Bradken

ANNUAL REPORT 2015

proud to belong

BRADKEN

Bradken Limited

ACN 108 693 009

Notice of Annual General Meeting

The Annual General Meeting of Bradken Limited will be held at:
Bradken Global Corporate Centre - Bradford Room
20 McIntosh Drive, Mayfield West NSW 2304, Australia
On Tuesday, 10th November 2015 at 2:30pm (AEST).
A formal Notice of Meeting is enclosed.

For more Information on Bradken visit bradken.com

CONTENTS

SECTION ONE

SECTION TWO

SECTION ONE

KEY OUTCOMES

#01 Sales revenue of $966 million down 15% due to lower mining capital sales.

#02 Variable costs reduced in line with sales revenue while cash overhead improvements of $25 million year-on-year delivered an underlying EBITDA of $136 million.

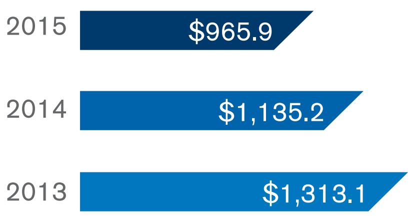
#03 NPAT loss of $241 million recorded after significant, mainly non-cash, charges for restructuring and impairment, partially offset by sale of properties.

#04 Restructuring largely completed including creation of new division from four existing businesses, closure of high cost subscale manufacturing facilities and write-down of assets in line with current market conditions.

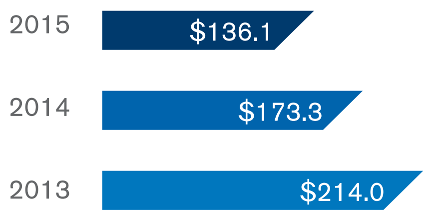
#05 Balance sheet strengthened by completion of a $70 million RPS, a short-term increase in the key banking covenant (Net Debt / EBITDA) and substantially reduced exposure to USD denominated debt.

#06 No dividend declared by the Board to ensure maximum flexibility is maintained at the bottom of the current market cycle.

