposure to risk in securities

The Board has adopted a Directors, Officers & Employees Trading in Macmahon Shares Policy that, among other things, prohibits executives from entering into transactions that limit the economic risk of participating in unvested employee entitlements. The Company Secretary monitors and ensures compliance with this policy.

12. Directors' interests

The relevant interest of each Director in shares of the Company, and rights or options over such shares at the date of this report is as follows:

Macmahon Holdings Limited

	Ordinary Shares	Options over ordinary shares	Performance rights over ordinary shares
K B Scott-Mackenzie	50,000	-	-
N R Bowen	15,889,604	-	12,000,000 ²
B L Cusack	900,000	-	-
B R Ford	122,782	-	-
J C Massey	120,000	-	-
V A Vella	193,378	-	-
D M Smith ¹	-	-	-

1) D M Smith was appointed 1 April 2010.

2) Further details regarding the performance rights granted to Mr Bowen are set out in paragraph 11.1 and 11.4.1 of this report.

Further details regarding the shares held by each Director and key management personnel is contained in note 33 to the financial statements.

No Director holds any relevant interest in shares of any related body corporate of the Company nor any debentures of, nor interests in a registered scheme made available by, the Company or any of its related bodies corporate, nor any rights or options over such instruments.

13. Share options

As at the date of this report unissued ordinary shares of the Company under option are as follows:

Expiry date	Exercise price (\$)	Number of shares
14/08/2011	0.600	4,834,374
07/03/2012	0.840	2,000,000
19/04/2013	0.820	1,132,750
14/07/2014	1.620	950,000
		8,917,124

All of the above options expire on the earlier of their expiry date or termination of the employee's employment. In addition, the ability to exercise the options is conditional on the Company's share price reaching a certain level. Upon valid exercise of an option, the Company will issue one ordinary share to the holder. Further details are set out in note 23 to the Financial Statements.

Options do not entitle the holder to participate in any share issue of the Company or any other body corporate nor in any interest issue of any registered scheme.

Shares issued on exercise of options

During or since the end of the financial year, the Company did not issue any ordinary shares as a result of the exercise of options.

14. Indemnification and insurance of officers and executives

Indemnification

Under the Company's constitution and subject to section 199A of the Corporations Act 2001 (Cth), the Company indemnifies each of the Directors, each of the Company Secretaries and every other person who is an officer of the Company and its wholly owned subsidiaries against:

- any liability incurred as an officer of the Company (as the case may be) by that person to any person other than the Company or a related body corporate of the Company, unless that liability arises out of conduct involving a lack of good faith or is a liability for a pecuniary penalty order under certain provisions of the Corporations Act 2001 (Cth); and
- costs and expenses incurred in defending civil or criminal proceedings subject to certain conditions.

The above indemnity is a continuing indemnity and applies in respect of all acts done by a person while an officer of the Company or its wholly owned subsidiaries even though the person is not an officer at the time the claim is made.

The Company has entered into a Deed of Indemnity, Access and Insurance ("Deed") with each current and former officer of the Company and its subsidiaries, including each Director and Company Secretary and persons who previously held those roles. Under each Deed, to the extent permitted by law and to the extent and in the amount that the officer is not indemnified under any other indemnity, including an indemnity contained in any insurance policy, the Company indemnifies the relevant officer against all liabilities of any kind (including liabilities for legal expenses) incurred by the officer arising out of:

- the discharge of his or her duties as an officer of the Company or a subsidiary of the Company, or as an officer of any corporation in which the Company holds securities ("Related Corporation") where the officer is representing the interests of the Company in relation to the Related Corporation; and
- the conduct of the business of the Company or a subsidiary of the Company, or a Related Corporation where the officer is representing the interests of the Company in relation to that of Related Corporation.

No amount has been paid under any of these indemnities during the financial year under review.

Insurance premiums

During the financial year, the Company paid an insurance premium for directors' and officers' liability and legal expenses insurance policies, which cover all Directors, Company Secretaries and other officers of the Company and its related entities.

The liabilities insured are legal costs 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 its related entities, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than fines or other criminal penalties or where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their positions or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Since the end of the previous financial year the Company has paid insurance premiums of \$195,960 in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and officers, including executives, secretaries and managers of the Company and its controlled entities. The insurance policy provides cover for costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

The current Directors and Company Secretaries are named on pages 8 to 11 respectively of this Directors' Report. The Company's current auditor is KPMG. The Company's executives named on pages 18 to 20 of this Directors' Report and Senior Managers are also considered to be officers of the Company for these purposes, and may benefit from the above indemnities and insurance.

15. Non-audit services

During the year KPMG, the Company's auditor, performed services in addition to its statutory duties. Details of the amounts paid to KPMG for these services are set out in note 35 to the Financial Statements. The Directors have considered those non audit services provided during the year by the auditor and are satisfied that:

- the provision of those non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 (Cth); and
- the provision of those non-audit services during the year by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 (Cth) for the following reasons:
 - KPMG's services have not involved partners or staff acting in a managerial or decision making capacity within the consolidated entity or being involved in the processing or originating of transactions;
 - KPMG's non-audit services have only been provided where the Company is satisfied that the related function or process will not have a material bearing on the audit procedures;
 - KPMG's partners and staff involved in the provision of non-audit services have not participated in associated approval or authorisation processes;
 - KPMG obtained prior approval from the Audit Committee Chairman for the provision of the non-audit services;
 - a description of all non-audit services undertaken by KPMG and the related fees have been reported to the Board to ensure complete transparency in relation to the services provided; and
 - the declaration required by section 307C of the Corporations Act 2001 (Cth) confirming independence has been received from KPMG.

16. Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 38 and forms part of this Directors' Report.

17. Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded to the nearest one thousand dollars, unless otherwise stated.

This report is signed pursuant to a resolution of the Directors:



Nick Bowen
Director

Dated at Perth this 27th day of August 2010

Corporate Governance Statement

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

The Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition, 2008) ("ASX Principles and Recommendations") where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Principle 1: Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Company has established and disclosed (on its website) its Board Charter in accordance with this recommendation. The Board Charter establishes the relationship between the Board and management and describes their respective functions and responsibilities.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Board undertakes a review of the Chief Executive Officer's performance, at least annually. Targets are approved by the Board after they have been established between the Board's Remuneration Committee and the Chief Executive Officer. These targets are aligned to overall business goals and the Company's requirements of the position.

All senior executives of Macmahon are subject to a formal annual performance evaluation. Performance targets which reflect overall business goals and the Company's requirements of the position are set each year for senior executives by his or her superior. The Chief Executive Officer carries out an informal assessment of progress for each senior executive each half year. The Chief Executive Officer, in conjunction with the Remuneration Committee, carries out a full evaluation of each executive's performance against the agreed targets once a year. Performance pay components of executives' packages are dependent on the outcome of the evaluation.

Performance evaluation for senior executives was carried out in accordance with this process during the reporting period.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

The Company has included the information indicated in the Guide to reporting on Principle 1 in the Corporate Governance Statement. The Company also places the material that the Guide specifies should be made publicly available on its website in accordance with this recommendation.

Principle 2: Structure the Board to add value

Companies should have a board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1: A majority of the board should be independent directors.

The Company has a majority of independent directors.

The Board currently comprises six Non-executive Directors including the Chairman, and one Executive Director.

The Directors in office at the date of this report, the year of each Director's appointment and each Director's status as an independent, Non-executive or Executive Director are set out on pages 8 to 10 in the Directors' Report.

In assessing the independence of each Director the Board considers, amongst other things, whether the Director:

- is a substantial shareholder of the Company (as defined by the Corporations Act) or an officer of, or otherwise associated directly with a substantial shareholder of the Company;
- within the last three years has been employed in an executive capacity by the Company or another group member or been a Director after ceasing to hold any such employment;
- within the last three years has been a principal of a material professional advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or another group member other than as a Director of the Company;
- has a material contractual relationship with the Company or another group member other than as a Director of the Company;
- has served on the Board for a period which could or could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Applying the above criteria, the Board has determined that Mr Kenneth Scott-Mackenzie, Mr Barry Cusack, Mr Barry Ford, Mr John Massey and Dr David Smith are independent Directors.

The Board has determined that Mr Vyril Vella is not an independent Director. Mr Vella is a nominee of Leighton Holdings Limited and was appointed on 19 November 2007 in accordance with the terms of a Memorandum of Understanding between Leighton Holdings Limited and the Company entered into in November 2007.

The Company has established and disclosed (on its website) a Board Conflict of Interest Policy to ensure an appropriate procedure is followed where:

- a Director may have a material personal interest in a matter that is or is to be under consideration by the Board; or
- a Director has a financially material relationship or other material association with another entity, and that entity or a related entity of that entity has or may have a material interest in a matter that is or is likely to be under consideration by the Board.

Recommendation 2.2: The chair should be an independent director.

The Board has determined that the Company's Chairman, Mr Kenneth Scott-Mackenzie is an independent director.

Recommendation 2.3: The roles of the chair and chief executive officer should not be exercised by the same individual.

The roles of Chairman of the Board and Chief Executive Officer are held by different individuals.

Recommendation 2.4: The board should establish a nomination committee.

The Board has not formed a separate nomination committee. Given the size of the Company and the Board, the Board considers a nomination committee is not warranted. The Board as a whole fills the role of a Nomination Committee. To assist the Board to carry out the nomination committee function, it has documented and formalised its nomination related responsibilities in its Board Charter.

The Board considered nomination related matters in accordance with its Board Charter during the reporting period as required.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Board undertakes an annual evaluation of its effectiveness as a whole and in committee against a broad range of good practice criteria. The Chairman reviews the individual performance of each Board member prior to each Director being considered for re-election and may use the assistance of an external facilitator.

The Chairman's performance is evaluated periodically by the Board. The Board may involve an external facilitator for this purpose.

During the reporting period an evaluation of the performance of the Board, its committees and individual directors was carried out in accordance with the process outlined above, including the involvement of an external facilitator.

Recommendation 2.6: Companies should provide the information indicated in the Guide to Reporting on Principle 2.

The Company has included the information indicated in the Guide to reporting on Principle 2, so far as that guide is applicable to the Company, either in this Corporate Governance Statement or, in respect of information regarding the skills, experience and expertise of its Directors and their periods of office, in the Directors' Report on pages 8 to 10. The Company also places the material that the Guide specifies should be made publicly available on its website, other than a charter for a nomination committee (as the Board has not established a nomination committee for the reasons outlined under recommendation 2.4 above).

In determining the independence of Directors, materiality is assessed on a case-by-case basis with consideration of the nature, circumstances and activities of the Directors having regard to the guidelines the Board uses to assess the independence of Directors under recommendation 2.1, rather than by applying general materiality thresholds.

It is a policy of the Board that each Director has the right to seek independent professional advice at the company's expense, subject to prior approval of the Chairman which will not be unreasonably withheld.

The Board's policy and procedure for the selection, nomination and appointment of new Directors and the re-election of incumbent Directors is as follows.

The Board oversees the appointment and induction process for Directors and the selection, appointment and succession planning process of the Company's Chief Executive Officer. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the skills deemed necessary. The Board identifies potential candidates with advice from an external consultant. Those nominated are assessed by the Board against background, experience, professional skills, personal qualities, whether the nominee's skills and experience will augment the existing Board, and their availability to commit themselves to the Board's activities. The Board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

When Directors are due for re-election, the Board does not endorse the reappointment of a Director who is not satisfactorily performing the role.

Principle 3: Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has established and disclosed (on its website) its Code of Conduct in accordance with this recommendation. It is a policy of the Board that the Code of Conduct applies to Directors, officers, employees and consultants of the Company. The Code of Conduct is regularly reviewed and updated as necessary to ensure it reflects the high ethical standards of conduct necessary to maintain confidence in the Company's integrity.

The Company has also established and disclosed (on its website) its Whistleblower Policy.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Company has established and disclosed (on its website) its Trading in Shares Policy in accordance with this recommendation. The policy reinforces the requirements of the Corporations Act 2001 in relation to insider trading. The policy prohibits Directors, Officers and Employees from dealing in Macmahon's securities in the four week period leading up to the profit announcement in respect of each June and December half year period, prior to any announcement in relation to any material change in Macmahon's financial performance or a major contract, and at any time they are in possession of unpublished information concerning Macmahon's financial position, strategy or operations, which, if made public, would be likely to have a material impact on the price of Macmahon's securities.

Recommendation 3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3.

The Company makes the relevant material, being its Trading in Shares Policy, available on its website, in accordance with this recommendation.

Principle 4: Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Recommendation 4.1: The board should establish an audit committee.

The Board has established an Audit Committee. The responsibilities of the Audit Committee are set out in the Audit Committee Charter, which is available on the Company's website.

Recommendation 4.2: The audit committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not chair of the Board
- has at least three members

The Audit Committee established by the Board is structured in accordance with this recommendation.

The members of the Audit Committee as at the date of this report are:

- Mr John Massey (Chairman), independent Non-executive Director (Chairman from 22 September 2009)
- Mr Barry Cusack, independent Non-executive Director (Chairman to 22 September 2009)
- Mr Barry Ford, independent Non-executive Director
- Mr Kenneth Scott-Mackenzie, independent Non-executive Director (member from 22 September 2009 to 11 February 2010)

Details of the relevant skills and qualifications of these Directors are set out in the Directors' Report on pages 8 to 10. The Board considers that each of them is suitably qualified to be a member of the Audit Committee based on their financial expertise and industry experience.

The external auditor, the Directors who are not members of the Audit Committee, the Chief Executive Officer, the Chief Financial Officer and the Group Financial Controller are invited to attend Audit Committee meetings at the discretion of the Audit Committee.

The number of Audit Committee meetings that were held during the reporting period and the attendance of the Committee members at those meetings are set out on page 11 of the Directors' Report.

Recommendation 4.3: The audit committee should have a formal charter.

The Audit Committee has a formal charter which is disclosed on the Company's website.

Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

The Company makes the relevant material, being the formal charter of the Audit Committee and information on procedures for the selection and appointment of the external auditor and rotation of external audit engagement partners, available on its website, in accordance with this recommendation.

Principle 5: Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company's Continuous Disclosure Policy is available on the Company's website. This policy sets out the Company's procedures to enable accurate, timely, clear and adequate disclosure to the market in accordance with the Listing Rules. The Board regularly reviews its disclosure practices to ensure the market is kept informed of price sensitive or significant information in accordance with the Listing Rules. The Company Secretary is responsible for communications with, and coordinating disclosure of information to, the ASX in a timely manner. The Board and Chief Executive Officer determine whether information is to be disclosed to the ASX and both the Company Secretary and Chief Financial Officer are responsible for monitoring compliance with the Continuous Disclosure Policy on a daily basis.

Recommendation 5.2: Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

The Company makes the relevant material, being its Continuous Disclosure Policy, available on its website, in accordance with this recommendation.

Principle 6: Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company's Investor Communications Policy, which is available on the Company's website, is as follows.

1. Introduction

Macmahon will communicate all major activities affecting operations to investors through the Annual Report, half-year and full year results announcements, formal disclosures to the ASX (i.e. company announcements), letters to Shareholders when appropriate, the Company website and the Annual General Meeting ("AGM"). The AGM also provides an important opportunity for investors to ask questions, express views and respond to Board proposals.

Periodical reviews of communication systems to take advantage of new technologies will further enhance Macmahon's ability to communicate effectively with its investors.

2. Company Announcements

Macmahon will endeavour to post all announcements made to the ASX on its website on the day the announcement is made. This includes all announcements made under Macmahon's Continuous Disclosure Policy and all analyst presentations.

Where Macmahon is unable to place an announcement on its website on the same day that the announcement is made Macmahon will endeavour to post the announcement on its website as soon as is reasonably practicable thereafter.

