21 February 2017

Manager, Company Announcements
Australian Stock Exchange Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir

Please find attached the Company's announcement of its interim results for the 2016/17 year, for immediate release to the market.

Included in this announcement is Appendix 4D and Half Yearly Report for the period to 31 December 2016.

Yours faithfully

Steven Perry
Company Secretary
Encl:

BRADKEN LIMITED

Appendix 4D

Half Year Report Period Ended 31 December 2016

Results for Announcement to the Market

		Percentage Change		$'000
Revenues from ordinary activities	Down	6%	to	380,134
Net profit / (loss) from ordinary activities after tax attributable to members	Improved	78%	to	(36,839)
Net profit / (loss) for the period attributable to members	Improved	78%	to	(36,839)
*Underlying net profit / (loss) for the period attributable to members	Up	136%	to	16,807
*Underlying EBITDA for the period attributable to members	Down	1%	to	51,634
**Free Cashflow	Down	10.3%	to	21,836

*Underlying NPAT represents statutory NPAT before, the after tax impact of: significant items, $1.6m foreign exchange gain (Dec 2015 $2.2m loss) and the $1m loss incurred by the Group's UK operations which are currently being divested.

*Underlying EBITDA represents statutory EBITDA before; significant items, $1.6m foreign exchange gain (Dec 2015 $2.2m loss) and the $1m loss incurred by the Group's UK operations which are currently being divested.

**Free cashflow (operating cashflow less cashflow from investing activities, including funds held on deposit) decreased to $21.8m in Dec 2016 from ($24.3m in Dec 2015).

Dividends

	Amount per Security	Percentage Franked
Current period:		
The Directors have not proposed a dividend payment for the current period.		
There was no final dividend paid for the current period.		
Prior corresponding period:		
Interim Dividend	0 cents	-

Net Tangible Assets per Security	
As at 31st December 2016	$1.20
As at 31st December 2015	$1.14

Bradken Limited

Interim Report 31 December 2016

Contents Page

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Bradken Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Corporate directory

Directors	Phil Arnall, B.Com. *Non-Executive Chairman.*	
	Greg Laurie, B.Com. *Non-Executive Director.*	
	David Smith, B.Sc., PhD *Non-Executive Director.*	
	Rupert Harrington, BTech, M.Sc, CDipAF, MAICD *Non-Executive Director.*	
Chief Executive Officer	Paul Zuckerman B.Sc., MBA	
Company Secretary and CFO	Steven Perry, B.Com., MBA, CPA	
Joint Company Secretary	David Chesterfield, MBA	
Principal registered office in Australia	20 McIntosh Drive Mayfield West NSW 2304	Telephone: +61 2 4926 8200
Share registry	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000	Telephone: +61 2 8280 7519
Auditor	Ernst & Young 200 George Street Sydney NSW 2000	
Stock exchange listings	Bradken Limited shares are listed on the Australian Stock Exchange. The home exchange is Sydney.	
Web site address	www.bradken.com	

Directors' Report

Your directors present their report on the consolidated entity consisting of Bradken Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2016.

The following persons were directors of Bradken Limited during the half year and / or up to the date of this report:

Phil Arnall
Non-Executive Chairman

Greg Laurie
Non-Executive Director

David Smith
Non-Executive Director

Rupert Harrington
Non-Executive Director.

Commentary on results and review of operations

	HY16	HY15	Change
NPAT	($36.8m)	($168.1m)	Improved 78%
EBITDA	$9.1m	$13.7m	Down 34%
Underlying NPAT	$16.8m	$7.1m	Up 136%
Underlying EBITDA	$51.6m	$51.9m	Down 1%
Underlying EBITDA margin	13.6%	12.9%	Up 0.7%
Sales revenue	$380.1m	$404.5m	Down 6%
Operating cash flow	$28.4m	$26.9m	Up 5.6%
Underlying earnings / (loss) per share	9.3 cents	4.2 cents	Up 5.1 cents
Dividends per share	0.0 cents	0.0 cents	-
LTIFR	3.2	2.9	-

*Underlying NPAT represents statutory NPAT before, the after tax impact of: significant items, $1.6m foreign exchange gains (Dec 2015 $2.2m loss) and the $1.0m loss incurred by the Group's UK operations which are currently being divested.