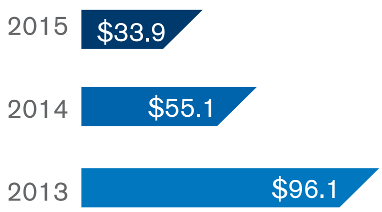
Revenue*



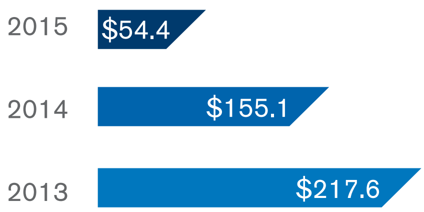
EBITDA*



NPAT*

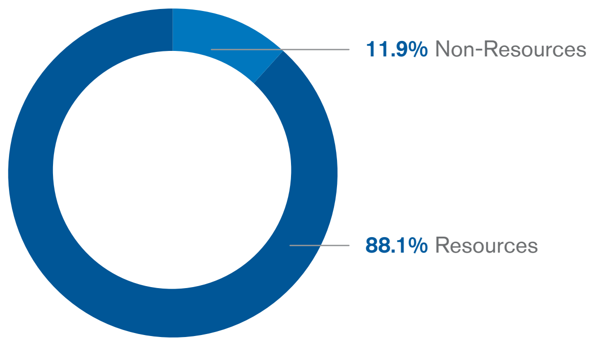


Operating Cash Flow*

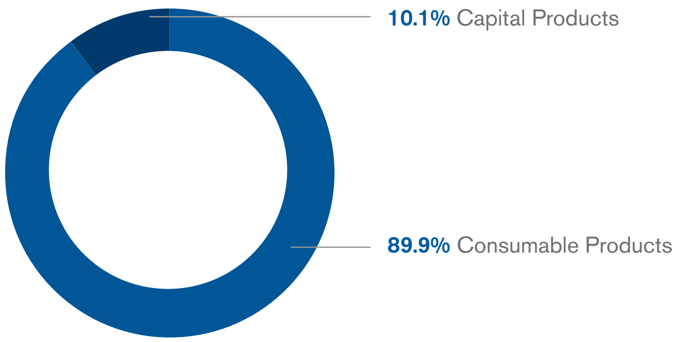


*A$ Millions

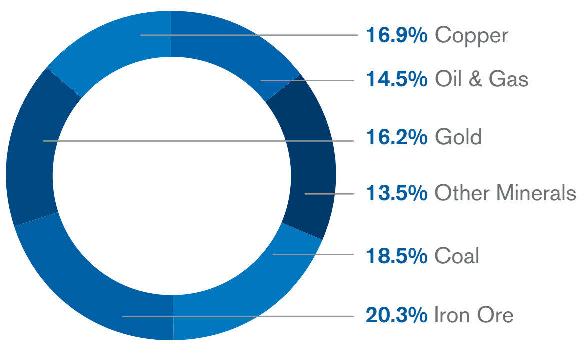
Revenue by Industry Sector



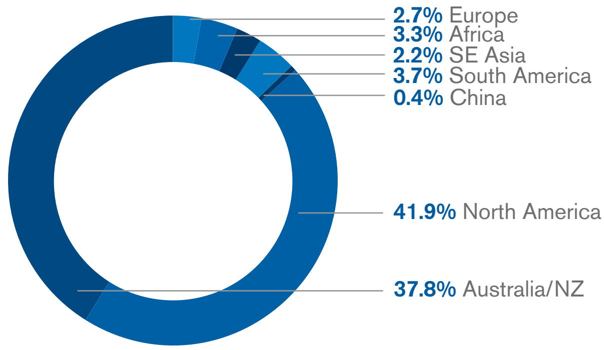
Revenue by Commodity Category



Revenue by Commodity



Revenue by Region



GLOBAL OPERATIONS

Bradken is a global manufacturer and supplier of differentiated capital and consumable products to the mining, transport, general industrial and contract manufacturing markets.

As a leading heavy engineering company we can manufacture fully machined cast iron and steel products from a mass of 0.5 kg (1.1lbs) to 25 tonne (55,000 lbs).

The driving force behind our Business is our firm commitment to innovation and continuous improvement. Our aim is to provide our customers with value through the creation of specialised product and service solutions.

With over 90 years' experience in the foundry business, the accumulated wealth of knowledge and depth of expertise in our workforce enables us to offer our customers a full service offering with combined design, manufacturing, maintenance and support services ultimately providing improved operational outcomes and safer work practices.

Our highly skilled product development teams ensure that our design and testing capabilities, using the latest technologies, set new benchmarks for excellence and offer significant advantages to our customers.

With a worldwide network of manufacturing facilities and an established sales and distribution network, our geographical diversity allows us to supply customers in the world's major mining and industrial regions. We are committed to the globalisation of our core range of products while at the same time remaining focused on opportunities in new and emerging markets.

Our business is structured into four market focused Divisions and an independently branded foundry supply business:

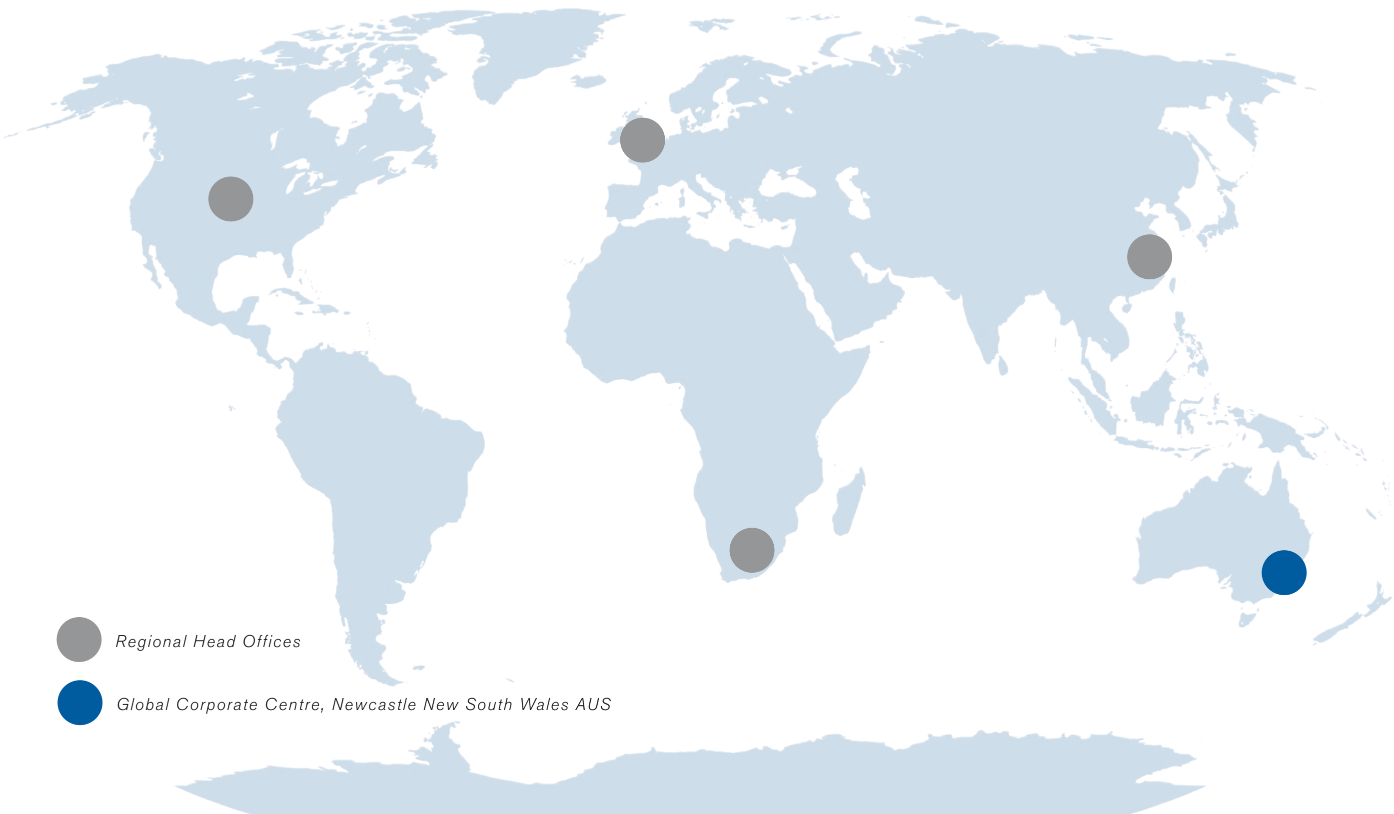
#01 Mineral Processing

#02 Engineered Products
- -Industrial Products
- -Energy
- -Europe

#03 Mining & Transport

#04 Fixed Plant

#05 Cast Metal Services



CHAIRMAN'S REPORT

The year under review has been very challenging and demanding for Bradken, the Board and Management, as it has been for our shareholders. As we all know, it has been equally difficult for the resources sector generally and for those companies who provide goods and services to it. The speed, extent and duration of the downturn in commodity prices, the forced change in behaviour of mining companies and the impact on volume and price in our market has far exceeded previous cycles and has required a range of difficult and painful decisions to be made.

As a result, Bradken has reduced its employment and cost base by around 35%,in line with the reduction in sales from the peak of the cycle. This has involved plant closures and substantial restructuring which to date has cost around $109m. Work has been moved to the lowest cost global locations and, like our customers, we have focused and continue to focus on management for cash with restrictions on capital expenditure and the suspension of dividend payments.