3. Notices of Meeting and Explanatory Information

Macmahon posts the full text of each Notice of Meeting (including any accompanying explanatory information) on its website at the time the Notice is sent to Shareholders.

4. Historical Information

Macmahon ensures that the above information is posted and maintained on its website for at least three years from the date of release.

5. Notices of Meeting

Macmahon prepares its notices of meeting by utilising plain English and using a structure and format that is readable and ensures ease of understanding for Shareholders.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

The Company makes the relevant material, being its Investor Communication Policy, on its website in accordance with this recommendation.

Principle 7: Recognise and Manage risk

Companies should establish a sound system of risk oversight and management and internal control.

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Company has established and disclosed (on its website) its Risk Management Policy in accordance with this recommendation. The Board is responsible for the Company's system of internal controls relating to the operational, administrative and financial aspects of the Company's activities. The Board oversees the establishment, implementation and monitoring of the Company's risk management system. Implementation of the risk management system and day-to-day management of risk is the responsibility of the Chief Executive Officer, with the assistance of senior management, as required.

Further, the Company has a Risk & Opportunity Management Steering Committee that assists the Board to ensure the Company's material business risks are being managed within a structured risk management framework designed to ensure the material business risks confronting the Group are identified, managed and reported effectively. The Committee's principal function is to provide oversight and monitor the implementation of risk management policy including internal compliance and control systems. The Chief Executive Officer is the Chairman of this Committee.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Board has established a formal risk management system under which risks are reported to management throughout the Company with significant risks being reported to the Board.

The Chief Executive Officer is required to report on the progress of, and on all matters associated with, risk management as a standing item at each Board meeting. The Chief Executive Officer reports to the Board as to the effectiveness of the Company's management of its material business risks regularly.

The Chief Executive Officer reported to the Board in accordance with the systems and procedures outlined above during the reporting period.

Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Chief Executive Officer and Chief Financial Officer confirm in writing to the Board that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies which have been adopted by the Board either directly or through delegation to senior executives and that such systems are operating effectively and efficiently in all material respects in relation to financial reporting risks.

The Chief Executive Officer and Chief Financial Officer have provided a declaration for the reporting period in accordance with s295A of the Corporations Act and have provided the Board with the confirmations described above in respect of that period.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

The Company has included the information indicated in the Guide to reporting on Principle 7 in this Corporate Governance Statement. The Company also places the material that the Guide specifies should be made publicly available on its website, in accordance with this recommendation.

Principle 8: Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1: The board should establish a remuneration committee.

The Board has established a Remuneration Committee. The responsibilities of the Remuneration Committee are set out in the Remuneration Committee Charter, which is available on the Company's website.

The members of the Remuneration Committee at the date of this report are:

- Mr Kenneth Scott-Mackenzie (Chairman), independent Non-executive Director (Chairman from 26 November 2009)
- Mr Barry Cusack, independent Non-executive Director
- Mr Vyril Vella, non independent Non-executive Director

The number of Committee meetings that were held during the reporting period and the attendance of the Committee members at those meetings are set out on page 11 of the Directors' Report.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Company's Non-Executive Directors Remuneration Policy is available on the Company's website. The Company's Non-executive Directors receive fees as remuneration for acting as a Director of the Company and, if applicable, acting as a member of a standing Committee of the Board. Non-executive Directors are not entitled to participate in equity schemes of the Company and are not entitled to receive performance-based bonuses. Further details regarding Non-executive Directors' remuneration are set out in the Remuneration Report on pages 13 to 26.

The Company's Senior Executives Remuneration Policy is available on the Company's website. The Company's senior executives are remunerated in accordance with the principles described in that policy, which provides that senior executive remuneration is to consist of elements of fixed salary, short-term incentives based on performance, participation in long-term incentive equity schemes and other benefits including superannuation. Further details regarding senior executive remuneration are set out in the Remuneration Report on pages 13 to 26.

Recommendation 8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.

The Company has included the information in the Guide to reporting on Principle 8 in this Corporate Governance Statement. The Company also places the material that the Guide specifies should be made publicly available on its website, in accordance with this recommendation.

The Company has not established any schemes for the provision of retirement benefits, other than statutory superannuation, for Non-executive Directors.

It is the Company's policy to prohibit executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.



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

To: the directors of Macmahon Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in dark ink that reads 'KPMG'.

KPMG

A handwritten signature in dark ink that reads 'DMcComish'.

Denise McComish
Partner

Perth

27 August 2010

Statement of comprehensive income For the year ended 30 June 2010

<i>In thousands of AUD</i>	Note	Consolidated	
		2010	2009
Revenue	6	896,445	1,358,490
Other income	7	1,683	1,825
		898,128	1,360,315
Materials and consumables used		(281,829)	(605,439)
Employee benefits expense		(368,043)	(483,830)
Subcontractor costs		(113,517)	(145,094)
Depreciation and amortisation expenses	18 & 19	(44,309)	(43,840)
Equipment and office expenses relating to operating leases	27	(24,701)	(20,942)
Other expenses		(44,842)	(44,995)
Results from operating activities		20,887	16,175
Finance income	9	2,216	2,376
Finance expense	9	(8,016)	(11,243)
Net finance costs		(5,800)	(8,867)
Share of profit of jointly controlled entities accounted for using the equity method	16	34,368	13,622
Profit before income tax		49,455	20,930
Income tax expense	10	(10,652)	(2,651)
Profit for the year		38,803	18,279
Other comprehensive income			
Foreign currency translation differences for foreign operations	9	1,571	940
Total comprehensive income for the year, net of tax		40,374	19,219
Profit attributable to:			
Equity holders of the Company		37,892	17,156
Non-controlling interest		911	1,123
Profit for the year		38,803	18,279
Total comprehensive income attributable to:			
Equity holders of the Company		39,463	18,096
Non-controlling interest		911	1,123
Total comprehensive income for the year		40,374	19,219
Earnings per share			
Basic earnings per share (cents)	11	5.17	3.07
Diluted earnings per share (cents)	11	5.08	3.06

The notes on pages 43 to 100 are an integral part of these consolidated statements.

Statement of financial position As at 30 June 2010

<i>In thousands of AUD</i>	Note	Consolidated	
		2010	2009
Assets			
Current assets			
Cash and cash equivalents	12	102,193	109,286
Trade and other receivables	13	84,442	158,644
Inventories	14	37,047	38,694
Current tax receivables	15	1,928	6,606
Total current assets		225,610	313,230
Non-current assets			
Investments accounted for using the equity method	16	27,431	7,457
Deferred tax assets	17	118	876
Property, plant and equipment	18	286,307	268,734
Intangible assets	19	39,577	42,477
Total non-current assets		353,433	319,544
Total assets		579,043	632,774
Liabilities			
Current liabilities			
Trade and other payables	20	118,429	154,934
Loans and borrowings	21	15,764	26,610
Employee benefits	22	35,190	34,192
Current tax liabilities	15	694	2,885
Provisions	24	4,884	7,067
Total current liabilities		174,961	225,688
Non-current liabilities			
Deferred tax liabilities	17	18,970	9,318
Loans and borrowings	21	42,653	84,524
Employee benefits	22	2,721	2,240
Total non-current liabilities		64,344	96,082
Total liabilities		239,305	321,770
Net assets		339,738	311,004
Equity			
Share capital		307,963	308,283
Reserves		(2,284)	(288)
Retained earnings		30,331	192
Total equity attributable to equity holders of the Company		336,010	308,187
Non-controlling interest		3,728	2,817
Total equity		339,738	311,004

The notes on pages 43 to 100 are an integral part of these consolidated statements.

Statement of changes in equity

Consolidated

Attributable to equity holders of the Company

<i>In thousands of AUD</i>	Share capital	Translation reserve	Reserve for own shares	Retained earnings	Total	Non-controlling Interest	Total equity
Balance at 1 July 2008	240,880	(1,228)	-	9,654	249,306	1,694	251,000
Total comprehensive income for the year							
Profit	-	-	-	17,156	17,156	1,123	18,279
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	940	-	-	940	-	940
Total comprehensive income for the year	-	940	-	17,156	18,096	1,123	19,219
Transactions with owners, recorded directly in equity							
<i>Contributions by and distribution to owners</i>							
Shares issued	69,276	-	-	-	69,276	-	69,276
Capital raising costs	(1,873)	-	-	-	(1,873)	-	(1,873)
Dividends to shareholders	-	-	-	(27,123)	(27,123)	-	(27,123)
Share-based payment transactions	-	-	-	505	505	-	505
Total transactions with owners	67,403	-	-	(26,618)	40,785	-	40,785
Balance at 30 June 2009	308,283	(288)	-	192	308,187	2,817	311,004
Balance at 1 July 2009	308,283	(288)	-	192	308,187	2,817	311,004
Total comprehensive income for the year							
Profit	-	-	-	37,892	37,892	911	38,803
<i>Other comprehensive income</i>							
Foreign currency translation differences	-	1,571	-	-	1,571	-	1,571
Total comprehensive income for the year	-	1,571	-	37,892	39,463	911	40,374
Transactions with owners, recorded directly in equity							
<i>Contributions by and distribution to owners</i>							
Executive Equity Plan share purchases	-	-	(3,567)	-	(3,567)	-	(3,567)
Capital raising costs	(320)	-	-	-	(320)	-	(320)
Dividends to shareholders	-	-	-	(10,978)	(10,978)	-	(10,978)
Share-based payment transactions	-	-	-	3,225	3,225	-	3,225
Total transactions with owners	(320)	-	(3,567)	(7,753)	(11,640)	-	(11,640)
Balance at 30 June 2010	307,963	1,283	(3,567)	30,331	336,010	3,728	339,738

The notes on pages 43 to 100 are an integral part of these consolidated statements.

Statement of cash flows For the year ended 30 June 2010

In thousands of AUD

	Note	Consolidated	
		2010	2009
Cash flows from operating activities			
Receipts from customers		1,060,872	1,517,825
Payments to suppliers and employees		(954,475)	(1,452,882)
Receipts from joint venture entities		14,394	12,051
Cash generated from operations		120,791	76,994
Interest paid		(8,016)	(11,243)
Interest received		2,216	2,376
Income taxes refunded/(paid)		2,111	(14,733)
Net cash provided by operating activities	32	117,102	53,394
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,503	3,531
Payment for property, plant and equipment ¹		(38,092)	(28,022)
Payment for major component parts		(13,652)	(13,300)
Payment for other intangibles		(1,418)	(11,151)
Payment of contingent consideration		-	(1,607)
Net cash used in investing activities		(48,659)	(50,549)
Cash flows from financing activities			
Proceeds from issue of share capital (net of share issue costs)		(320)	58,399
Executive Equity Plan share purchases		(3,567)	-
Proceeds from borrowings		40,000	75,000
Payment of transaction costs related to loans and borrowings		(5,234)	-
Repayment of borrowings		(29,605)	(94,926)
Repayment of hire purchase and finance lease liabilities		(66,650)	(33,213)
Dividends paid		(10,978)	(18,921)
Net cash used in financing activities		(76,354)	(13,661)
Net decrease in cash and cash equivalents		(7,911)	(10,816)
Effect of exchange rate changes on the balance of cash held in foreign currencies		818	4
Cash and cash equivalents at beginning of year		109,286	120,098
Cash and cash equivalents at end of year	12	102,193	109,286

¹ The consolidated entity acquired plant and equipment on finance leases and hire purchase agreements amounting to \$8,771,675 (2009: \$14,951,731) during the year which has been excluded from the cash flow.

The notes on pages 59 to 116 are an integral part of these consolidated statements.

Notes to the consolidated financial statements

1. Reporting entity

Macmahon Holdings Limited ("the Company") is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2010 comprises of the Company and its subsidiaries (together referred to as "the consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

The consolidated entity primarily is involved in providing services to both mining and construction sectors. The address of the Company's registered office is Level 3, 27 – 31 Troode Street, West Perth, Western Australia, 6005.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs"), (including Australian Accounting interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial report of the consolidated entity comply with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board.

The financial report was authorised for issue by the Board of Directors on 27 August 2010.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for defined benefit plan assets and liabilities and available for sale financial assets which are stated at their fair value.

(c) Functional and presentation currency

The financial report is presented in Australian dollars which is the Company's functional currency and the functional currency of the majority of the consolidated entity.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and judgements that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

- Assessment of projects on a percentage of completion basis, in particular with regard to accounting for claims, variations and incentive payments, the timing of profit recognition and the amount of profit recognised;
- Lease classification – determining whether the significant risks and rewards of ownership have transferred in a sale or lease transaction;
- Estimation of the economic life of property, plant and equipment;
- Testing for impairment;
- Measurement of share based payments;
- Measurement of provisions; and
- Measurement of defined benefit obligations.

2. Basis of preparation (continued)

(e) Changes in accounting policy

(i) Inventories

As of 1 July 2009, the consolidated entity has changed its accounting policy on inventories. Please refer to 3(g).

(ii) Determination and presentation of operating segments

As of 1 July 2009 the consolidated entity determines and presents operating segments based on the information that internally is provided to the CEO and Managing Director, who is the consolidated entity's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of operating segment disclosures has had no impact on disclosure in these financial statements.

(iii) Presentation of financial statements

The consolidated entity applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the consolidated entity presents in the consolidated statement of changes in equity, all owner changes in equity. Whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Total comprehensive income is presented as a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement).

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(f) New accounting standards and interpretations

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operation and effective for the current annual reporting period. Their adoption has not had any significant impact on the amounts reported in these financial statements as discussed below:

(i) Accounting for borrowing costs

The principal change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the consolidated entity's accounting policy to capitalise borrowing costs incurred on qualifying assets.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and have been applied consistently by all entities in the consolidated entity.

Prior year comparatives have been reclassified where necessary to comply with current year presentation.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. Control exists when the consolidated entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the consolidated entity.

(ii) Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the consolidated entity's share of the total changes in equity of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Joint ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions.

Jointly controlled entities

In the consolidated financial statements, investments in jointly controlled entities, including partnerships, are accounted for using equity accounting principles. Investments in jointly controlled entities are carried at the lower of the equity accounted amount and recoverable amount.

The consolidated entity's share of the jointly controlled entity's net profit or loss is recognised in profit or loss from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operation. In the consolidated financial statements, jointly controlled operations are accounted for by proportionately consolidating the assets and liabilities of the joint venture and recognising the share of income that is earned.

(iv) Special purpose entities

The consolidated entity has established a special purpose entity (SPE) for investment purposes. The consolidated entity does not have any direct or indirect shareholdings in this entity. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the consolidated entity and the SPE's risks and rewards, the consolidated entity concludes that it controls the SPE. A SPE controlled by the consolidated entity was established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the consolidated entity receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the consolidated entity are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the consolidated entity's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within consolidated entity equity. Any cash paid for the acquisition is recognised directly in equity.

(vi) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the 'Investments accounted for using the equity method' and 'Share of profit of jointly controlled entities accounted for using the equity method' accounts. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Australian dollars at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Australian dollars at the exchange rates at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the balance sheet date. The income and expenses of foreign operations are translated to Australian dollars at the average exchange rate for the period. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity (translation reserve).

(iii) Net investment in foreign operations

Exchange differences arising from the translation of a monetary item that forms part of the net investment in foreign operations, and of related hedges are recognised in the translation reserve. They are released into the income statement upon disposal of the foreign operation.

(c) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment acquired are stated at the cost of acquisition, being the purchase consideration determined at the date of acquisition, less accumulated depreciation, amortisation and impairment losses (see accounting policy (i)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges from foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged, on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

(ii) Leased assets

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

(iii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

(iv) Depreciation and amortisation

Assets other than land are depreciated at rates based upon their estimated useful lives. Estimates of remaining useful lives and residual values are made on a regular basis for all assets, with annual re-assessments for major items.