*Underlying EBITDA represents statutory EBITDA before; significant items, $1.6m foreign exchange gain (Dec 2015 $2.2m loss) and the $1.0m loss incurred by the Group's UK operations which are currently being divested.

Net loss after tax attributable to shareholders for the half year was $36.8m loss (2015 $168.1m loss).

Review of the operations

Mobile Plant segment sales increased by 11% on 1H16. Flat sales of mining consumables globally and a reduction in the Australian and New Zealand Industrial segments were more than offset by higher Rail Capital and Maintenance sales, predominantly for a Livestock Wagon contract in Queensland won in the prior period. The division remained focused on further developing its mining consumables product offering and consolidating its global footprint.

Mining Fixed Plant sales increased 5% on 1H16, aided by the acquisition of the Indian foundry. The business continues to be successful in winning new mill liner work in key mining regions and has begun migrating product from higher cost foundries into the new Indian plant. In the Pilbara region, the wear liner business was successful in winning further major refurbishment contracts with top tier miners and gained further market penetration of its Smart liner system.

Engineered Products sales revenue was down 36% compared with 1H16, principally reflecting softening in the locomotive rail, reflecting reduced coal and crude carloads, and energy markets, following the significant decline in oil and natural gas prices through the end of FY16. The business has undergone significant restructuring, including the closure of the Chehalis foundry in 2015 and a production line in Atchison in early 2016. In August 2016, the business announced the mothballing of the Amite facility and the consolidation of the work there into the Atchison operation. That plan is near complete, with certain after cast work currently remaining at Amite.

Financial Overview

Revenues declined 6% to $380 million compared with 1H16, reflecting flat conditions in the mining related businesses (Mobile Plant and Mining Fixed Plant) and further deterioration in the US Engineered Products business.

Despite revenue softness, Bradken is expected to deliver an underlying EBITDA of approximately $52 million for 1H17 as a result of management's ongoing transformation plan and cost-out initiatives. EBITDA remains unchanged from the previous corresponding period and in line with previous guidance.

Underlying EBITDA excludes further expenses relating to restructuring and rail warranties of $24 million and the accounting loss on the conversion of the redeemable preference shares of $36 million. Based on management accounts, underlying NPAT is $17 million and statutory NPAT is expected to be a loss of $37 million.

Free cash flow was strong and in line with guidance at $22 million after a further payment of $10 million for the purchase of the Indian foundry.

Net Debt (including restricted cash and excluding leases) reduced 23% to $271 million and remains comfortably within the banking covenants. Bradken remains committed to further de-levering its balance sheet from improvements flowing from the recent strategic business review.

Bradken's work in hand remains stable at $379 million with the Company's order book reflecting some early signs of positive momentum in mining services, offsetting challenging US industrial sales.

Segment revenues and results

A summary of consolidated revenues and results for the half year by significant industry segments is set out on pages 13 and 14.

Corporate activity

During October 2016 Bradken announced that it had entered into a bid implementation agreement with Hitachi Construction Machinery Co.Ltd for it to make a cash takeover offer for 100% of the ordinary shares of Bradken at $3.25 per share. The offer period will close at 7.00pm (AEDT) on Friday, 24th February 2017 subject to extensions.

Subsequent events

There has not arisen in the interval between the end of the interim period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of this report.

Rounding of amounts

The company is of a kind referred to in ASIC Corporations instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the director's report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order unless otherwise noted.

This report is made in accordance with a resolution of directors.

Phil Arnall
Non-Executive Chairman.