In order to maintain balance sheet strength we have also renegotiated our banking arrangements and in June 2015 issued $70m of Redeemable Preference Shares (RPS). This combined with our continuing deleveraging through capital management and focus on operational efficiency, will enable us to safely navigate what we believe is the bottom of the mining cycle. After consulting our larger shareholders we chose not to pursue a dilutive rights issue but this and indeed a wide range of other balance sheet repair measures were considered.

The Board believes the Company is now well positioned to take advantage of the upturn in demand when it occurs. Indeed it will have world-class, low-cost facilities with available capacity to serve each of our major end-use markets.

We regret the significant job losses that all this has entailed but believe we have retained our key capabilities.

During the year the Board and Management spent considerable time dealing with inbound interest to acquire all or parts of the Company. The continuing slide in the sector and in our bottom-line performance has made this a difficult process. The Board continues to be open to strategic consolidation if it is in the interests of shareholders.

By the end of FY15, as restructuring is substantially completed and order intake has stabilised, the company is very well-placed to be an integral part of any industry structural changes or to continue on its own.

At the end of the financial year Brian Hodges who has led the company for some 18 years announced his retirement, effective from next December. Brian has been largely responsible for building an excellent management team and transforming Bradken from an Australian manufacturer with some exports to a genuine global leader in mining consumables and related areas. The Board wishes to express its thanks for his outstanding contribution. A succession process is underway involving both internal and external candidates.

The Board also wishes to thank Management for its considerable efforts in the face of very difficult challenges.

Nick Greiner
Chairman

MANAGING DIRECTOR'S REPORT

The 2015 financial year saw the continued downturn in commodity prices, the effects of which flowed on to the capital mining cycle. These lower prices caused mining companies to focus on managing costs to improve their profitability, and even viability in some cases, by seeking efficiency improvements and supplier price reductions. As a result, Bradken's sales reduced in line with the restrained capital products market.

As a Group we have responded to this by putting in place a restructuring program that upon completion in FY16 will provide a platform to deal with the current sector outlook and consolidate our position as a leading global supplier.
Two new Divisions have been formed through the consolidation of six existing businesses so as to improve profitability, enable more effective utilisation of shared resources, and maximise the substantial long term opportunities that exist for their collective product range. The closure of high cost facilities and the movement of product manufacture to lower cost locations has also contributed to a material lowering of the Company's cost base.

There is a base load of key products where sales have remained quite steady over the last four years notwithstanding the volatility in the capital products sector and this core stability demonstrates the strength of the Company's consumable product focus. Despite the challenges that this continued period of market weakness has delivered, the Bradken Group is now in a position where we own all of the technology and intellectual property utilised in all of our product ranges and are progressively able to distribute these products directly to global end markets, which sees us poised to take advantage of any market upside.

Business Overview

Sales revenue of $217 million for the Mineral Processing Division represented a 6% reduction on the previous year, reflective of a market characterised by limited greenfield development (and subsequently, minimal OEM activity) and reduced production from existing customers. The Division's strategy to re-base cost structures continued in FY15 with the closure of the Henderson foundry in Western Australia, the announced closure of Adelaide foundry in South Australia and agreement to acquire a large foundry in India. The integration of the Indian foundry is expected to be well advanced in FY16 with the transfer of product manufacturing expected to commence late in the second half. The Division remains focused on the continued introduction of new differentiated products globally into new and existing markets with some notable successes already recorded in regions of Africa and the Americas.

Overall sales revenue for the United States based Engineered Products Division of USD$223 million was down 12% on the previous corresponding period, resulting from continued softness throughout FY15 in the capital mining market. Year-on-year sales were up 4% in the first half and down 24% in the second half. Annual sales for the Divisions' Industrial Products business were down 3% with the decline occurring exclusively in the second half. The Energy and Europe business' revenues declined 18%, spread evenly throughout the year. The implementation of a number of cost reduction initiatives also saw general and administrative expenses for the Division decrease by 19% compared with the previous financial year. The closure and subsequent sale of the Chehalis, Washington foundry was also completed in the period with production transitioned to the Company's Tacoma, Washington foundry in April 2015.