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

Buildings	40 years
Leasehold improvements	period of the lease
Plant and equipment	3 – 12 years

3. Significant accounting policies (continued)

(d) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see accounting policy (i)).

Gain on bargain purchase arising from a business combination is recognised directly in profit or loss.

(ii) Software development costs

Software development activities include the design of the new Global Information System. Development expenditure is capitalised only if development costs can be measured reliably or the process is technically and commercially feasible, future economic benefits are probable, and the consolidated entity intends to and has sufficient resources to complete development and to use the asset. The software expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised software development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses (see accounting policy (i)).

(iii) Other intangible assets

Other intangible assets that are acquired by the consolidated entity, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses (see accounting policy (i)).

(iv) Amortisation

Amortisation is calculated over the cost of the asset, or an other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Capitalised software development costs	3 - 5 years
Other intangible assets	3 - 5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Investments

(i) Investments in debt and equity securities

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

The consolidated entity has not designated any other financial assets or liabilities as measured at fair value through profit or loss.

Other financial instruments held by the consolidated entity are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses. When these available-for-sale investments are derecognised or are determined to be impaired, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of financial instruments classified as held for trading and available-for-sale is their discounted cash flow at the balance sheet date.

The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised by the consolidated entity on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / derecognised on the day they are transferred to / by the consolidated entity.

(f) Trade and other receivables

(i) Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for construction work performed to date. Construction work in progress is stated at cost plus profit recognised to date (see accounting policy (m)) less an allowance for foreseeable losses and progress billings. Costs include all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the consolidated entity's contract activities based on normal operating capacity.

(ii) Other trade and other receivables

Trade and other receivables are stated at cost less impairment losses (see accounting policy note (i)).

Due to the short term nature of trade and other receivables, their carrying value is assumed to approximate their fair value.

(iii) Accrued revenue

Accrued revenue represents the unbilled amount at year end in respect of mining services provided.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

As at 30 June 2009, the cost of inventories is based on the first-in first-out principle. In early July 2009, the consolidated entity completed the rollout of upgraded business systems, including the inventory management system. The cost of inventories measured by the new system is based on the weighted average principle. The change in accounting policy results in the financial statements providing reliable and more relevant information about the effects of transactions on the consolidated entity's financial position, financial performance and cash flows.

The change in accounting policy has been applied prospectively from the earliest date practicable during the financial year ended 30 June 2010 as it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying the new accounting policy to all prior periods.

The cost of inventories includes expenditure incurred in acquiring the inventories and associated on-costs to bring them to their existing location and condition.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

3. Significant accounting policies (continued)

(i) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy (g)) and deferred tax assets (see accounting policy (o)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

For goodwill, the recoverable amount is estimated annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated at the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(k) Employee benefits

(i) Defined contribution superannuation plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Defined benefit superannuation plans

A defined benefit plan is a post-employment plan other than a defined contribution plan.

The consolidated entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets is deducted.

The discount rate is the yield at the balance sheet date on Commonwealth Government bonds that have maturity dates approximating to the terms of the consolidated entity's obligations that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a benefit to the consolidated entity, the recognised asset is limited to the total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the consolidated entity if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

To the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of fund assets, that portion is recognised in the income statement over the expected average remaining working lives of the active employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

(iii) Other long term employee benefits

The consolidated entity's net obligation in respect of long term employee benefits, other than defined benefit plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating the terms of the consolidated entity's obligations.

(iv) Termination benefits

Termination benefits are recognised as an expense when the consolidated entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the consolidated entity has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(v) Short-term benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual 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 and sick leave expected to be settled in twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

3. Significant accounting policies (continued)

(k) Employee benefits (continued)

(vi) Share-based payment transaction

The consolidated entity provides benefits to employees in the form of share based payment transactions, approved by shareholders, whereby employees render services in exchange for shares or rights over shares.

There are currently share option and performance rights programmes which provide benefits to executives and other employees.

The fair value of awards granted are recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at Grant Date and spread over the period during which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using a Monte Carlo simulation model, taking into account the terms and conditions upon which the awards were granted. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The amount recognised as an expense is adjusted to reflect the actual number of share awards that vest except where forfeiture is only due to total shareholder returns or market prices not achieving the threshold for vesting.

When the Company grants awards over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

(l) Provisions

Provisions are recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation that can be estimated reliably as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate the risks specific to the liability.

Provision for project closure

At the completion of some projects the consolidated entity may have a liability for severance, maintenance and defects and demobilisation costs. 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.

(m) Revenue

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.

Construction revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

Revenue is recognised in profit or loss in proportion to the work performed or stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. In addition, for construction contracts, the following specific recognition criteria are applied:

- For cost reimbursable, alliance and joint venture contracts, where profit is reliably measurable from the outset, contract revenue and expenses are recognised in profit or loss in proportion to the costs incurred.
- For all other construction contracts, contract revenue and expenses are progressively recognised based on the percentage cost of completion. Profit earned is only recognised after reaching a minimum of 15% completion. Percentage of completion is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract. Cost includes all costs directly related to specific contracts. On an individual contract where a loss is deemed to be unavoidable on completion, the projected loss is recognised immediately.

The consolidated entity currently has claims outstanding with clients which have not been included as revenue in this financial report. This is due to negotiations not reaching such an advanced stage that it is probable that the respective clients will accept the claims.

Mining and maintenance services revenue is recognised when the services are provided.

(n) Expenses

(i) Lease payments

Payments made under operating leases are recognised as an expense in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Finance income and finance expense

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date the consolidated entity's right to receive payment is established, which in the case of quoted securities is ex-dividend date.

Finance expense comprise interest expense on borrowings and the unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(iii) 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.

(o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary differences arising from the following are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

3. Significant accounting policies (continued)

(o) Income tax (continued)

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Macmahon Holdings Limited.

Current tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the unused tax losses can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax asset / (liability) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity payable (receivable) equal in amount to the tax asset (liability) assumed. The inter-entity payables (receivables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(q) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(r) Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for shares held by the Company's sponsored employee share plan trust.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares, which comprise share options and performance shares/rights granted to employees and directors.

(s) Segment reporting

(i) Determination and presentation of operating segments

As of 1 July 2009 the consolidated entity determines and presents operating segments based on the information that internally is provided to the CEO and Managing Director, who is the consolidated entity's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures has had no impact on disclosure in the financial statements.

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components. All operating segments' operating results are regularly reviewed by the consolidated entity's CEO and Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO and Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(t) Financial instruments

(i) Derivative financial instruments, including hedge accounting

The consolidated entity holds derivative financial instruments to hedge its interest rate risk exposures.

On initial designation of the hedge, the consolidated entity formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The consolidated entity makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. Amounts recognised in other comprehensive income are transferred to profit or loss in the same period that the hedged item affects profit or loss.

3. Significant accounting policies (continued)

(u) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the consolidated entity's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The consolidated entity has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the consolidated entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 – *Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* – AASB 14 make amendments to Interpretation 14 AASB 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements* removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the consolidated entity's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project (June 2010)* and AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (June 2010)* contain eleven amendments to six standards and to one interpretation. The amendments will become mandatory for the consolidated entity's 30 June 2011 and 30 June 2012 financial statements respectively. The consolidated entity has not yet determined the potential effect of these amendments.

4. Financial risk management

The consolidated entity have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk.

This note presents information about the consolidated entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Risk and Opportunity Management Steering Committee is responsible for the management of the risk system which identifies, assesses, monitors and manages the material risk throughout the consolidated entity. The committee reports regularly to the Board of Directors on its activities.

The risk management system is used to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and the consolidated entity's activities. The consolidated entity, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity. The Board of Directors is assisted in its oversight role by the Audit Committee, to which Internal Audit reports. Internal audit undertakes reviews of controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's receivables from customers and cash and cash equivalents.

Trade and other receivables

The consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the consolidated entity's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 38.9% (2009: 42.6%) of the consolidated entity's revenue is attributable to sales transactions with a single customer. Geographically, the concentration of credit risk is in Australia.

Under the consolidated entity's systems and procedures each new customer is analysed individually for creditworthiness before the consolidated entity's standard payment and delivery terms and conditions are offered. The exposure to credit risk is monitored on an ongoing basis. The consolidated entity's review includes external ratings, when available, and in some cases bank references.

Credit risk is minimised by entering into credit insurance for customers considered to be at risk.

More than 46% (2009: 71%) of the consolidated entity's trade receivables exposed to credit risk are from customers who have been transacting with the consolidated entity for over three years.

The consolidated entity have established a process to review for impairment that represents their estimate of incurred losses in respect of trade and other receivables. There has been no impairment charge made in the current period for external parties (2009: nil).

Cash and cash equivalents

The consolidated entity limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

4. Financial risk management (continued)

Guarantees

The consolidated entity's policy is to provide financial guarantees only to or for subsidiaries. Details of outstanding guarantees are provided in note 29.

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

During the period Macmahon secured a new three year \$240 million facility comprised of three tranches:

- Tranche A – A\$40 million working capital cash advance facility
- Tranche B – A\$75 million bank guarantee facility
- Tranche C – A\$125 million equipment finance facility

As at 30 June 2010, Tranche A was fully undrawn, while Tranche B and Tranche C were undrawn \$38 million and \$85 million respectively.

The previous \$230 million domestic facility and US\$50 million overseas facility expired on 31 October 2009. Outstanding individual lease agreements drawn under the facility remain in place until their expiry date.

In addition Macmahon has a \$200 million insurance bond facility with \$122 million available at year end.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

The consolidated entity is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than respective functional currencies of consolidated entity, primarily of the Australian dollar (AUD), but also the New Zealand dollar (NZD), US dollar (USD), Malaysian ringgit (MYR), Hong Kong dollar (HKD) and Nigerian Naira (NGN). The currencies in which these transactions primarily are denominated are AUD, NZD, USD, MYR, HKD and NGN.

The consolidated entity is exposed to foreign currency risk on plant and equipment purchases that are denominated in a currency other than the AUD. The currencies giving rise to this risk are primarily USD, European Euro (EUR) and Japanese Yen (JPY).

From time to time the consolidated entity hedges its plant and equipment purchases denominated in a foreign currency when a firm commitment is made. The consolidated entity has used forward exchange contracts to hedge its foreign currency risk. Historically, most of the forward exchange contracts have had maturities of less than one year after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity and generally relate to changes in delivery date of major plant and equipment. No forward exchange contracts have been entered into during the period.

In respect of other monetary assets and liabilities held in currencies other than the AUD, the consolidated entity ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

The consolidated entity's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Under the consolidated entity's approved Financial Risk Management Policy, interest rate exposures on committed capital finance borrowings are hedged in order to attain 100% fixed rates (by volume). The hedging instruments approved by the Board of Directors for this purpose, are interest rate swaps and interest rate caps and floors.

Other market price risk

The consolidated entity is not exposed to any other market price risk.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the consolidated entity's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the consolidated entity's operations.

The consolidated entity's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the consolidated entity's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall consolidated entity's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

Compliance with consolidated entity's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the consolidated entity.

Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividends to ordinary shareholders.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in note 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 12 and 25. The consolidated entity operates globally, primarily through subsidiary companies established in the markets in which the consolidated entity trades. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Board of Directors monitors the capital structure periodically. As a part of this process the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board the consolidated entity will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

4. Financial risk management (continued)

The consolidated entity's debt-to-equity ratio at the end of the reporting period was as follows:

<i>In thousands of AUD</i>	Consolidated	
	2010	2009
Debt ¹	58,417	111,134
Cash and cash equivalents	(102,193)	(109,286)
Net debt	(43,776)	1,848
Equity ²	339,738	311,004
Net debt to equity ratio	(12.9%)	0.6%

¹ Debt is defined as long and short-term borrowings net of transaction costs, as detailed in note 21.

² Equity includes all capital and reserves.

From time to time the consolidated entity, through a trust, purchases its own shares on the market; the timing of these purchases depends on market prices. The CEO and Managing Director authorises the transfer of funds to the trustee who makes buy and sell decisions as authorised under the trust deed. The shares are held in the trust for issuing under the consolidated entity's Executive Equity Plan Performance Rights programme. The consolidated entity does not have a defined share buy-back plan.

There were no changes in the consolidated entity's approach to capital management during the year.

5. Operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the CEO and Managing Director (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The following operating segments are identified by management based on the nature and geographical location of the business or venture.

Mining

Provides a comprehensive mine to mill capability for both surface & underground operations. Mining a variety of minerals & base metals including coal, copper, gold, diamonds, iron ore and nickel.

Construction

Provides services in all facets of civil construction, delivering complex road, rail, water, marine and structural projects to customers.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Joint ventures

Revenue from joint venture entities is not recognised in the financial statements as these entities are equity accounted. For such entities, the share of net profits is recognised.

The consolidated entity's share of revenue from joint venture entities is excluded from the income statement in accordance with Accounting Standards. The delivery of a number of projects by the consolidated entity is in the form of joint ventures. Details of the consolidated entity's share of joint venture entities' revenue are provided as additional information.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the consolidated entity's CEO and Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Comparative segment information has been represented in conformity with the requirement of AASB 8 *Operating Segments*.

Information about reportable segments

In thousands of AUD

	Mining		Construction		Reportable segment totals	
	2010	2009	2010	2009	2010	2009
Revenue from group and joint ventures	465,615	644,880	788,758	840,746	1,254,373	1,485,626
Interest income	112	168	62	-	174	168
Interest expense	(5,311)	(7,253)	(516)	(629)	(5,827)	(7,882)
Depreciation and amortisation	(34,918)	(38,916)	(6,288)	(3,336)	(41,206)	(42,252)
Reportable segment profit before income tax ¹	34,782	11,720	34,849	29,568	69,631	41,288
Share of profit of equity method investees	-	-	34,368	13,622	34,368	13,622
Other material non-cash items:						
Impairment on property, plant and equipment and intangible assets	(789)	(1,121)	-	-	(789)	(1,121)
Reportable segment assets	376,239	382,205	65,148	123,884	441,387	506,089
Investments in equity accounted investees	-	-	27,431	7,457	27,431	7,457
Reportable segment liabilities	(148,011)	(184,736)	(70,097)	(100,476)	(218,108)	(285,212)
Capital expenditure	58,938	39,913	948	3,734	59,886	43,647

¹ The reportable segment profit before income tax of Construction includes overhead costs incurred in support of the joint venture activities but not chargeable to the joint ventures.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

In thousands of AUD

	2010	2009
Revenues		
Total revenue for reportable segments	1,254,373	1,485,626
Elimination of joint venture revenues	(419,852)	(153,346)
Elimination of joint venture recoveries	61,924	26,210
Consolidated revenue	896,445	1,358,490
Profit or loss		
Total profit or loss for reportable segments	69,631	41,288
Unallocated amounts: corporate expenses	(20,176)	(20,358)
Consolidated profit before income tax	49,455	20,930
Assets		
Total assets for reportable segments	441,387	506,089
Investments in equity accounted investees	27,431	7,457
Other unallocated amounts	110,225	119,228
Consolidated assets	579,043	632,774
Liabilities		
Total liabilities for reportable segments	(218,108)	(285,212)
Other unallocated amounts	(21,197)	(36,558)
Consolidated liabilities	(239,305)	(321,770)

5. Operating segments (continued)

Other material items 2010

In thousands of AUD

	Reportable segment totals	Unallocated items	Consolidated totals
Interest income	174	2,042	2,216
Interest expense	(5,827)	(2,189)	(8,016)
Depreciation and amortisation	(41,206)	(2,314)	(43,520)
Impairment on property, plant and equipment and intangible assets	(789)	-	(789)
Capital expenditure	59,886	630	60,516

Other material items 2009

In thousands of AUD

	Reportable segment totals	Unallocated items	Consolidated totals
Interest income	168	2,208	2,376
Interest expense	(7,882)	(3,361)	(11,243)
Depreciation and amortisation	(42,252)	(467)	(42,719)
Impairment on property, plant and equipment and intangible assets	(1,121)	-	(1,121)
Capital expenditure	43,647	12,626	56,273

Geographical segments

The Mining and Construction segments operate in two principal geographical areas - Australia and Overseas.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

<i>In thousands of AUD</i>	2010		2009	
	Revenues	Non-current assets	Revenues	Non-current assets
Australia	862,231	326,279	1,328,670	300,897
Overseas	34,214	27,036	29,820	17,771
Total	896,445	353,315	1,358,490	318,668

Major customer

Approximately 38.9% (2009: 42.6%) of the consolidated entity's revenue is attributable to sales transactions with a single customer.