Newcastle
20 February 2017

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Bradken Limited

As lead auditor for the review of Bradken Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review*;* and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bradken Limited and the entities it controlled during the financial period.

Ernst & Young

Trent van Veen
Partner
Sydney
20 February 2017

	Notes	31 December 2016 $'000	31 December 2015 $'000
Revenue from continuing operations		**380,134**	404,536
Cost of sales		**(313,562)**	(349,905)
Gross profit		**66,572**	54,631
Other income	2	**15,063**	8,329
Selling and technical expenses		**(21,280)**	(27,035)
Administration expenses		**(39,554)**	(32,854)
Revaluation of derivative liability related to redeemable preference shares	2	**(36,300)**	3,400
Finance costs		**(12,415)**	(17,884)
Restructuring and fixed asset impairment costs	2	**(10,181)**	(134,794)
Goodwill and Intangible asset impairment	2	**-**	(64,103)
Impairment of available for sale financial assets	2, 3	**-**	(5,492)
Net loss before income tax		**(38,095)**	(215,802)
Income tax benefit		**1,256**	47,746
Net loss for the half year		**(36,839)**	(168,056)
Net (loss) / profit attributable to:			
Owners of Bradken Limited		**(36,839)**	(168,056)
		(36,839)	(168,056)

	Notes	Cents	Cents
(Loss) / earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic (loss) / earnings per share:	9	**(20.3)**	(98.3)
Diluted (loss) / earnings per share:	9	**(20.3)**	(98.3)

The above consolidated income statement should be read in conjunction with the accompanying notes.

	Notes	31 December 2016 $'000	31 December 2015 $'000
Net (loss) / profit for the half year		**(36,839)**	(168,056)
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		**(1,734)**	(2,016)
Changes in fair value of available for sale financial assets	3	**1,934**	(4,924)
Impairment of available for sale financial assets transferred to profit and loss		**-**	4,924
Income tax relating to these items		**(61)**	605
Exchange differences on translation of foreign operations		**(2,307)**	(6,592)
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on retirement benefit obligations		**10,798**	(3,003)
Other comprehensive (loss) / income for the half year net of tax		**8,630**	(11,006)
Total comprehensive (loss) / income for the half year		**(28,209)**	(179,062)
Total comprehensive (loss) / income for the half year is attributable to:			
Owners of Bradken Limited		**(28,209)**	(179,062)
		(28,209)	(179,062)

The above consolidated statement of comprehensive income / (loss) should be read in conjunction with the accompanying notes.

	Note	31 December 2016 $'000	30 June 2016 $'000
Current assets			
Cash and cash equivalents	10	**40,195**	65,536
Receivables		**116,047**	136,052
Other receivables and other assets		**9,778**	645
Inventories		**170,484**	176,836
Current tax assets		**14,273**	12,379
Derivative financial instruments		**5,070**	4,482
Assets held for sale		**2,393**	14,858
Total current assets		**358,240**	410,788
Non-current assets			
Receivables		**2,428**	2,587
Other receivables and other assets		**3,962**	4,146
Property, plant and equipment		**381,619**	387,017
Deferred tax assets		**73,224**	79,505
Intangible assets		**165,370**	167,836
Available for sale financial assets	3	**3,466**	1,532
Total non-current assets		**630,069**	642,623
Total assets		**988,309**	1,053,411
Current liabilities			
Payables		**108,495**	144,997
Borrowings		**3,995**	7,547
Current tax liabilities		**1,409**	805
Provisions		**57,089**	59,377
Derivative financial instruments		**3,488**	2,697
Total Current Liabilities		**174,476**	215,423
Non-current liabilities			
Payables		**8,517**	8,724
Borrowings		**328,743**	359,306
Redeemable convertible preference shares		**-**	64,750
Deferred tax liabilities		**14,135**	17,154
Provisions		**48,563**	51,992
Total non-current liabilities		**399,958**	501,926
Total liabilities		**574,434**	717,349
Net assets		**413,875**	336,062
Equity			
Contributed equity	8	**653,215**	549,671
Reserves		**92,910**	92,600
Accumulated losses		**(332,250)**	(306,209)
Capital and reserves attributable to the owners of Bradken Limited		**413,875**	336,062
Total equity		**413,875**	336,062