In May 2015 the Australian based Industrial business, Rail Division, Ground Engaging Tools (GET) and Crawler Systems businesses were merged to form the new Mining & Transport Division to enable more effective utilisation of shared resources in manufacturing, product development and sales. Sales revenue for the newly formed Division of $328 million was down 27% on the previous corresponding period.

Lower commodity prices had a significant impact on the global mining market, including in Australia where GET customers shifted from mobile fleet utilisation towards the use of larger, more efficient equipment to reduce overall consumable requirements. This contributed to a 2% decline in Bradken's sales revenue for GET and associated products. A significant drop in demand for new mining class excavators also lead to reduced demand from OEM customers and an overall sales reduction of 31% for crawler systems products for the year. The restructured business will focus on extracting maximum value and leverage from the reorganisation and rationalised overheads, sale of new products which are now unhinged from prior prohibitive agreements, successful entry into new mining regions and the utilisation of low cost capacity including from the Xuzhou, China foundry.

The Fixed Plant business (also formerly part of the Mining Products Division) has been separated out to form the new Fixed Plant Division. The Company's Oil & Gas business in Canada has been consolidated into the new Fixed Plant Division to enable improved utilisation of like resources including manufacturing and sales functions.

Sales revenue for the Fixed Plant Division of $135 million was down 9% on the previous corresponding period. The reduction was mainly in the Canadian oil sands market where the completion of a large project resulted in very low maintenance sales in the second half. The hard rock market remained steady, boosted by project activity that will not be repeated in 2016. Overall, the business direction continues to concentrate on increasing existing market share while identifying and gaining new sales opportunities in targeted mining regions around the globe that are not currently serviced by the Division.

Sales revenue for the Cast Metal Services Business of $120 million represented an increase of approximately 7.3% on the previous corresponding period. This was the net effect of significant new sales in North America offsetting a 15% reduction in sales into the diminishing Australian market. The accelerated contraction of the Australian foundry industry, and hence the foundry consumables market, over the last few years has seen opportunities for growth within the Australian market slow considerably. As a result, Cast metal Services operations in the region were restructured. This process included the incorporation of the Metal Recycling Business and the sale of the scrap facility in Cannington, Western Australia and transfer of its operations to the Bassendean facility, also located in Western Australia. Further growth into the North American market will be a key focus for the Business in FY16 with technical specialists having been relocated to the region in conjunction with the establishment of a sales office there.

Our People

The Global Lost Time Injury Frequency Rate (LTIFR) for FY15 was 3.4, which is a significant reduction on the previous year's figure of 4.1. Globally, 35 sites achieved zero Lost Time Injuries (LTIs) during the 2015 financial year, with 11 more sites achieving this safety milestone in this period than in FY14.

Significant employment downsizing occurred in FY15 with overall workforce numbers reducing by 24% to 3,650. This figure includes the impact of the closures of the Welshpool, Western Australia and Chehalis, Washington foundries along with significant reductions in the manning of several other high cost facilities.
Several safety initiatives were introduced during the year including the introduction of monthly safety themes to promote hazard awareness and the release of revised global policies on electrical safety, providing a greater focus on core hazard and risk reduction.

Strategy and Outlook

With the restructure of manufacturing close to completion and the renewed balance sheet flexibility provided by the recent issue of Redeemable Preference Shares, the Company is well-positioned to gain volume when the market improves.

The Company's business strategy for the mining industry remains focused on growing the mining consumables business by designing, manufacturing and selling differentiated consumable wear products throughout the major global mining regions. A number of discrete strategies are being implemented to aid this focus including:

- expanding our sales presence direct to mining customers throughout the world;
- new product design and innovation;
- further reducing manufacturing costs by transferring product manufacture to targeted low cost facilities; and
- developing the global distribution network to include selected stock holdings in key mining regions to support direct sales.