6. Revenue

In thousands of AUD

Revenue from external customers

	Consolidated	
	2010	2009
Mining	463,200	644,880
Construction	433,245	713,610
	896,445	1,358,490

The consolidated entity's share of revenue from joint venture entities is excluded from profit or loss in accordance with Accounting Standards. The delivery of a number of projects by the consolidated entity is in the form of joint ventures. Details of the consolidated entity's share of joint venture entities' revenue are provided at Note 5.

7. Other income

In thousands of AUD

	Consolidated	
	2010	2009
Net gain on disposal of plant and equipment	1,154	822
Other	529	1,003
	1,683	1,825

8. Employee benefits expense

In thousands of AUD

Employee benefits expense includes the following:

	Consolidated	
	2010	2009
- Contributions to defined contribution plans	25,335	36,235
- Expenses related to defined benefit superannuation plans	217	1,157
- Share based payment expense	3,622	505

9. Finance income and finance expense

Recognised in profit or loss

In thousands of AUD

	Consolidated	
	2010	2009
Interest income on financial assets (bank deposits)	2,216	2,376
Finance income	2,216	2,376
Interest expense on financial liabilities carried at amortised cost	(8,016)	(11,243)
Finance expense	(8,016)	(11,243)
Net finance cost recognised in profit or loss	(5,800)	(8,867)

Recognised in other comprehensive income

In thousands of AUD

	Consolidated	
	2010	2009
Foreign currency translation differences for foreign operations	1,571	940
Finance income recognised in other comprehensive income, net of tax, attributable to equity holder of the Company	1,571	940

10. Income tax expense

In thousands of AUD

Current tax expense

Current year
Adjustments for prior years

Consolidated	
2010	2009
588	-
51	(518)
639	(518)
10,013	3,169
10,013	3,169
10,652	2,651
10,652	2,651
10,652	2,651

Deferred tax expense

Origination and reversal of temporary differences

Total income tax expense

Attributed to:

Continuing operations

Total income tax expense

Income tax recognised directly in equity

In thousands of AUD

			Consolidated		
	2010 Tax expense	Net of tax		2009 Tax expense	Net of tax
Before tax			Before tax		
3,622	(397)	3,225	-	-	-
-	-	-	2,675	(802)	1,873
3,622	(397)	3,225	2,675	(802)	1,873

Income tax recognised in other comprehensive income was nil (2009: nil).

In thousands of AUD

Consolidated	
2010	2009
49,455	20,930
14,837	6,279
(69)	-
680	152
5	34
(1,362)	(2,145)
(1,812)	(642)
(1,829)	(305)
(1,027)	-
1,291	-
(113)	(204)
10,601	3,169
51	(518)
10,652	2,651

11. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders of \$37,892 thousand (2009: \$17,156 thousand) and a weighted average number of ordinary shares outstanding of 732,379 thousand (2009: 559,616 thousand), calculated as follows:

Profit attributable to ordinary shareholders

In thousands of AUD

Profit attributable to ordinary equity holders

Consolidated	
2010	2009
Total	Total
37,892	17,156

Weighted average number of ordinary shares

In thousands of shares

Issued ordinary shares at 1 July
 Effect of shares issued on exercise of options July 2008
 Effect of conversion of CEO's unvested unlisted performance shares July 2008
 Effect of shares issued on exercise of options August 2008
 Effect of shares issued on exercise of options September 2008
 Effect of shares issued on exercise of options October 2008
 Effect of dividend reinvestment October 08
 Effect of shares issued on exercise of options November 2008
 Effect of institutional offer May 09
 Effect of retail offer June 09
 Effect of own shares held
 Weighted average number of ordinary shares at 30 June

Consolidated	
2010	2009
733,712	535,328
-	155
-	3,913
-	4
-	1,067
-	32
-	3,929
-	25
-	13,353
-	1,810
(1,333)	-
732,379	559,616

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2010 was based on profit attributable to ordinary shareholders of \$37,892 thousand (2009: \$17,156 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 745,977 thousand (2009: 560,589 thousand), calculated as follows:

Weighted average number of ordinary shares (diluted)

In thousands of shares

Weighted average number of ordinary shares at 30 June
 Effect of share options on issue
 Effect of performance rights on issue
 Weighted average number of ordinary shares (diluted) at 30 June

Note	Consolidated	
	2010	2009
	732,379	559,616
23	-	973
23	13,598	-
	745,977	560,589

12. Cash and cash equivalents

In thousands of AUD

Bank balances
 Cash and cash equivalents

Consolidated	
2010	2009
102,193	109,286
102,193	109,286

The consolidated entity's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 26.

13. Trade and other receivables

In thousands of AUD

Current assets

Trade receivables ¹

Accrued revenue

Other receivables and pre-payments

Construction work in progress

Consolidated	
2010	2009
38,205	41,948
23,254	33,665
5,969	6,297
67,428	81,910
17,014	76,734
84,442	158,644

¹ Trade receivables are shown net of an impairment loss of nil (2009: nil).

The consolidated entity's exposure to credit and currency risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 26.

Construction work in progress comprises:

In thousands of AUD

Contract costs incurred to date:

Gross cost plus profit recognised to date

Less: progress billings received

Net construction work in progress

Consolidated	
2010	2009
1,546,506	1,686,570
(1,529,492)	(1,609,836)
17,014	76,734

14. Inventories

In thousands of AUD

Raw materials and consumables

Consolidated	
2010	2009
37,047	38,694
37,047	38,694

15. Current tax receivables / liabilities

The current tax receivable for the consolidated entity of \$1,928 thousand (2009: \$6,606 thousand) and current tax liability of \$694 thousand (2009: \$2,885 thousand) represents the amount of income tax receivable and payable in respect of current and prior periods.

16. Investments accounted for using the equity method

The consolidated entity has the following investments in jointly controlled entities:

	Principal activities	Country of incorporation	Ownership	
			2010	2009
ACTIVE				
Wyaralong Joint Venture ¹	Dam Construction	Australia	60%	60%
Macmahon/Leighton Joint Venture	Railway Construction	Australia	50%	50%
Hale Street Link Joint Venture	Bridge Construction	Australia	33.3%	33.3%
Alkimos Joint Venture	Waste Water Treatment Plant Construction	Australia	30%	30%
Southern Improvement Alliance Joint Venture	Railway Construction	Australia	20%	20%
Glenfield Rail Alliance ¹	Railway Construction	Australia	60%	60%
Richmond Line Alliance	Railway Construction	Australia	18%	18%
K2RQ Project Alliance	Railway Construction	Australia	9%	9%
XRL 822 Hong Kong Tunnel JV	Tunnel Construction	Hong Kong	25%	N/A
INACTIVE				
Eyre Peninsula Joint Venture		Australia	50%	50%
Tonkin Highway Joint Venture		Australia	50%	50%
Weeli Joint Venture		Australia	50%	50%
Roe Highway Joint Venture		Australia	50%	50%
Ross River Dam Joint Venture		Australia	50%	50%
Rail Link Joint Venture		Australia	25%	25%
Bell Bay Alliance Joint Venture		Australia	20%	20%

¹ The consolidated entity has joint control over these jointly controlled entities as it has half the voting rights.

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

Summary financial information for equity accounted investees:

In thousands of AUD

	Revenues (100%)	Expenses (100%)	Profit (100%)	Share of joint controlled entity net profit	Current Assets (100%)	Non- Current Assets (100%)	Total Assets (100%)	Current Liabilities (100%)	Non- Current Liabilities (100%)	Total Liabilities (100%)
2010	1,111,240	(1,012,911)	98,329	34,368	291,171	-	291,171	228,870	603	229,473
2009	478,519	(439,823)	38,696	13,622	145,947	-	145,947	129,680	-	129,680

In thousands of AUD

	Consolidated	
	2010	2009
Share of joint venture profit	32,149	13,163
Adjustments:		
- timing differences on recognition of earnings	2,219	459
Share of joint venture profits accounted for using the equity method	34,368	13,622

Revenues and recoveries from the jointly controlled entities are disclosed in note 5. Amounts receivable from jointly controlled entities are \$9,970,752 (2009: \$4,259,729) which are unsecured and are in the ordinary course of business.

The jointly controlled entities do not have any capital commitments, other than performance bonds and bank guarantees disclosed in note 29.

17. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Consolidated Liabilities		Net	
	2010	2009	2010	2009	2010	2009
<i>In thousands of AUD</i>						
Inventories	-	-	(3,472)	(3,493)	(3,472)	(3,493)
Trade and other receivables	-	-	68	-	68	-
Property plant and equipment	-	-	(28,818)	(24,080)	(28,818)	(24,080)
Other creditors and accruals	1,074	1,081	-	-	1,074	1,081
Employee benefits	12,850	10,929	-	-	12,850	10,929
Provisions	6	2,120	-	-	6	2,120
Partnership income	-	-	(1,714)	-	(1,714)	-
Tax loss carry-forwards	757	4,232	-	-	757	4,232
Other items	397	769	-	-	397	769
Net tax assets / (liabilities)	15,084	19,131	(33,936)	(27,573)	(18,852)	(8,442)

Movement in temporary differences during the year

	Recognised in profit or loss		Consolidated Recognised in profit or loss		Recognised in equity	
	Balance 1 July 2008	Balance 30 June 2009	Balance 30 June 2009	Balance 30 June 2010	Balance 30 June 2010	Balance 30 June 2010
<i>In thousands of AUD</i>						
Inventories	(3,078)	(415)	(3,493)	21	-	(3,472)
Trade and other receivables	(2,018)	2,018	-	68	-	68
Property, plant and equipment	(15,903)	(8,177)	(24,080)	(4,738)	-	(28,818)
Other creditors and accruals	1,213	(132)	1,081	(7)	-	1,074
Employee benefits	11,450	(521)	10,929	1,921	-	12,850
Provisions	661	1,459	2,120	(2,114)	-	6
Partnership income	-	-	-	(1,714)	-	(1,714)
Tax loss carry-forwards	1,097	3,135	4,232	(3,475)	-	757
Other items	1,305	(536)	769	25	(397)	397
Net tax assets / (liabilities)	(5,273)	(3,169)	(8,442)	(10,013)	(397)	(18,852)

18. Property, plant and equipment

<i>In thousands of AUD</i>	Freehold land	Buildings	Leasehold improvements	Consolidated Owned plant and equipment	Equipment under finance lease	Total
Cost						
Balance at 1 July 2008	412	79	3,197	281,112	178,647	463,447
Acquisitions	-	-	6,212	35,109	14,952	56,273
Disposals	-	-	-	(14,872)	-	(14,872)
Effect of movements in foreign exchange	-	-	-	228	-	228
Reclassification and transfers	-	-	33	25,073	(25,503)	(397)
Balance at 30 June 2009	412	79	9,442	326,650	168,096	504,679
Balance at 1 July 2009	412	79	9,442	326,650	168,096	504,679
Acquisitions	-	-	46	51,698	8,772	60,516
Disposals	-	-	(236)	(39,066)	-	(39,302)
Effect of movements in foreign exchange	-	-	-	678	116	794
Reclassification and transfers	-	-	(294)	115,137	(114,892)	(49)
Balance at 30 June 2010	412	79	8,958	455,097	62,092	526,638
Depreciation and impairment losses						
Balance at 1 July 2008	-	70	1,087	147,922	56,431	205,510
Depreciation charge for the year	-	9	1,228	26,311	14,716	42,264
Impairment loss for the year	-	-	-	1,121	-	1,121
Disposals	-	-	-	(12,163)	-	(12,163)
Effect of movements in foreign exchange	-	-	-	(390)	-	(390)
Reclassification and transfers	-	-	-	16,250	(16,647)	(397)
Balance at 30 June 2009	-	79	2,315	179,051	54,500	235,945
Balance at 1 July 2009	-	79	2,315	179,051	54,500	235,945
Depreciation charge for the year	-	-	1,168	23,707	14,327	39,202
Impairment loss for the year	-	-	-	629	160	789
Disposals	-	-	(236)	(35,717)	-	(35,953)
Effect of movements in foreign exchange	-	-	-	294	7	301
Reclassification and transfers	-	-	(137)	45,426	(45,242)	47
Balance at 30 June 2010	-	79	3,110	213,390	23,752	240,331
Carrying amounts						
At 30 June 2009	412	-	7,127	147,599	113,596	268,734
At 30 June 2010	412	-	5,848	241,708	38,340	286,307

Leased plant and machinery

The consolidated entity leases production equipment under a number of finance lease and hire purchase agreements. At the end of each of the leases the consolidated entity may purchase the equipment at a beneficial price. The leased equipment secures lease obligations (see note 21).

Security

Freehold land, buildings, leasehold improvements and plant and equipment are subject to a registered charge to secure banking facilities (see note 21).

19. Intangible assets

<i>In thousands of AUD</i>	Consolidated			
	Goodwill	Software development costs	Other intangible assets	Total
Cost				
Balance at 1 July 2008	22,251	7,335	2,955	32,541
Acquisitions through business combinations	299	-	-	299
Acquisitions – internally developed	-	6,594	-	6,594
Acquisitions - acquired	-	4,558	160	4,718
Balance at 30 June 2009	22,550	18,487	3,115	44,152
Balance at 1 July 2009	22,550	18,487	3,115	44,152
Acquisitions – internally developed	-	1,418	-	1,418
Balance at 30 June 2010	22,550	19,905	3,115	45,570
Amortisation and impairment losses				
Balance at 1 July 2008	-	-	1,220	1,220
Amortisation for the year	-	-	455	455
Balance at 30 June 2009	-	-	1,675	1,675
Balance at 1 July 2009	-	-	1,675	1,675
Amortisation for the year	-	3,973	345	4,318
Balance at 30 June 2010	-	3,973	2,020	5,993
Carrying amounts				
At 30 June 2009	22,550	18,487	1,440	42,477
At 30 June 2010	22,550	15,932	1,095	39,577

Impairment tests for cash generating units containing goodwill

The following units have significant carrying amounts of goodwill:

<i>In thousands of AUD</i>	Consolidated	
	2010	2009
Underground Mining	6,444	6,444
Australian Raised Drilling (ARD) / Combined Resource Engineering (CRE)	11,506	11,506
Maintenance Services	347	347
MVM Rail	4,253	4,253
	22,550	22,550

ARD / CRE and MVM Rail

The recoverable amounts of ARD / CRE and MVM Rail cash-generating units are based on value in use calculations. Those calculations use cash flow projections based on actual operating results and future cash flow projections for the three year business plan which incorporates an estimated annual growth in revenue of approximately 10%. Additionally, a terminal value was calculated after 3 years incorporating a perpetual growth rate of 2%. The resulting value exceeds the carrying amount of the units including goodwill. A pre-tax discount rate of 21.5% has been used in discounting the projected cash flows, based on an industry average weighted average cost of capital, which was passed on a possible range of debt leveraging of 13%.