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

		Attributable to owners of Bradken Limited			
		Contributed Equity	Reserves	Retained earnings	Total
	Notes	$'000	$'000	$'000	$'000
Balance at 1 July 2015		**549,671**	**90,445**	**(101,611)**	**538,505**
Net profit / (loss) for the half year		-	-	(168,056)	(168,056)
Other comprehensive income / (loss)		-	(8,003)	(3,003)	(11,006)
Total comprehensive income / (loss) for the half year		**-**	**(8,003)**	**(171,059)**	**(179,062)**
Transactions with owners in their capacity as owners:					
Employee share options - value of employee services		-	746	-	746
		-	**746**	**-**	**746**
Balance at 31 December 2015		**549,671**	**83,188**	**(272,670)**	**360,189**
Balance at 1 July 2016		**549,671**	**92,600**	**(306,209)**	**336,062**
Net (loss) / profit for the half year		-	-	(36,839)	(36,839)
Other comprehensive (loss) / income		-	(2,168)	10,798	8,630
Total comprehensive (loss) / income for the half year		**-**	**(2,168)**	**(26,041)**	**(28,209)**
Transactions with owners in their capacity as owners:					
Issue of capital pursuant to redemption of Preference shares net of transaction costs	8	103,544	-	-	103,544
Employee share options - value of employee services		-	2,478	-	2,478
		103,544	**2,478**	**-**	**106,022**
Balance at 31 December 2016		**653,215**	**92,910**	**(332,250)**	**413,875**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	**31 December 2016 $'000**	31 December 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**436,720**	463,087
Payments to suppliers and employees (inclusive of goods and services tax)		**(395,588)**	(419,560)
		41,132	43,527
Interest received		**3,564**	234
Interest paid		**(18,854)**	(17,721)
Income taxes refunded		**2,518**	843
Net cash inflow from operating activities		**28,360**	26,883
Cash flows from investing activities			
Payment for property, plant and equipment		**(7,412)**	(8,197)
Payment for purchase of business		**(10,493)**	-
Payments for design costs		**(23)**	(428)
Payments for security deposits		**(9,094)**	-
Proceeds from sale of assets held for sale		**11,090**	5,979
Proceeds from sale of property, plant and equipment		**314**	64
Net cash outflow from investing activities		**(15,618)**	(2,582)
Cash flows from financing activities			
Proceeds from borrowings		**35,388**	27,267
Repayment of borrowings		**(68,078)**	(265,769)
Payments of finance lease liabilities		**(3,427)**	(4,739)
Net cash outflow from financing activities		**(36,117)**	(243,241)
Net decrease in cash and cash equivalents		**(23,375)**	(218,940)
Cash and cash equivalents at the beginning of the half year		**63,083**	278,220
Effects of exchange rate changes on cash and cash equivalents		**(184)**	74
Cash and cash equivalents at the end of the half year	10	**39,524**	59,354

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of half year financial report

This general purpose consolidated financial report for the interim half year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Bradken Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted and methods of computation are consistent with those of the previous financial year and corresponding interim reporting period . The presentation of financial information may also differ to the previous financial report to facilitate comparability of current year financial information. Certain amended accounting standards have been published that are not mandatory for the interim reporting period. The Groups' assessment of the impact of these amended standards and interpretations are set out below.