Further cost reductions are expected to be realised in FY17 for the Mineral Processing Division as the transfer of work to lower cost manufacturing facilities is completed. The integration of the new Indian foundry will see the Division recover any lost capacity resulting from prior plant closures.

The Engineered Products Division is expected to benefit from the release of deferred military projects, notably submarine builds, in FY16 as well as improved translation from the lower AUD/USD exchange rate.

Brian Hodges
Managing Director & Chief Executive Officer

GOVERNANCE

Our Vision and Values for *Sustainability* are core to our strategy of integrating health, safety, environmental, social and economic factors into our decision-making processes.

Maintaining our licences to operate as a global company is dependent upon gaining access to raw materials and ensuring we maintain the trust of our shareholders, employees, contractors, communities, customers and suppliers.

Our approach to sustainability reflects our commitment to put health and safety first, be environmentally responsible and provide support to each of the communities in which we operate. In reporting our sustainability performance we include our impact on the environment, resource conservation and biodiversity, and our efforts to ensure the broader economic contributions of our operations benefit the regions in which we operate.

To deliver successfully on our business strategies, we identify and respond to all sustainability issues which have a direct or indirect impact on our business and society at large. Using a documented assessment process, we identify and prioritise material sustainability issues.

Risk Management

Bradken endorses a strong risk management culture which is embedded throughout our global group of companies. Our Risk Management Policy provides the framework for embedding risk identification and management into all of our business activities, functions and processes, which is the basis of an active and consistent risk-based approach to sustainability.

A Board appointed Audit & Risk Committee is responsible for approving and reviewing the effectiveness of the Group's systems of internal control and risk management. The Committee carries out periodic reviews of the effectiveness of the Group's risk management framework which includes determining whether Management controls are in place to identify risks, consequences, materiality and mitigation steps for each risk considered to require Active Management or Controlled Monitoring.

The Committee is responsible for reviewing the effectiveness of the management of the Group's material risks through a regular risk reporting process which examines the implementation and effectiveness of risk mitigation steps and assesses whether internal audit plans are addressing material risks appropriately.

Code of Conduct

Bradken has a formal Code of Conduct Handbook which provides an ethical and legal framework for all employees in the conduct of the Company's business and defines how we relate to our shareholders, employees, customers, suppliers and the community.

We implement our Code of Conduct through a variety of training and induction programs, with all new employees receiving and signing-off once training has been completed. In addition, we provide regular training and undertake periodic audits of compliance across the Bradken Group.

We encourage employees to raise any beliefs in the existence of actual or planned breaches of the law and/or Company policies, which include threats to health and safety or the environment, as well as society issues such as bribery, fraud and corruption.

Bradken has also implemented programs in each of its Divisions which allow employees to raise matters anonymously, using a range of support functions. Once received, complaints are investigated and feedback is provided to the complainant. Strict mechanisms are in place to allow complainants to remain anonymous whilst receiving feedback.

Supply Chain Sustainability

As a global company, we understand our responsibility to ensure we only engage with suppliers who have responsible and ethical business practices. Relationships with our supply partners are managed in accordance with contractual arrangements, our Values, our Code of Conduct and our Compliance Program.

To identify sustainability risks across our supply chain, we use a risk-based approach to support our suppliers' alignment with our health, safety, environmental and business conduct requirements which include zero tolerance of a number of human rights infringements including child labour, inhumane treatment of employees and forced or compulsory labour. We conduct business fairly and ethically, respect human rights, comply with all laws and regulations, and follow a rigorous Code of Conduct.

Bradken fully supports the U.S. Government signed Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which requires all U.S. publicly traded companies to file disclosures and reports with the SEC related to the use of "Conflict Minerals" in their products.