Underground Mining and Maintenance Services

The recoverable amounts of Underground and Maintenance Services cash-generating units are based on value in use calculations. Those calculations use cash flow projections based on actual operating results and future cash flow projections for the three year business plan which incorporates an estimated annual growth in revenue of approximately 12%. Additionally, a terminal value was calculated after 3 years incorporating a perpetual growth rate of 2%. The resulting value exceeds the carrying amount of the units including goodwill. A pre-tax discount rate of 21.5% has been used in discounting the projected cash flows, based on an industry average weighted average cost of capital, which was passed on a possible range of debt leveraging of 13%.

20. Trade and other payables

<i>In thousands of AUD</i>	Consolidated	
	2010	2009
Current liabilities		
Trade payables and accrued operating expenses	110,530	135,843
Other payables	7,899	19,091
	118,429	154,934

The consolidated entity's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26. Whilst loans from controlled entities are all at call, there are no expectations that they will be called within 12 months and accordingly have been classified as non-current.

21. Loans and borrowings

This note provides information about the contractual terms of the consolidated entity's loans and borrowings, which are measured at amortised cost. For more information about the consolidated entity's exposure to interest rate and foreign currency risk, see note 26.

	Consolidated	
	2010	2009
<i>In thousands of AUD</i>		
Current liabilities		
Interest bearing		
Hire purchase liabilities	8,716	16,026
Finance lease liabilities	3,864	10,564
Term facility	3,184	-
Loan from minority shareholder to MVM Rail	-	20
	15,764	26,610
Non-current liabilities		
Interest bearing		
Hire purchase liabilities	9,359	45,461
Finance lease liabilities	1,712	9,478
Term facility	31,582	29,585
	42,653	84,524

Financing arrangements

Term facility

On 18 May 2010 the consolidated entity entered into a three year syndicated facility with 10 financial institutions, lead by HSBC Bank Australia Limited and Commonwealth Bank of Australia Limited. The syndicated facility is secured by fixed and floating charges over the consolidated entity's assets, which is reviewed on an annual basis. The facilities are used for general corporate requirements and equipment financing and attract variable rates of interest. The facilities mature on 18 May 2013.

Previously, the consolidated entity had a three year facility from October 2007 with each of its three principal bankers, ANZ Banking Group, Caterpillar Financial Australia Limited and HSBC Bank Australia Limited which was secured by fixed and floating charges over the consolidated entity's assets and were reviewed on an annual basis. The facilities were used for general corporate requirements and attracted variable rates of interest. The facility was terminated on 18 May 2010.

Hire purchase / Finance lease facilities

The consolidated entity's lease liabilities are secured by the leased assets and in the event of default, the leased assets revert to the lessor.

Hire purchase liabilities

Hire purchase liabilities of the consolidated entity are payable as follows:

	Minimum lease payments	Interest	Principal	Consolidated Minimum lease payments	Interest	Principal
<i>In thousands of AUD</i>	2010	2010	2010	2009	2009	2009
Less than one year	9,703	987	8,716	20,284	4,258	16,026
Between one and five years	10,030	671	9,359	50,409	4,948	45,461
	19,733	1,658	18,075	70,693	9,206	61,487

Finance lease liabilities

Finance lease liabilities of the consolidated entity are payable as follows:

	Minimum lease payments	Interest	Principal	Consolidated Minimum lease payments	Interest	Principal
<i>In thousands of AUD</i>	2010	2010	2010	2009	2009	2009
Less than one year	4,138	274	3,864	11,614	1,050	10,564
Between one and five years	1,840	128	1,712	10,044	566	9,478
	5,978	402	5,576	21,658	1,616	20,042

22. Employee benefits

In thousands of AUD

Current liabilities

Liability for long service leave	7,057	6,235
Liability for annual leave	21,611	23,044
Provision for bonuses	5,683	3,233
Other employee benefits	839	1,680
Total current employee benefits	35,190	34,192

Non-current liabilities

Liability for long service leave	2,721	2,240
Total non-current employee benefits	2,721	2,240

Accrued wages and salaries between the last pay date and 30 June 2010 of \$4,061,761 (2009: \$6,847,550) are included within the trade payables and accrued operating expenses balance as disclosed in note 20.

22. Employee benefits (continued)**Superannuation**

Trust Company Superannuation Services Ltd is the Trustee of the Macmahon Employees Superannuation Fund ("the Fund") and is responsible for all areas of compliance with regard to the Fund. All members of the now closed Defined Benefit section were previously invited to transfer their entitlement to the accumulation section of the Fund. At 30 June 2010, only 8 members remained in the Defined Benefit section.

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). The consolidated entity has entered into a Deed of Guarantee with each of these members to ensure that they are not disadvantaged by the transfer and accordingly, provides for the liability of these members, if any.

An actuarial assessment of the Defined Benefit section as at 30 June 2009 was undertaken by Janice Jones F.I.A.A. of PricewaterhouseCoopers. The accumulation section of the Fund has 3,584 members at 30 June 2010. Members can choose both death and total and permanent disablement cover within the fund. The Australian Superannuation Group (WA) Pty Ltd is the Funds administrator. Tower Life and Hanover Re underwrite the insured benefits of the Fund.

All assets are invested with professional investment managers via Equitysuper Pooled Superannuation Trust. Atchison Consultants act as asset consultant 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 assessment by the fund's actuary, the Defined Benefit section of the Fund has adequate net assets to meet vested benefits as at 30 June 2010.

<i>In thousands of AUD</i>	Consolidated	
	2010	2009
Fair value of plan assets	2,330	2,000
Present value of net obligations	(2,015)	(1,946)
	315	54

The differences between the accrued benefits and the net market value of plan assets are recognised in the financial statements in accordance with accounting policy 3(k)(ii). The amount recognised as current service expense in respect of the Defined Benefit section of the Fund during the year was \$217 thousand (2009: \$1,157 thousand).

Contributions to defined contribution plans during the year were \$25,335 thousand (2009: \$36,235 thousand).

23. Share-based payment

Description of the share-based payment transactions

i) Executive Option Scheme

At the 2005 Annual General Meeting the shareholders approved a new Executive Option Scheme ("2005 Scheme"). A summary of the main aspects of the options issued under the 2005 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 options are exercisable in writing by the holder to the Company at any time up to the expiry date or prior to the options lapsing, subject to paragraphs (c) and (l) below.
- c) The options are exercisable in four (4) equal tranches on the 2nd, 3rd, 4th and 5th anniversary of the date of grant. Whether or not options comprised in a tranche may be exercised will depend on whether the performance hurdles for exercise have been met; briefly these are that the Total Shareholder Return (TSR) has been at least 15% per annum compound for all of the measurement periods preceding the date the options become eligible for exercise.
- d) The performance hurdles are cumulative. For example, this means that if the performance hurdle for the first two (2) measurement periods are not met, the first tranche cannot be exercised. However, in the succeeding measurement periods if the cumulative TSR over the subsequent measurement point is more than the 15% annual compounded return, then all unexercised tranches which have passed their exercise date, can be exercised.
- e) Options that are exercisable may be exercised by the holder delivering to the Company before the expiry date a notice specifying the number of options to be exercised, a certificate covering that number of options and payment of the exercise price.
- f) The holder may only exercise all the exercisable options that holder wants to exercise on one occasion; and deliver the written notice referred to in paragraph (e) above within the last week of any calendar month following the date when the options become exercisable.
- g) Shares issued upon the exercise of options will rank equally in all respects with existing shares.
- h) Each option will only entitle the holder to participate in new (other than bonus issue or similar transaction) issues of shares or other securities of the company on the prior exercise of the option (if exercisable) in which case the holder shall be given written notice of the terms of issue to shareholders at least ten (10) business days (being days on which banks are open for business in Perth, Western Australia) before the record date for the issue, to exercise the option.
- i) The unexercised options will not entitle the holder to dividends until the options are exercised.
- j) Options will not be quoted on ASX. Application for listing will be made for shares allotted pursuant to the exercise of options.
- k) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the terms of options will be reconstructed (as appropriate) in a manner which is consistent with the ASX Listing Rules.
- l) As at 30 June 2010 the following options under this scheme are outstanding:
 - 4,834,374 options at 60 cents;
 - 2,000,000 options at 84 cents;
 - 1,132,750 options at 82 cents; and
 - 950,000 options at \$1.62.

23. Share-based payment (continued)**ii) CEO Performance rights**

At the 2009 Annual General Meeting the shareholders approved a Long Term Incentive which will entitle the Chief Executive Officer and Managing Director, Nick Bowen, to be granted 12 million Performance Rights for nil consideration. If vested, the Performance Rights may be exercised by Mr Bowen, upon which the Company will issue one ordinary share per Performance Right to him for nil consideration. Vesting of the Performance Rights is dependent on the criteria detailed below, based on the following periods:

- 6 million Class A Performance Rights – 1 July 2009 to 1 July 2011
- 3 million Class B Performance Rights – 1 July 2009 to 1 July 2012
- 3 million Class C Performance Rights – 1 July 2009 to 1 July 2013

Provided Mr Bowen remains as Managing Director of the Company each class of Performance Rights will vest immediately following the end of the relevant period referred to above, if the following criteria are met in respect of that period:

- One third of the Performance Rights: The Company's Total Shareholder Return ("TSR") will be compared to the mean Reference Group TSR ¹. Macmahon is included in the mean TSR calculation for the ASX 200 Group of Companies sub-group but not for the Peer Group ². The relevant Performance Rights will vest if the Company's TSR is equal to or greater than the mean Reference Group TSR. The TSR growth will be calculated based on the one month average TSR index, as at the start and end of the relevant period.
- Two thirds of the Performance Rights: The Company's TSR will be compared to the TSR of the constituents of each sub-group within the Reference Group for the purpose of determining the Company's rank. The rank within each sub-group is converted to a percentile rating. The average percentile rating of the two sub-groups will be used to determine the proportion of awards that vest as per the scale below. The TSR growth will be calculated based on the one month average TSR index, as at the start and end of the relevant period.

Percentile	Proportion of Performance Rights vesting
Below or equal to 50%	0%
80th and above	100%
Between 50th and 80th	Pro rata between 0% and 100%

¹ Reference Group is comprised of two sub-groups being the ASX 200 Group of Companies and the Peer Group. The Reference Group TSR is the average of the mean TSR for each sub-group within the Reference Group.

² The Peer Group of companies for the above purposes is Ausdrill Limited, Clough Limited, Downer EDI Limited, Leighton Holdings Limited, Monadelphous Group Limited, NRW Holdings Limited, Transfield Services Limited and United Group Limited.

As at 30 June 2010 there are 12,000,000 Performance Rights granted to the Chief Executive Officer.

iii) Executive Equity Plan Performance Rights

In December 2009 the Company introduced the Macmahon Executive Equity Plan to provide certain senior executives and key employees of Macmahon (excluding the Managing Director and Directors) with the opportunity to receive fully paid shares in Macmahon as an incentive, subject to certain specified time restrictions and Performance Conditions.

Under the Plan, Participants were granted Share Performance Rights which, subject to Performance Conditions determined by the Board being satisfied and the Participant remaining an Employee, will entitle the Participant to receive Shares in Macmahon. The number of Share Performance Rights granted to the Participant was determined by the Board. Each Share Performance Right that vests will entitle the Participant to receive one Share, subject to adjustment in accordance with the rules of the Executive Equity Plan.

A summary of the main aspects of the performance rights granted under the Executive Equity Plan is as follows:

- | | |
|--------------------------------|--|
| a) Eligibility | The Plan is open to the senior management group of Macmahon who are determined by the Board to be eligible to participate in the Plan. |
| b) Nature of award | Share Performance Rights are contractual rights to acquire Shares, subject to stated time restrictions and Performance Conditions being met. Each Share Performance Right that vests will entitle the Participant to receive one Macmahon Share (subject to adjustment in accordance with the Rules). |
| c) Consideration | The Participant is not required to make any payment for the Share Performance Rights granted to them, nor for the Shares they become entitled to receive if their Share Performance Rights vest. |
| d) Employee at time of Vesting | For any Share Performance Rights to vest, in addition to any time restrictions and Performance Conditions being satisfied, the Participant must be an Employee at the time the Share Performance Rights are eligible to vest. |
| e) Performance Conditions | Performance Conditions are conditions which need to be satisfied before the Share Performance Rights are eligible to vest, as determined by the Board in its absolute discretion. The extent to which the Share Performance Rights are eligible to vest will depend on the Total Shareholder Return (TSR) performance of Macmahon against a group of entities determined by the Board (50% based on a comparison of the TSR performance of a peer group*, and 50% based on a comparison with the TSR performance of entities included in the S&P/ASX 200). |

* The Peer Group of companies for the above purposes is Ausdrill Limited, Clough Limited, Downer EDI Limited, Leighton Holdings Limited, Monadelphous Group Limited, NRW Holdings Limited, Transfield Services Limited and United Group Limited.

- | | |
|--|--|
| f) Vesting of Share Performance Rights | <p>The Share Performance Rights will become eligible for vesting as follows:</p> <ul style="list-style-type: none"> ■ 25% will be eligible to vest 2 years after the Grant Date if the Participant remains an Employee at the end of that 2 year period (Time-Based Share Performance Rights). ■ The remaining 75% are subject to the TSR Performance Condition (TSR Share Performance Rights). Provided the Participant remains an Employee and Macmahon satisfies the TSR Performance Condition, the TSR Share Performance Rights will become eligible to vest in 4 equal tranches as follows: <ul style="list-style-type: none"> ■ one quarter 2 years after the Grant Date (First Tranche); ■ one quarter 3 years after the Grant Date (Second Tranche); ■ one quarter 4 years after the Grant Date (Third Tranche); and ■ one quarter 5 years after the Grant Date (Fourth Tranche). |
|--|--|