(a) Impact of standards issued but not yet applied by the entity

AASB 9 Financial Instruments

On 24 July 2014 the IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The standard is not applicable until 1 January 2018 and will become effective for the Group on 1 July 2018 but is available for early adoption. The Group is currently assessing the full impact of the standard on its accounting policy, financial position and financial performance. The Group has not yet decided when to adopt AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In December 2015, the Australian Accounting Standards Board deferred the application of this standard to annual periods beginning on or after 1 January 2018. (i.e. this will be effective for the Group on 1 July 2018). The Group is currently assessing the impact of AASB 15 and has not yet decided when to adopt it.

AASB 16 Leases

In January 2016, the International Accounting Standards Board issued IAS 16 Leases which replaces IAS 17. The Australian Accounting Standards Board subsequently issued AASB 16 Leases in February 2016. The new standard requires lessees to have a single balance sheet accounting model to be adopted for all leases, except for leases of 'low value assets'. The lease accounting for lessors is substantially unchanged. There will also be additional disclosure requirements for both lessors and lessees. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. The Group is currently assessing the impact of AASB 16 and has not yet decided when to adopt it.

2 Significant items

	Notes	Half year December 2016 $'000	December 2015 $'000
Gains			
(included in other income are the following significant items)			
Insurance recoveries in relation to Runcorn fire	(a)	**-**	1,154
Net recovery of legal costs from Lynx litigation		**589**	-
Net gain on sale of Welshpool property		**317**	-
Net gain on sale of Launceston property		**978**	-
Net gain on sale of Cannington property		**-**	591
Gain on revaluation of derivative component of Redeemable Preference Shares		**-**	3,400
		1,884	5,145
Expenses			
Business reorganisation	(b)	**10,019**	17,924
Impairment of property, plant & equipment	(e)	**162**	116,870
Impairment of goodwill and other intangible assets	(e)	**-**	64,103
Due diligence, acquisition and legal costs	(c)	**3,105**	2,665
Loss on disposal of plant & equipment		**-**	16
Inventory valuation adjustment		**-**	894
Impairment of investment in Austin Engineering Limited		**-**	5,492
Revaluation of derivative component of Redeemable Preference Shares	(f)	**36,300**	-
Runcorn fire	(a)	**68**	-
Rail warranty expense	(d)	**13,709**	18,183
		63,363	226,147
Total of significant (gains) and expenses		**61,479**	221,002

(a) Runcorn fire

In October 2014, a fire destroyed part of the core shop at the Runcorn facility. The company worked with its insurer to assess the damage and received a final settlement in the period ending June, 2016. For the period ended 31 December 2016, the company incurred costs in relation to the conversion of tooling for the replacement equipment.

(b) Business reorganisation

As previously announced and reaffirmed, the Group has continued to review its operational footprint and execute its restructuring program. In the six months ended 31 December 2016, the Group expensed $10.0 million of redundancy and other restructuring costs and had a remaining provision balance of $18.3 million as at 31 December 2016.

(c) Due diligence, acquisition, legal costs and other

During the period Bradken incurred $3.0 million of costs which were associated with acquisitions and $0.1 million of other legal costs.

(d) Rail warranty expense

During the period the company completed in-service operational testing on a sample of freight rail wagons which identified a number of potential defects which could arise over an extended time period. This resulted in an additional expense of $13.7 million (2015;$18.2 million) being accrued in relation to the Company's potential exposure. However, detailed review is being undertaken to fully assess the Company's obligations with respect to these potential defects. The closing balance of this provision is $28 million.

(e) Impairment of property, plant and equipment, goodwill and other intangible assets

At the half year, each Cash Generating Unit (CGU) is reviewed to assess whether any indicators of impairment exist, like prior periods. As a result of this review, there were indicators of impairment in the Industrial Products CGU, a CGU within the Engineered Products segment. The recoverable value of the CGU was assessed using the Fair Value less Costs to Sell methodology and no impairment was required. The impairment expense of $0.2 million for the period relates to facilities which have already been closed.

2 Significant items (continued)

(f) Revaluation of derivative component of Redeemable Preference Shares

During the period, the Company received notification from the holders of the Redeemable Preference Shares that they intended to convert their preference shares into ordinary shares of Bradken Limited. Immediately prior to the conversion, the associated derivative liability was revalued using the Binomial tree lattice valuation methodology taking into consideration the conversion value of $2.00 per share and the share price of the company at that date. This resulted in a $36.3 million increase in the value of the derivative liability and a corresponding expense recognised in the income statement as a revaluation of derivative liability related to redeemable preference shares. Upon conversion of the redeemable preference shares, the carrying amount of the redeemable preference share liability ($65,800,000) and associated derivative liability ($37,800,000) was transferred to equity ($103,600,000) as consideration for the 35,000,000 ordinary shares that were issued. Refer to Note 8 for details on the movement in Company's issued capital during the period.

3 Available for Sale Financial Assets - Investment in ANG

	Half year December 2016 $'000
(a) Movements in carrying amounts	
Carrying amount at the beginning of the financial period	1,532
Fair value gain on revaluation	1,934
Carrying amount at the end of the financial period	3,466

Available for sale financial assets are carried at fair value with cumulative fair value adjustments recognised in other comprehensive income until the investment is realised or unless the investment is considered to be impaired. During the period the fair value of the investment in ANG increase by $1.9m due to an increase in the ANG share price from 8.4c at 30 June 2016 to 19.0c at December 31 2016.

4 Segment information

(a) Description of segments

Operating segments are reported in a manner that is generally consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the CEO. On the 27th of July 2016 the Group announced a business restructure designed to reduce overhead costs further, better deliver its capabilities to customers and set the Group for future growth. The Group will now has three business units (down from five) and two new global support functions. Mobile Plant (formerly Mining and Transport), Mining Fixed Plant (combining former business units Minerals Processing with Fixed Plant) and Engineered Products, with support groups Technology/Operational Excellence and Supply Chain.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment. Segment assets include all assets used by a segment and consist primarily of receivables, inventories and property, plant and equipment, net of related provisions.

Segment revenues, expenses and results include transfers between segments. Sales of scrap between controlled entities are made on an "arm's-length" basis and are eliminated on consolidation. All other transfers are made at variable cost and are eliminated on consolidation.

Mobile Plant designs, manufactures, supplies and services wear components for all types of earth moving equipment in the Mining and Quarry industries as well as Industrial type cast products. This segment also contains the Rail business which is a package provider of Freight Rolling stock products and services including freight wagons, bogies, draw gear, inventory management, spare and renewed parts and the maintenance and refurbishment of rolling stock. Mining Fixed Plant designs, manufactures, supplies and services mill liner products and supplies an extensive range of customised wear plate and liner products in materials from quenched and tempered steel to rubber and ceramics. Engineered Products, based in North America, is a manufacturer and supplier of cast parts to the Energy, Power, Cement, Industrial and Rail Transport industries specialising in large (greater than 4,500 kg) highly engineered steel castings. The support groups segment is a combination of the former CMS business, group procurement and technical support functions.

(b) Segment information provided to the CEO.

The segment information provided to the CEO for the reportable segments for the half year ended 31 December 2016 is as follows:

	Mobile Plant	Mining Fixed Plant	Engineered Products	Other	Total
	$'000	$'000	$'000	$'000	$'000
Half year December 2016					
Total segment revenue	135,606	205,945	81,478	53,727	476,756
Inter-segment revenue	(8,159)	(36,343)	(3,667)	(48,453)	(96,622)
Revenue from external customers	127,447	169,602	77,811	5,274	380,134
Gross margin	20,440	63,545	22,935	7,807	114,727
Half year December 2015					
Total segment revenue	123,143	179,447	125,173	60,682	488,445
Inter-segment revenue	(8,219)	(17,702)	(4,158)	(53,830)	(83,909)
Revenue from external customers	114,924	161,745	121,015	6,852	404,536
Gross margin	14,627	58,556	36,945	7,349	117,477
Total segment assets					
At 31 December 2016	182,438	435,719	141,021	35,441	794,619
At 30 June 2016	189,002	449,366	181,005	38,144	857,517

Corporate assets are not disclosed separately within the half year financial statements.