23. Share-based payment (continued)

- g) Performance Periods The Performance Periods are the periods over which TSR performance will be measured. The Performance Periods in relation to the TSR Share Performance Rights are as follows:
- First Tranche – from the Grant Date until the second anniversary of the Grant Date;
 - Second Tranche – from the Grant Date until the third anniversary of the Grant Date;
 - Third Tranche – from the Grant Date until the fourth anniversary of the Grant Date; and
 - Fourth Tranche – from the Grant Date until the fifth anniversary of the Grant Date.
- The TSR Performance Condition is cumulative. The TSR Performance Condition will be tested each June and December for a period up to 5½ years after the Grant Date. If, at the end of a Performance Period, Macmahon's TSR performance has not satisfied the TSR Performance Condition such that none or not all of the Share Performance Rights relating to a particular tranche or tranches are eligible to vest, then provided the TSR Performance Condition is subsequently met when it is tested in the period of up to 5½ years after the Grant Date, the Participants' Share Performance Rights will be eligible to vest. Any Share Performance Rights that are subject to the TSR Performance Condition that do not vest by the end of that 5½ year period will lapse.
- h) Trust for Shares The Trustee will acquire Shares under the Trust to satisfy entitlements under Share Performance Rights. Unless and until Share Performance Rights vest, the Participants have no interest whatsoever in any Shares held by the Trustee. The Trustee will apply all rights and benefits received in respect of such Shares for the general purposes of the Trust.
- i) Allocation of Shares when Share Performance Rights vest When Share Performance Rights vest, the Board will provide Participants with a Vesting Notice, specifying the number of Vested Plan Shares they are entitled to receive in respect of their vested Share Performance Rights. Those Vested Plan Shares will be allocated to the Participants under the Trust. Once the Participants receive a Vesting Notice, they may apply to the Board to have the Trustee transfer their Vested Plan Shares to them. To do this the Participants need to give the Board notice of their intention to withdraw their Vested Plan Shares from the Trust by lodging a Withdrawal Notice with the Company Secretary.
- Participants may elect to leave their Vested Plan Shares in the Trust, for a period of no longer than 7 years after the Grant Date.
- j) Dividends and dividend reinvestment Once Vested Plan Shares have been allocated to Participants in the Trust, dividends paid on those Vested Plan Shares whilst they remain in the Trust will be paid to them by the Trustee. Similarly, once Vested Plan Shares have been allocated to the Participants, they may also participate in any dividend reinvestment plan of Macmahon in respect of Vested Plan Shares held in the Trust.
- k) Capital Reconstructions If Macmahon reconstructs its capital in any way, Share Performance Rights or the number of Shares the Participant is entitled to receive if the Share Performance Rights vest will be adjusted in the manner determined by the Board and consistent with the ASX Listing Rules with the intention that the Participant is not disadvantaged.
- l) Rights issues The Participant will only be entitled to participate in a rights issue in respect of their Vested Plan Shares if those Vested Plan Shares have been removed from the Trust.
- m) Cessation of Employment If the Participant ceases employment they must prior to the last date of their employment with Macmahon request the Trustee to transfer their Vested Plan Shares to them.
- If the Participant ceases employment because of any circumstance beyond their control and Share Performance Rights have not vested, the Board may in its absolute discretion determine that all or a portion of their Share Performance Rights will be eligible to vest notwithstanding that they will not be an Employee at the time the Share Performance rights are eligible to vest. The Performance Conditions applicable to the Share Performance Rights must still be met for the Share Performance Rights to vest.
- n) Change of Control and other events If a change of control of Macmahon occurs (including because of a takeover bid under which a person acquires voting power of 50% or more in Macmahon or a scheme of arrangement in relation to Macmahon is sanctioned by a Court), Macmahon is wound up or Macmahon is delisted before Share Performance Rights Vest, the Board may determine that all or a portion of the Share Performance Rights will vest notwithstanding that time restrictions or Performance Conditions applicable to the Share Performance Rights have not been satisfied

- o) **Dealing restrictions** The grant of Share Performance Rights is personal to the Participants, and they must not transfer, encumber or otherwise deal with (including by way of hedging activities) those Share Performance Rights. Similarly, they must not transfer, encumber or otherwise deal with (including by way of hedging activities) Vested Plan Shares while they remain in the Trust.
- p) **Administration of the Plan** The Plan will be administered by or on behalf of the Board in accordance with the Rules.

As at 30 June 2010, there are 14,575,000 Performance Rights outstanding under the Executive Equity Plan.

Disclosure of share options and performance rights

i) Unlisted share options (outstanding at year end)

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2010	2010	2009	2009
<i>In thousands of options</i>				
Outstanding at 1 July	0.78	10,233,624	0.66	14,975,241
Cancelled/lapsed during the period	0.74	(1,316,500)	0.62	(4,779,750)
Exercised during the period	-	-	0.48	(1,561,867)
Granted during the period	-	-	1.62	1,600,000
Outstanding at 30 June	0.79	8,917,124	0.78	10,233,624
Exercisable at 30 June		2,336,811		3,171,686

The options outstanding at 30 June 2010 have an exercise price in the range of \$0.60 to \$1.62.

During the financial year no share options were exercised (2009: 1,561,867).

The fair value of services received in return for share options granted is based on the fair value of options granted, measured using a Monte-Carlo simulation model or a binomial model, incorporating the probability of the relative total shareholder return vesting condition being met, with the following inputs:

Fair value of share options and assumptions	Executive Options 2010	Executive Options 2009
Fair value at measurement date	N/A	\$0.53 - \$0.57
Valuation model	N/A	Monte Carlo
Share price	N/A	\$1.66
Exercise price	N/A	\$1.62
Expected volatility	N/A	40%
Option life (years)	N/A	4.20 - 5.50
Dividend yield	N/A	2.60%
Risk-free interest rate	N/A	6.26% - 6.33%

23. Share-based payment (continued)

Disclosure of share options and performance rights (continued)

ii) Unvested unlisted performance shares (outstanding at year end)

<i>In thousands of shares</i>	Consolidated	
	2010	2009
Balance at 1 July	-	4,000
Incentive shares issued to CEO ¹	-	(4,000)
Balance at 30 June	-	-

¹ The conditions for conversion of the performance shares to ordinary shares were met and the performance shares were converted to ordinary shares on 9 July 2008.

iii) Unvested unlisted CEO Performance Rights (outstanding at year end)

<i>In thousands of shares</i>	Consolidated 2010
Balance at 1 July	-
Granted during the year	12,000
Balance at 30 June	12,000

The fair value of services received in return for performance rights granted is based on the fair value of performance rights granted, measured using a Monte-Carlo simulation model, incorporating the probability of the relative TSR vesting condition being met, with the following inputs:

Class	Class A	Class B	Class C
Grant date	30 November 2009	30 November 2009	30 November 2009
Fair value at grant date	\$0.368	\$0.370	\$0.367
Valuation model	Monte-Carlo	Monte-Carlo	Monte-Carlo
Vesting condition	Relative TSR	Relative TSR	Relative TSR
Test date	1 July 2011	1 July 2012	1 July 2013
Share price at grant date	\$0.580	\$0.580	\$0.580
Expected volatility	55%	55%	55%
Expected life (years)	1.6	2.6	3.6
Dividend yield	4.0%	4.0%	4.0%
Risk-free interest rate	4.35%	4.63%	4.84%

iv) Unvested unlisted Executive Performance Rights (outstanding at year end)

In thousands of shares

Consolidated 2010

Balance at 1 July	-
Granted during the year	15,375
Forfeited during the year	(800)
Balance at 30 June	14,575

The fair value of services received in return for performance rights granted is based on the fair value of performance rights granted, measured using a Monte-Carlo simulation model, incorporating the probability of the relative TSR vesting condition being met, with the following inputs:

Grant Date	15 January 2010	15 January 2010	15 January 2010	15 January 2010	15 January 2010
Tranche	n/a	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Vesting Condition	Service condition	Relative TSR	Relative TSR	Relative TSR	Relative TSR
Fair Value	\$0.609	\$0.541	\$0.512	\$0.477	\$0.439
First test date	15 January 2012	15 January 2012	15 January 2013	15 January 2014	15 January 2015
Share price at the grant date	\$0.66	\$0.66	\$0.66	\$0.66	\$0.66
Expected life	2.0 years	2.6 years	3.4 years	4.2 years	5.1 years
Volatility	55%	55%	55%	55%	55%
Risk free interest rate	4.69%	4.86%	5.06%	5.21%	5.32%
Dividend yield	4.0%	4.0%	4.0%	4.0%	4.0%

Employee benefits expense

In thousands of AUD

Consolidated

2010 2009

Shares and share options granted in 2006 - equity settled	315	164
Shares and share options granted in 2007 - equity settled	111	165
Shares and share options granted in 2008 - equity settled	2	5
Shares and share options granted in 2009 - equity settled	130	171
Performance rights granted in 2010 - equity settled	3,064	-
Total expense recognised within employee benefits expense	3,622	505

24. Provisions

The provision for project closure represents the present value of the costs that will be required under the consolidated entity's project closure obligations per accounting policy 3(l).

<i>In thousands of AUD</i>	Consolidated	
	2010	2009
Current liabilities		
Provisions	4,884	7,067
	4,884	7,067

<i>In thousands of AUD</i>	Consolidated
Balance at 1 July 2009	7,067
Provisions made during the year	10,557
Provisions used during the year	(11,582)
Provisions reversed during the year	(1,158)
Balance at 30 June 2010	4,884

25. Capital and reserves

Share Capital

<i>In thousands of shares</i>	The Company	
	Number of ordinary shares	
	2010	2009
On issue at 1 July	733,712	535,328
Issued during the year	-	198,384
On issue at 30 June - fully paid	733,712	733,712

Issuance of ordinary shares

The consolidated entity has not issued any new shares (2009: 187,389,451 shares, excluding options converted) during the year.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Translation reserve

The translation reserve comprises all foreign exchange currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity and exchange differences on net investment in foreign operations.

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the trustee of an equity compensation plan that the consolidated entity is required to include in the consolidated financial statements. At 30 June 2010 the consolidated entity held 5,076 thousand (2009: nil) of the Company's shares.

Dividends

The following dividends were declared and paid by the consolidated entity:

<i>In thousands of AUD</i>	Cents per share	Total amount	Franked / Unfranked	Date of payment
2010				
Interim 2010 ordinary	1.5	11,006	Unfranked	12 April 2010
Final 2009 ordinary	N/A	-	N/A	N/A
		<u>11,006</u>		
2009				
Interim 2009 ordinary	1.5	8,195	Franked	7 April 2009
Final 2008 ordinary	3.5	18,928	Franked	10 October 2008
		<u>27,123</u>		

Franked dividends declared or paid in the previous year were fully franked at the tax rate of 30%.

After the balance sheet date, the following dividend was proposed by the Directors. The dividend has not been provided for. The declaration and subsequent payment of dividend has no income tax consequences.

<i>In thousands of AUD</i>	Cents per share	Total amount	Franked / Unfranked	Date of payment
Final 2010 ordinary	1.5	11,006	Unfranked	13 October 2010

The financial effect of this dividend has not been recognised in the financial statements for the year ended 30 June 2010 and will be recognised in subsequent financial reports.

Dividend franking account

<i>In thousands of AUD</i>	The Company	
	2010	2009
30% franking credits available to shareholders of Macmahon Holdings Ltd for subsequent financial years	(1,634)	(1,634)

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment / (refund) of the current tax liabilities;
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end; and
- franking credits that the entity may be prevented from distributing in subsequent years.

26. Financial instruments

i) Credit risk

Exposure to credit risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at the reporting date was:

<i>In thousands of AUD</i>	Consolidated Carrying amount	
	2010	2009
Receivables	67,428	81,910
Cash and cash equivalents	102,193	109,286
	169,621	191,196

Trade receivables are shown net of an impairment loss of nil (2009: nil).

The consolidated entity's maximum exposure to credit risk for receivables at the reporting date by geographic region was:

<i>In thousands of AUD</i>	Consolidated Carrying amount	
	2010	2009
Australasia	62,117	80,650
South East Asia	3,569	1,170
Africa	1,742	-
Europe	-	90
	67,428	81,910

The consolidated entity's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

<i>In thousands of AUD</i>	Consolidated Carrying amount	
	2010	2009
Mining Customers	43,225	53,093
Construction Customers	16,557	22,072
Others	7,646	6,745
	67,428	81,910

The consolidated entity's most significant customer, a mining and construction customer, accounts for \$4,852,195 (2009: \$21,377,000) of the trade receivables carrying amount at 30 June 2010.

Impairment losses

The ageing of the consolidated entity's trade receivables which are past due at the reporting date was:

<i>In thousands of AUD</i>	Consolidated			
	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
Past due 0 - 30 days	13,172	-	7,604	-
Past due 31 - 120 days	6,085	-	7,350	-
Past due more than 120 days	566	-	1,340	-

Based on historic default rates, the consolidated entity believes that no impairment allowance is necessary in respect of trade receivables as all customers have a good credit history with the consolidated entity.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the consolidated entity is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. At 30 June 2010 the consolidated entity does not have any collective impairment on its trade receivables (2009: nil).

ii) Liquidity risk

The following are contractual maturities of financial liabilities including estimated interest payments:

30 June 2010

In thousands of AUD

Non-derivative financial liabilities

	Carrying amount	Contractual cash flows	Consolidated 12 months or less	1-5 years	More than 5 years
Term facility	34,766	(48,029)	(8,415)	(39,614)	-
Hire purchase liabilities	18,075	(19,733)	(9,703)	(10,030)	-
Finance lease liabilities	5,576	(5,978)	(4,138)	(1,840)	-
Trade and other payables *	118,429	(118,429)	(118,429)	-	-
	176,846	(192,169)	(140,685)	(51,484)	-

* includes interest rate swaps of \$182 thousand with contractual cash flows of \$182 thousand.

30 June 2009

In thousands of AUD

Non-derivative financial liabilities

	Carrying amount	Contractual cash flows	Consolidated 12 months or less	1-5 years	More than 5 years
Term facility	29,585	(32,138)	(1,513)	(30,625)	-
Hire purchase liabilities	61,487	(70,693)	(20,284)	(50,409)	-
Finance lease liabilities	20,042	(21,658)	(11,614)	(10,044)	-
Loan from minority shareholder	20	(21)	(21)	-	-
Trade and other payables	154,934	(154,934)	(154,934)	-	-
	266,068	(279,444)	(188,366)	(91,078)	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

26. Financial instruments (continued)

iii) Currency risk

Exposure to currency risk

The consolidated entity's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

<i>In thousands of AUD</i>	30 June 2010				30 June 2009			
	NZD	MYR	USD	NGN	NZD	MYR	USD	NGN
Trade receivables	10	1,629	1,616	1,693	3	3,598	124	-
Trade payables	(702)	(439)	-	(272)	(1,555)	(1,116)	-	-
Gross balance sheet exposure	(692)	1,190	1,616	1,421	(1,552)	2,482	124	-

The following significant exchange rates applied during the year:

AUD 1	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
NZD	1.2552	1.2291	1.2308	1.2428
MYR	2.9840	2.6174	2.7747	2.8569
USD	0.8821	0.7477	0.8523	0.8114
NGN	130.7900	-	126.1800	-

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

<i>Effect In thousands of AUD</i>	Consolidated			
	2010		2009	
	Equity	Profit/loss	Equity	Profit/loss
NZD	(29)	181	(99)	532
MYR	(1,108)	43	(789)	183
USD	(187)	6	(152)	25
NGN	(44)	15	-	-

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

iv) Interest rate risk

Profile

At the reporting date, the interest rate profile of the consolidated entity's interest-bearing financial instruments was:

<i>In thousands of AUD</i>	Consolidated Carrying amount	
	2010	2009
Fixed rate instruments		
Financial assets	-	1,938
Financial liabilities	(23,651)	(81,549)
	(23,651)	(79,611)
Variable rate instruments		
Financial assets	102,193	109,286
Financial liabilities	(34,766)	(29,585)
	67,427	79,701

Fair value sensitivity analysis for fixed rate instruments

The consolidated entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased / (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

<i>Effect in thousands of AUD</i>	Consolidated			
	Profit or loss 100bp increase	Profit or loss 100bp decrease	Equity 100bp increase	Equity 100bp decrease
30 June 2010				
Variable rate instruments	1,022	(1,022)	-	-
Interest rate swap	-	-	389	(388)
Cash flow sensitivity	1,022	(1,022)	389	(388)
30 June 2009				
Variable rate instruments	797	(797)	-	-
Interest rate swap	-	-	-	-
Cash flow sensitivity	797	(797)	-	-

26. Financial instruments (continued)

v) Fair values

Fair values versus carrying amounts

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

<i>In thousands of AUD</i>	Consolidated			
	30 June 2010		30 June 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets/Liabilities carried at amortised cost				
Receivables	67,428	67,428	81,910	81,910
Cash and cash equivalents	102,193	102,193	109,286	109,286
Term facility ¹	(34,766)	(39,448)	(29,585)	(26,645)
Hire purchase liabilities	(18,075)	(17,023)	(61,487)	(56,898)
Finance lease liabilities	(5,576)	(5,278)	(20,042)	(18,650)
Loan from minority shareholder	-	-	(20)	(20)
Trade and other payables ²	(118,429)	(118,429)	(154,934)	(154,934)
	(7,225)	(10,557)	(74,872)	(65,951)

¹ Carrying amount is net of transaction costs.