Total segment liabilities					
At 31 December 2016	62,766	82,841	45,639	16,467	207,713
At 30 June 2016	91,444	83,335	61,135	19,684	255,598

Corporate liabilities are not disclosed separately within the half year financial statements.

4 Segment information (continued)

The CEO assesses the performance of each operating segment based on a measure of gross margin. Gross margin is considered the most relevant measure of individual segment results as manufacturing plants all make product for the various segments and transfer product at cost. This measurement basis excludes the allocation of manufacturing variances and overheads from individual manufacturing plants as any allocation would be arbitrarily based.

A reconciliation of standard gross margin to operating profit before income tax is provided as follows:

	Half year	
	December 2016 $'000	December 2015 $'000
Gross margin	**114,727**	117,477
Fixed manufacturing overheads and other cost of sale adjustments	**(48,155)**	(62,846)
Other income	**15,063**	8,329
Selling and technical expenses	**(21,280)**	(27,035)
Administration expenses	**(39,554)**	(32,854)
Finance costs	**(12,415)**	(17,884)
Restructuring and asset impairment costs	**(10,181)**	(134,794)
Goodwill and Intangible asset impairment	**-**	(64,103)
Revaluation of convertible preference shares	**(36,300)**	3,400
Impairment of available for sale financial assets	**-**	(5,492)
Profit / (Loss) before income tax	**(38,095)**	(215,802)

The amounts provided to the CEO with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

5 Dividends

Since the end of the half year the directors have determined that no dividend will be paid at 31 December 2016 (2015 - Nil).

6 Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 *Fair value measurement* requires disclosure of fair value measurement by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's financial assets and liabilities measured and recognised at fair value at 30 June 2016 and 31 December 2016.

31 December 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available for sale financial assets	3,466	-	-	3,466
Derivatives used for hedging	-	5,070	-	5,070
Total assets	3,466	5,070	-	8,536
Liabilities				
				-
Derivatives used for hedging	-	3,488	-	3,488
Short term incentive cash rights		969	-	969
Redeemable preference shares - option	-	-	-	-
Total liabilities	-	4,457	-	4,457

30 June 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for-sale financial assets Equity Securities	1,532	-	-	1,532
Derivatives used for hedging	-	4,482	-	4,482
Total assets	1,532	4,482	-	6,014
Liabilities				
Derivatives used for hedging	-	1,197	-	1,197
Redeemable preference shares - option	-	-	1,500	1,500
Total liabilities	-	1,197	1,500	2,697

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

Level 3 Financial Instruments

For the purposes of identifying transactions which are required to be categorised as level 3, the group applies judgement to assess both the observability of input to the valuation technique applied, and the significance of the input to the overall valuation of the transaction.

The carrying amounts and fair values of interest bearing liabilities at balance date are:

	31 December 2016		30 June 2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
On balance sheet				
Non traded financial liabilities				
Bank overdrafts	**672**	**672**	2,453	2,453
Bank loans	**41,697**	**43,173**	75,776	70,643
US private placement	**277,990**	**254,344**	273,307	228,042
Redeemable convertible preference shares	**-**	**-**	64,750	68,944
Other loans	**-**	**-**	1,623	1,623
Lease liabilities	**12,379**	**12,379**	13,694	13,694
	332,738	**310,568**	431,603	385,399

7 Offsetting financial assets and liabilities

Bradken presents derivative assets and derivative liabilities on a gross basis. Certain derivative assets and liabilities are subject to enforceable master netting arrangements with individual counterparties if they were subject to default. As at 31 December 2016, if these netting arrangements were to be applied to the derivative portfolio, derivative assets are reduced by $1.25m (30 June 2016: $2.75m) and derivative liabilities are reduced by $1.25m (30 June 2016: $2.75m).

8 Contributed Equity

	Dec-16	Dec-15	**Dec-16**	Dec-15
Share capital	**Shares**	Shares	**$'000**	$'000
Ordinary shares fully paid OB	**171,027,249**	171,027,249	**715,293**	715,293
Conversion of Redeemable preference shares to fully paid ordinary shares	**35,000,000**	-	**103,544**	-
Ordinary shares fully paid	**206,027,249**	171,027,249	**818,837**	715,293

The issued capital of the parent entity is different to the issued capital of the Group as a result of the reverse acquisition in 2004

During the period, the Company received notification from the holders of the Redeemable Preference Shares that they intended to convert their preference shares into ordinary shares of Bradken Limited. Immediately prior to the conversion, the associated derivative liability was revalued. This resulted in a $36.3 million increase in the value of the derivative liability. Upon conversion of the redeemable preference shares, the carrying amount of the redeemable preference share liability ($65.8) million and associated derivative liability ($37.8) million was transferred to equity ($103.5) million as consideration for the 35,000,000 ordinary shares that were issued.

9 Earnings per share

	Dec-16 Cents	Dec-15 Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic (loss) / earnings per share:	**(20.3)**	(98.3)
Diluted (loss) / earnings per share:	**(20.3)**	(98.3)
Underlying basic (loss) / earnings per share:	**9.3**	4.2
Underlying diluted (loss) / earnings per share:	**9.1**	4.1

*Underlying NPAT represents statutory NPAT before, the after tax impact of: significant items, $1.6m foreign exchange gain (Dec 2015 $2.2m loss) and the $1m loss incurred by the Group 's UK operations which are currently being divested.

a) Weighted average number of shares used as the denominator

		Dec-16 Number	Dec-15 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	*	**181,489,206**	171,027,249
Adjustments for calculation of diluted earnings per share:			
Rights		**2,971,989**	3,960,101
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share		**184,461,195**	174,987,350

** On the 7th November 2016 Bradken issued 35 million ordinary shares following the cancellation of all redeemable preference shares issued by Bradken on 30th June 2015.The shares were issued at a conversion price of $2.00 per share. Following the issue of these shares there are now 206,027,249 Bradken ordinary shares on issue.*

10 Cash and cash equivalents

Cash and cash equivalents as at the half year end reported in the cashflow are net of overdrafts of ($49.3m).

Reconciliation to cash at end of half year	2016 $'000
Cash and cash equivalents above	**40,195**
Bank overdrafts	**(671)**
Balances per statement of cash flows	**39,524**

As at 31 December 2016, the Group had $6.6m (30 June 2016: $5.1m) of restricted cash and related payables.

11 Corporate activity

During October 2016 Bradken announced that it had entered into a bid implementation agreement with Hitachi Construction Machinery Co.Ltd (HCM) for it to make a cash takeover offer for 100% of the ordinary shares of Bradken at $3.25 per share. The offer period will close at 7.00pm (AEDT) on Friday, 24th February 2017. A successful bid by HCM (acceptance > 50%) may trigger a number of liabilities which have not been accounted for including the payment of success fees to advisors, the payout of performance based incentive rights to employees and break costs associated with the US private placement debt amounting to approximately $50M.

12 Events occurring after balance sheet date

There has not arisen in the interval between the end of the interim period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to17 are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance, for the half year ended on that date; and

(b) there are reasonable grounds to believe that Bradken Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.

Phil Arnall
Non-Executive Chairman.

Newcastle
20 February 2017

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Building a better working world

To the members of Bradken Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Bradken Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' responsibility for the half year financial report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act* 2001 and for such internal controls that the directors determine are necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bradken Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is referenced in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Bradken Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its perfomance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Trent van Veen
Partner
Sydney
20 February 2017