² Includes interest rate swaps of \$182 thousand.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the forward yield curve at the reporting date plus an adequate credit spread, and were as follows:

	Consolidated	
	2010	2009
Term facility	9.12%	9.29%
Hire purchase	9.12%	10.00%
Finance lease	9.12%	10.00%

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

In thousands of AUD

30 June 2010

Interest rate swap

	Level 1	Level 2	Level 3	Total
	-	182	-	182
	-	182	-	182

30 June 2009

Interest rate swap

	-	-	-	-
	-	-	-	-

27. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD

Offices and industrial workshop facilities

Less than one year

Between one and five years

More than five years

Plant and equipment facilities

Less than one year

Between one and five years

More than five years

	Consolidated	
	2010	2009
	8,024	8,143
	30,339	31,503
	18,330	25,190
	18,900	18,078
	75,470	78,846
	-	1,403
	151,063	163,163

During the year ended 30 June 2010, \$24,701,225 was recognised as an expense in profit or loss in respect of operating leases (2009: \$20,942,020). Operating leases relate to offices, industrial workshop facilities and plant and equipment.

The consolidated entity leases a number of offices and industrial workshop facilities. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Some leases provide for additional payments that are based on changes in a local price index or CPI. The consolidated entity does not have an option to purchase the leased assets at the expiry of their lease period.

In October 2007, the consolidated entity entered into an operating lease facility for plant and equipment. The operating lease facility included a \$230 million domestic facility and a US\$50 million international facility. The leases typically ran for a term of 3 to 5 years with an option to extend for up to 1 to 2 years after that date. The overseas facility had not been utilised. The consolidated entity has an option to purchase the assets at the expiry of their lease period.

This \$230 million domestic facility and US\$50 million overseas facility expired on 31 October 2009. Outstanding individual lease agreements drawn under the facility remain in place until their expiry date. As at 30 June 2010, the domestic operating lease facility was drawn down by \$78.1 million. There are no outstanding lease agreements under the overseas facility.

28. Capital commitments

In thousands of AUD

Capital expenditure commitments

Plant and equipment

Contracted but not provided for and payable:

Within one year

Consolidated	
2010	2009
9,802	9,839
9,802	9,839

29. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement. The following identifiable contingencies exist at 30 June 2010:

In thousands of AUD

Consolidated	
2010	2009
Bank guarantees ^{1,2}	74,966
Insurance performance bonds ¹	77,619
	49,788
	73,886

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 Bank guarantees under the new SFA Tranche B are currently back to back with the ANZ and HSBC. This will continue until such time that the ANZ and HSBC guarantees are returned and reissued (under the new SFA terms) by the holders of the guarantees.

Certain members of the consolidated entity have the normal contractor's liability in relation to contracts. This liability may include claims by or against the consolidated entity and / or joint venture arrangements in which the consolidated entity has an interest. It is not possible to estimate the financial effect of these claims should they be successful. The Board of Directors is of the opinion that adequate allowance has been made and that disclosure of any further information about the claims would be prejudicial to the interests of the consolidated entity.

30. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2010 the parent company of the consolidated entity was Macmahon Holdings Limited.

<i>In thousands of AUD</i>	Company	
	2010	2009
Result of the parent entity		
Profit for the year	10,426	23,571
Other comprehensive income	-	-
Total comprehensive income for the year	10,426	23,571
Financial position of parent entity at year end		
Current assets	73,733	95,636
Total assets	324,307	347,632
Current liabilities	1,519	2,453
Total liabilities	9,918	32,045
Total equity of the parent entity comprising of:		
Share capital	307,963	308,283
Reserve for own shares	(3,567)	-
Retained earnings	9,993	7,304
Total equity	314,389	315,587

Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

<i>In AUD</i>	Company	
	2010	2009
Contingent liabilities not considered remote		
Unsecured bank guarantees	23,652	81,529

Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 34.

31. Group entities

	Country of incorporation	Ownership Interest	
		2010	2009
Parent entity			
Macmahon Holdings Limited	Australia		
Directly controlled by Macmahon Holdings Limited			
Macmahon Contractors Pty Ltd	Australia	100%	100%
Macmahon Underground Unit Trust	Australia	100%	100%
Macmahon Properties Pty Ltd	Australia	100%	100%
Macmahon (Southern) Pty Ltd	Australia	100%	100%
Macmahon Mining Services Pty Ltd	Australia	100%	100%
Macmahon Construction Pty Ltd	Australia	100%	100%
Macmahon Civil Construction Pty Ltd	Australia	100%	100%
Doom-Djil Yoordaning Mining and Construction Pty Ltd	Australia	100%	100%
Macmahon Rail Holdings Pty Ltd (Receivers and Managers Appointed) ¹	Australia	100%	100%
Thomco (No. 2020) Pty Ltd (Receivers and Managers Appointed) ¹	Australia	100%	100%
Macmahon Underground Pty Ltd	Australia	50%	50%
Macmahon Africa Pty Ltd (formerly known as Leo & Green Pty Ltd)	Australia	100%	-
Macmahon Holdings Executive Equity Plan Trust A/c	Australia	100%	-
Directly controlled by Macmahon Contractors Pty Ltd			
Macmahon Contractors (WA) Pty Ltd	Australia	100%	100%
Macmahon Africa Pty Ltd (formerly known as Leo & Green Pty Ltd)	Australia	-	100%
Macmahon Contractors (NZ) Ltd	New Zealand	100%	100%
Macmahon Contracting International Pte Ltd	Singapore	100%	100%
PT Macmahon Indonesia	Indonesia	1%	1%
Directly controlled by Macmahon (Southern) Pty Ltd			
Macmahon Malaysia Pty Ltd	Australia	100%	100%
MVM Rail Pty Ltd	Australia	60%	60%
Macmahon Underground Pty Ltd	Australia	50%	50%
Directly controlled by Macmahon Rail Holdings Pty Ltd (Receivers and Managers Appointed) ¹			
Macmahon Rail Investments Pty Ltd (Receivers and Managers Appointed) ¹	Australia	100%	100%
Macmahon Rail Operations Pty Ltd (Receivers and Managers Appointed) ¹	Australia	100%	100%
Directly controlled by Thomco (No. 2020) Pty Ltd (Receivers and Managers Appointed) ¹			
Thomco (No. 2021) Pty Ltd (Receivers and Managers Appointed) ¹	Australia	100%	100%
Thomco (No. 2022) Pty Ltd (Receivers and Managers Appointed) ¹	Australia	100%	100%
Directly controlled by Macmahon Africa Pty Ltd			
Macmahon Contractors Nigeria Ltd	Nigeria	99%	-
Directly controlled by Macmahon Contracting International Pte Ltd			
PT Macmahon Indonesia	Indonesia	99%	99%
Directly controlled by Macmahon Malaysia Pty Ltd			
Macmahon Sdn Bhd	Malaysia	100%	100%
Directly controlled by Macmahon Sdn Bhd			
Macmahon Constructors Sdn Bhd	Malaysia	100%	100%
Macmahon Contractors Nigeria Ltd	Nigeria	1%	-
Directly controlled by MVM Rail Pty Ltd			
MVM (Malaysia) Sdn Bhd	Malaysia	100%	100%

¹ These companies were incorporated to hold the Macmahon obligations in relation to the ownership of the Alice Springs to Darwin railway line and to hold the Macmahon interest in Asia Pacific Transport Pty Ltd. On 6 November 2008 receivers and managers were appointed to the companies. Carrying amounts on these companies have been written down to zero. Macmahon does not expect that the receivership and management of these companies will have any impact on any entities within the Macmahon group.

Associates – non active

	Country of incorporation	Ownership Interest		Carrying Amount of Investment	
		2010	2009	2010	2009
Bluff Harbour Pty Ltd	Australia	50%	50%	(i)	(i)
Encounter Lakes Pty Ltd	Australia	50%	50%	(i)	(i)

(i) 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 investments is zero.

There are no contingent liabilities for the above associates.

32. Reconciliation of cash flows from operating activities

In thousands of AUD	Note	Consolidated	
		2010	2009
Cash flows from operating activities			
Profit for the year		38,803	18,279
Adjustments for:			
Depreciation of property plant and equipment	18	39,202	42,264
Amortisation of intangibles	19	4,318	455
Impairment loss of property plant and equipment	18	789	1,121
Interest expense	9	8,016	11,243
Share of profit of joint controlled entities	16	(34,368)	(13,622)
Gain on sale of plant and equipment	7	(1,154)	(822)
Equity-settled share-based payment expense	23	3,622	505
Unrealised foreign exchange difference		93	-
Income tax expense	10	10,652	2,651
Operating profit before changes in working capital and provisions		69,973	62,074
Net cash received from jointly controlled entities		14,394	12,051
(Increase) / Decrease in trade and other receivables		74,202	22,355
(Increase) / Decrease in inventories		1,647	(5,242)
Increase / (Decrease) in trade and other payables		(36,505)	(11,992)
Increase / (Decrease) in employee benefits and provisions		(704)	124
Interest paid		(8,016)	(11,243)
Income tax refunded / (paid)		2,111	(14,733)
Net cash provided by operating activities		117,102	53,394

33. Related parties

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive Directors

Non-executive Chairman	K B Scott-Mackenzie (appointed 27 November 2009)
	R J Carter (retired on 27 November 2009)
Non-executive Directors:	B L Cusack
	B R Ford
	J C Massey
	V A Vella
	D M Smith (appointed 1 April 2010)

Executive Director	N R Bowen (Chief Executive Officer & Managing Director)
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Key Executives

R A Carroll	(Chief Financial Officer & Director International Mining)
P F Doyle	(Executive General Manager, Construction)
N J Wilson	(Executive General Manager, Health, Safety, Environment and Quality)
F E Ramsay	(Executive General Manager, Surface Mining)
G J Miller	(General Manager, Underground)
S G Maddison	(General Manager, Plant)
D J Jaksa	(Group General Manager People and Organisational Development)

Compensation for key management personnel included within employee benefits expense is as follows:

<i>In AUD</i>	Consolidated	
	2010	2009
Short-term employee benefits	6,951,166	4,433,176
Post-employment benefits	419,507	485,370
Share based payments	2,351,412	215,713
Termination payments	-	1,647,649
	9,722,085	6,781,908

Individual directors and executives compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note or in the Remuneration Report, no director or executive has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' or executives' interests existing at year end.

i) Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Macmahon Holdings Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2010	Held at 1 July 2009	Granted as compensation	Exercised	Other changes ¹	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors							
K B Scott-Mackenzie	-	-	-	-	-	-	-
R J Carter ²	-	-	-	-	-	-	-
N R Bowen	-	-	-	-	-	-	-
B L Cusack	-	-	-	-	-	-	-
B R Ford	-	-	-	-	-	-	-
J C Massey	-	-	-	-	-	-	-
V A Vella	-	-	-	-	-	-	-
D M Smith ³	-	-	-	-	-	-	-
Executives							
R A Carroll	2,000,000	-	-	-	2,000,000	-	500,000
N J Wilson	600,000	-	-	(200,000)	400,000	-	200,000
P F Doyle	500,000	-	-	-	500,000	-	-
F E Ramsay	75,000	-	-	-	75,000	-	-
G J Miller	112,500	-	-	-	112,500	-	46,875
S G Maddison	375,000	-	-	-	375,000	-	125,000
D J Jaksa	-	-	-	-	-	-	-

2009	Held at 1 July 2008	Granted as compensation	Exercised	Other changes ¹	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors							
R J Carter	1,000,000	-	(1,000,000)	-	-	-	-
N R Bowen	-	-	-	-	-	-	-
B L Cusack	-	-	-	-	-	-	-
M A Kinnaird ⁴	1,000,000	-	-	(1,000,000)	-	-	-
B R Ford	-	-	-	-	-	-	-
J C Massey	-	-	-	-	-	-	-
V A Vella	-	-	-	-	-	-	-
K B Scott-Mackenzie ⁵	-	-	-	-	-	-	-
Executives							
R A Carroll	2,000,000	-	-	-	2,000,000	500,000	500,000
M A Hine ⁶	2,200,000	-	(200,000)	(2,000,000)	-	500,000	-
N J Wilson	671,429	-	(71,429)	-	600,000	100,000	400,000
P F Doyle	-	500,000	-	-	500,000	-	-
M A Narustrang ⁷	-	250,000	-	(250,000)	-	-	-

¹ Other changes relate to options that were cancelled during the year

² R J Carter retired on 27 November 2009

³ D M Smith was appointed on 1 April 2010

⁴ M A Kinnaird retired on 31 May 2009

⁵ K B Scott-Mackenzie was appointed on 12 May 2009

⁶ M A Hine resigned on 20 March 2009

⁷ M A Narustrang resigned on 9 April 2009

Note: M H Hamilton is not included above as he is an executive, not key management personnel

33. Related parties (continued)

ii) Movements in shares

The movement during the reporting period in the number of ordinary shares in Macmahon Holdings Limited held, directly, indirectly, or beneficially, by each key management person, including their related parties, is as follows:

2010	Held at 1 July 2009	Purchases ¹	Received on exercise of options / granted	Net change other ²	Held at 30 June 2010
Directors					
K B Scott-Mackenzie	-	50,000	-	-	50,000
R J Carter ³	1,494,304	-	-	-	1,494,304
N R Bowen	17,389,604	-	-	(1,500,000)	15,889,604
B L Cusack	900,000	-	-	-	900,000
B R Ford	122,782	-	-	-	122,782
J C Massey	120,000	-	-	-	120,000
V A Vella	193,378	-	-	-	193,378
D M Smith ⁴	-	-	-	-	-
Executives					
R A Carroll	80,000	-	-	-	80,000
N J Wilson	-	-	-	-	-
P F Doyle	-	-	-	-	-
F E Ramsay	-	-	-	-	-
G J Miller	-	-	-	-	-
S G Maddison	187,163	-	-	-	187,163
D J Jaksa	-	-	-	-	-

2009	Held at 1 July 2008	Purchases ¹	Received on exercise of options / granted	Net change other ²	Held at 30 June 2009
Directors					
R J Carter	245,253	249,051	1,000,000	-	1,494,304
N R Bowen	10,532,829	6,856,775	-	-	17,389,604
B L Cusack	750,000	150,000	-	-	900,000
M A Kinnaird ⁵	245,624	-	-	-	245,624
B R Ford	100,000	22,782	-	-	122,782
J C Massey	40,000	80,000	-	-	120,000
V A Vella	30,442	162,936	-	-	193,378
K B Scott-Mackenzie ⁶	-	-	-	-	-
Executives					
R A Carroll	30,000	50,000	-	-	80,000
M A Hine ⁷	-	4,636	200,000	(150,000)	54,636
N J Wilson	-	-	71,429	(71,429)	-
P F Doyle	-	-	-	-	-
M A Narustrang ⁸	-	-	-	-	-

¹ Including Dividend Reinvestment Plan, rights issue and conversion of performance shares for Mr Bowen

² Sale of shares

³ R J Carter retired on 27 November 2009

⁴ D M Smith was appointed on 1 April 2010

⁵ M A Kinnaird retired on 31 May 2009

⁶ K B Scott-Mackenzie was appointed on 12 May 2009

⁷ M A Hine resigned on 20 March 2009

⁸ M A Narustrang resigned on 9 April 2009

Note: M H Hamilton is not included above as he is an executive, not key management personnel

iii) Performance rights over equity instruments

The movement during the reporting period in the number of performance rights over ordinary shares in Macmahon Holdings Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2010	Held at 1 July 2009	Granted as compensation	Exercised	Other changes	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors							
K B Scott-Mackenzie	-	-	-	-	-	-	-
R J Carter ¹	-	-	-	-	-	-	-
N R Bowen	-	12,000,000	-	-	12,000,000	-	-
B L Cusack	-	-	-	-	-	-	-
B R Ford	-	-	-	-	-	-	-
J C Massey	-	-	-	-	-	-	-
V A Vella	-	-	-	-	-	-	-
D M Smith ²	-	-	-	-	-	-	-
Executives							
R A Carroll	-	2,000,000	-	-	2,000,000	-	-
N J Wilson	-	400,000	-	-	400,000	-	-
P F Doyle	-	1,500,000	-	-	1,500,000	-	-
F E Ramsay	-	500,000	-	-	500,000	-	-
G J Miller	-	400,000	-	-	400,000	-	-
S G Maddison	-	300,000	-	-	300,000	-	-
D J Jaksa	-	150,000	-	-	150,000	-	-

¹ R J Carter retired on 27 November 2009

² D M Smith was appointed on 1 April 2010

³ The performance rights were granted under the Executive Equity Plan on 15 January 2010

Note: M H Hamilton is not included above as he is an executive, not key management personnel

iv) Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see note 31), jointly controlled entities (see note 16) and with its key management personnel.

v) Other related party transactions

	Transactions value year ended 30 June		Balance outstanding as at 30 June	
	2010	2009	2010	2009
<i>In thousands of AUD</i>				
Consolidated				
Jointly controlled joint ventures - provision of contract services	61,925	26,210	9,971	4,260

vi) Subsidiaries

There were no related party transactions between the Company and its subsidiaries during the year except for loans and borrowings (2009: Dividends of \$38 million were declared by subsidiaries payable to the Company).

34. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that Macmahon Holdings Limited ("the Company") and each of the subsidiaries below enter into a Deed of Cross Guarantee ("Deed"). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the deed are:

- Macmahon Southern Pty Ltd
- Macmahon Mining Services Pty Ltd
- Macmahon Underground Pty Ltd
- Macmahon Contractors Pty Ltd

Macmahon Southern Pty Ltd and Macmahon Mining Services Pty Ltd entered into the Deed of Cross Guarantee with the Company on 16 June 2008. Macmahon Underground Pty Ltd and Macmahon Contractors Pty Ltd became parties to the Deed on 12 January 2009 and 24 June 2010 respectively, by virtue of Deeds of Assumption.

A consolidated income statement and consolidated balance sheet, comprising the Company and its controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2010 (for the entire financial year) is set out as follows.

Statement of comprehensive income and retained earnings

In thousands of AUD

	Consolidated	
	2010 ²	2009 ^{1,2}
Revenue	723,224	89,450
Operating expenses	(684,917)	(65,507)
Finance income	2,095	2,202
Finance costs	(6,380)	(3,652)
Share of profit of jointly controlled entities accounted for using the equity method	15,279	-
Profit before tax	49,301	22,493
Income tax expense	(3,553)	(513)
Profit after tax	45,748	21,980
Other comprehensive income	1,063	-
Total comprehensive income for the year	46,811	21,980
Retained earnings at beginning of the year	6,512	11,150
Accumulated losses at beginning of the year for Macmahon Contractors Pty Ltd	(12,023)	-
Transfers to and from reserves	(1,063)	-
Dividends recognised during the year	(10,978)	(27,123)
Equity settled transactions	3,225	505
Retained earnings at end of the year	32,484	6,512
Attributable to:		
Equity Holders of the Company	45,748	21,980
Profit for the year	45,748	21,980

1 Excluded Macmahon Contractors Pty Ltd as it only became a party to the Deed on 24 June 2010, by virtue of a Deed of Assumption.

2 Excluded results of Macmahon Underground Unit Trust which is not subject to the Deed.

Statement of financial position

In thousands of AUD

	Consolidated	
	2010 ²	2009 ^{1, 2}
Assets		
Current assets		
Cash and cash equivalents	74,685	94,146
Trade and other receivables	60,933	12,520
Inventories	29,056	3,318
Current tax receivables	1,771	6,606
Total current assets	166,445	116,590
Non-current assets		
Trade and other receivables	86,064	168,168
Other financial assets	44,688	38,880
Investments accounted for using the equity method	15,934	-
Deferred tax assets	-	5,194
Property, plant and equipment	216,480	16,789
Intangible assets	28,881	12,946
Total non-current assets	392,047	241,977
Total assets	558,492	358,567
Liabilities		
Current liabilities		
Trade and other payables	89,763	5,720
Loans and borrowings	11,803	79
Employee benefits	27,668	2,785
Provisions	3,710	-
Total current liabilities	132,944	8,584
Non-current liabilities		
Trade and other payables	32,444	5,395
Deferred tax liabilities	13,514	-
Loans and borrowings	39,983	29,753
Employee benefits	2,110	484
Total non-current liabilities	88,051	35,632
Total liabilities	220,995	44,216
Net assets	337,497	314,351
Equity		
Issued capital	307,963	308,284
Reserves	(2,950)	(445)
Retained earnings	32,484	6,512
Total equity	337,497	314,351

¹ Excluded Macmahon Contractors Pty Ltd as it only became a party to the Deed on 24 June 2010, by virtue of a Deed of Assumption.

² Excluded results of Macmahon Underground Unit Trust which is not subject to the Deed.

35. Auditors' remuneration

In AUD

Audit services

KPMG Australia

- Audit and review of financial reports
- Additional costs in respect of prior years
- Other regulatory audit services

Overseas KPMG firms

- Audit and review of financial reports

Other services

KPMG Australia

- Employee migration services
- System implementation assurance
- Other

	Consolidated	
	2010	2009
	478,150	582,715
	30,000	30,000
	6,520	-
	51,750	50,428
	566,420	663,143
	98,239	107,016
	-	93,158
	28,130	1,600
	126,369	201,774

36. Subsequent events

The final 2010 dividend was declared after the reporting date, refer note 25.

Directors' declaration

Directors' declaration

1. In the opinion of the directors of Macmahon Holdings Limited ("the Company"):
 - a) the consolidated financial statements and notes that are contained in pages 39 to 100 and the Remuneration report in the Directors' report, set out on pages 13 to 26, are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2010 and of its performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and its controlled entities identified in note 34 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2010.
4. The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Nick Bowen

Director

Dated at Perth this 27th day of August 2010.



Independent auditor's report to the members of Macmahon Holdings Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising Macmahon Holdings Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 36 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the remuneration report included in Section 11 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Macmahon Holdings Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

A stylized signature of the KPMG firm, written in a cursive script.

KPMG

A handwritten signature of Denise McComish, written in a cursive script.

Denise McComish
Partner

Perth, 27 August 2010

Shareholding summary

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The following details of shareholders of Macmahon Holdings Limited have been taken from the Share Register on 13 September 2010.

a) The twenty largest shareholders held 58.30% of the Ordinary Shares.

b) There were 12,941 ordinary shareholders as follows:

Size of holdings	Ordinary shares
1 - 1,000	1,061
1,000 - 5,000	3,751
5,001 - 10,000	2,665
10,001 - 100,000	5,039
100,000 and over	4254
	<u>12,941</u>

The number of shareholders holding less than a marketable parcel of ordinary shares is 647.

Twenty largest shareholders as at 13 September 2010

Name	Number of ordinary shares held	Percentage of capital held
LEIGHTON HOLDINGS INVESTMENTS PTY LIMITED	139,405,224	19.00
NATIONAL NOMINEES LIMITED	58,680,135	8.00
J P MORGAN NOMINEES AUSTRALIA LIMITED	57,600,756	7.85
HSBC CUSTODY NOMINEES <AUSTRALIA>	53,854,433	7.34
CITICORP NOMINEES PTY LIMITED	37,076,068	5.05
FLEET NOMINEES PTY LIMITED	10,900,000	1.49
ANZ NOMINEES LIMITED <CASH INCOME A/C>	9,799,317	1.34
MR NICHOLAS RONALD BOWEN	9,600,000	1.31
ALKAT PTY LTD <BOWEN WELSH A/C>	6,187,604	0.84
UBS NOMINEES PTY LTD	5,529,224	0.75
JINGIE INVESTMENTS PTY LTD	5,000,000	0.68
QUEENSLAND INVESTMENT CORPORATION	4,341,634	0.59
PACIFIC CUSTODIANS PTY LIMITED <ESOP TST A/C>	4,075,776	0.56
PACIFIC CUSTODIANS PTY LTD <MAH EXEC EQUITY A/C>	4,000,000	0.55
PORTFOLIO CUSTODIAN LIMITED <044846 A/C>	3,768,526	0.51
MR CONWAY JEFFREY JONES	3,727,080	0.51
COGENT NOMINEES PTY LIMITED	3,671,806	0.50
SANPOINT PTY LTD <FIORE FAMILY FUND A/C>	3,600,000	0.49
MR CONWAY JEFFREY JONES	3,522,920	0.48
DALRAN PTY LTD <SMITH FAMILY A/C>	3,394,537	0.46
	<u>427,735,040</u>	<u>58.30</u>

Offices and officers

Substantial shareholders

As at 13 September 2010, the register of substantial shareholders disclosed the following information:

Holders giving notice	Number of ordinary shares in which interest is held
Leighton Holdings Limited	139,405,224

Voting rights

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

- 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.

Company secretaries

E V Gregoriadis
K A Nadebaum

Principal registered office

Level 3, 27 – 31 Troode Street
West Perth WA 6005
Telephone: +61 (08) 9232 1000
Facsimile: +61 (08) 9232 1001

Locations of share registries

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth WA 6000

Securities exchange

The Company is listed on the Australian Securities Exchange.
The Company is listed as "Macmahon" with an ASX code of "MAH"

Other information

Macmahon Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Summary of consolidated results

Statistical summary

	2010	2009	2008	2007	2006
Profit & Loss (\$m)					
Operating Revenue	896.4	1,358.5	1,201.2	910.3	804.0
Joint Venture Revenue	419.9	153.3	63.3	79.1	90.7
Joint Venture Recoveries	(61.9)	(26.2)	(20.2)	(23.4)	(31.0)
Total Revenue	1,254.4	1,485.6	1,244.3	966.0	863.7
EBITDA	99.6	73.6	114.4	96.5	81.7
Depreciation & amortisation	(44.3)	(43.8)	(39.7)	(36.8)	(34.8)
EBIT (underlying)	55.3	29.8	74.7	59.7	46.9
Non-recurring items ¹	-	-	-	14.5	(19.9)
EBIT	55.3	29.8	74.7	74.2	27.0
Net financing costs	(5.8)	(8.9)	(7.5)	(11.1)	(8.1)
Operating profit	49.5	20.9	67.2	63.1	18.9
Tax expense	(10.7)	(2.7)	(17.8)	(18.6)	(11.4)
NPAT attributable to Macmahon	38.8	18.3	49.4	44.5	7.6
Minority interest	(0.9)	(1.1)	(0.6)	-	(0.1)
NPAT	37.9	17.2	48.8	44.5	7.5
Non-recurring items (net of tax) ¹	-	-	-	(11.1)	19.9
Underlying NPAT	37.9	17.2	48.8	33.4	27.4
Balance Sheet (\$m)					
Plant & Equipment	286.3	268.7	257.9	255.7	245.4
Total assets	577.1	626.2	630.2	559.8	486.7
Net assets	339.7	311.0	251.0	211.1	171.9
Net debt	(43.8)	1.8	29.2	54.8	75.0
Cashflow (\$m)					
EBITDA	99.6	73.6	114.4	96.5	81.7
Net interest paid	(5.8)	(8.9)	(7.5)	(11.0)	(8.1)
Income tax (paid) / refund	2.1	(14.7)	(10.0)	(5.8)	(1.5)
Miscellaneous	-	-	(0.2)	10.5	(0.3)
Working capital and provisions decrease / (increase)	21.2	3.4	(8.0)	(21.5)	(3.6)
Operating cashflow including JV	117.1	53.4	88.7	68.7	68.2
Investing and financing cashflows (net)	(125.0)	(64.2)	(82.3)	(41.3)	(20.3)
Effect of exchange rates on assets	0.8	0.0	(0.9)	(0.1)	(0.5)
Cash at beginning of FY	109.3	120.1	114.6	87.4	40.0
Closing cash balance	102.2	109.3	120.1	114.6	87.4

¹ Non-recurring items:

- 2007 includes the profit on the sale of Allplant.

Summary of consolidated results continued

Statistical / ratio summary

	2010	2009	2008 ¹	2007 ¹	2006
People & Safety					
Number of employees	3,021	3,098	3,628	3,037	2,757
LTIFR	0.4	0.8	2.0	1.9	0.7
TRIFR	4.6	7.4	12.9	12.7	14.0
Order Book					
Work in hand (\$m)	2,215	1,412	2,138	2,005	1,218
New contracts & extension (\$m)	2,057	1,108	1,377	1,753	1,100
Profit & Loss Ratios					
Revenue growth (%)	(15.6)	19.4	28.8	11.8	35.5
NPAT/Total revenue (%)	3.0	1.2	3.9	3.5	3.2
Net interest cover (x)	9.5	3.4	9.9	5.4	5.8
Basic EPS (cents)	5.17	3.07	9.20	6.41	5.49
Diluted EPS (cents)	5.08	3.06	9.06	6.29	5.45
Balance Sheet Ratios					
Gearing (Net debt/Equity) (%)	(12.9)	0.6	11.6	26.0	43.6
ROC (%)	13.1	6.8	17.4	14.9	15.9
ROE (%)	11.4	5.9	19.4	15.8	15.9
ROA (%)	6.6	2.7	7.7	6.0	5.6
NTA per share (\$)	0.41	0.37	0.41	0.36	0.31
Cashflow Ratios					
Operating cashflow per share (¢)	16.0	7.3	16.6	13.1	13.2
Shareholders					
Shares on issue (m) @ 30 June	733.7	733.7	535.3	524.5	517.0
Share price @ 30 June (¢)	54.5	34.0	166.5	129.0	80.0
Dividend Declared (¢)	3.0	1.5	5.5	3.0	2.0
Percentage franked (%)	-	100.0	100.0	100.0	100.0
Market capitalisation (\$m)	399.9	249.5	891.0	677.0	414.0
Enterprise Value (EV)	356.1	251.3	920.5	731.5	489.0
Price/NTA (x)	1.3	0.9	4.1	3.5	2.6

¹ All statistics are calculated on underlying profit; that is excluding the Allplant sale in 2007 and the impairment of the investment in Asia Pacific Transport (APT) in 2006

EBIT	Earnings before net interest expense and tax expense
EBITDA	Earnings before net interest expense, tax expense, depreciation and amortisation
EV	Enterprise Value, being market capitalisation plus net debt
LTIFR	Lost Time Injury Frequency Rate
TRIFR	Total Recordable Injury Frequency Rate
NPAT	Net Profit After Tax
NTA	Net Tangible Assets
ROC	Return on capital – $\text{EBIT} / \text{Average Capital Employed}$, where Capital Employed is Total Tangible Assets less Payables less Bank Overdraft.
ROE	Return on Equity – $\text{NPAT} / \text{Net Assets at year end}$
ROA	Return on Assets – $\text{NPAT} / \text{Total Assets at year end}$



Calendar of events

26 November 2010
Annual General Meeting

February 2011
Release of half year results

August 2011
Release of full year results

Offices and officers

Company Secretaries
E V Gregoriadis
K A Nadebaum

Principal Registered Office
Level 3, 27 – 31 Troode Street
West Perth WA 6005
Telephone: +61 (08) 9232 1000
Facsimile: +61 (08) 9232 1001

Location of Share Registry
Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth WA 6000

Securities Exchange
The Company is listed on the Australian Securities Exchange. The Company is listed as "Macmahon" with an ASX code of "MAH".

Other information
Macmahon Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Feedback

Macmahon would appreciate your feedback on this report. Your input will assist us to improve as a business and develop our report to further suit your needs. To respond, please either email (investors@macmahon.com.au) or mail to:

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