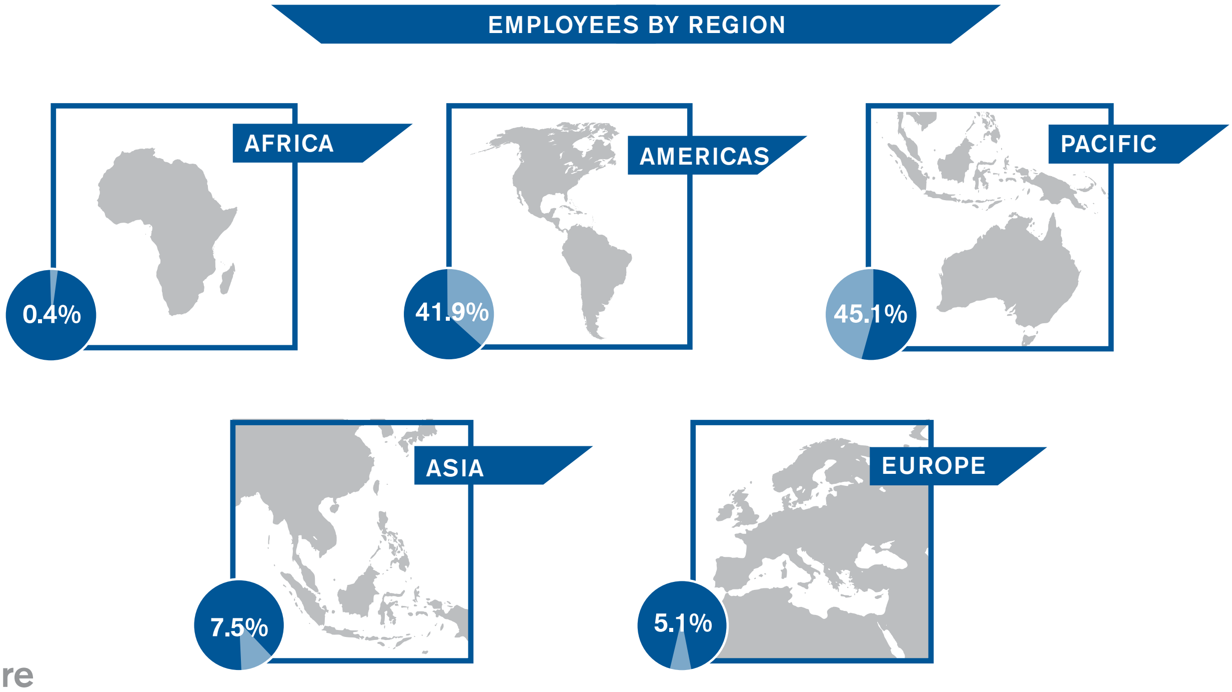
Plant Closure Planning

As part of the ongoing organisational restructure of Bradken's business, plant closure planning is a key consideration in the development and consolidation of our business operations. We recognise the significant risks associated with poorly managed closure activities and seek to minimise these throughout the life cycle of our operations.

We require plant closure plans to be developed as part of our major capital investments to ensure we understand potential closure liabilities and have the opportunity to reduce them during the design stage. The closure plans provide the basis for estimating the closure costs and the associated accounting for closure and rehabilitation obligations.

PEOPLE

At Bradken we acknowledge that out people are the key to our ongoing success. From the foundry floor to the boardroom our Vision is for all our employees to be *proud to belong*



Culture

At the foundation of Bradken's Culture are a number of core Values that drive our success and define us as both an employer and as a responsible corporate citizen.

We value people who are:

- #01 Are health, safety and environmentally responsible
- #02 Have exemplary personal integrity
- #03 Enjoy a balanced lifestyle
- #04 Strive for continuous improvement in all they do
- #05 Are customer focused
- #06 Possess courage and loyalty
- #07 Are highly motivated
- #08 Work together for common goals; and
- #09 Respect the individual rights of others.

We set high expectations and trust our people to deliver extraordinary results and we take the time to recognise and celebrate when they do. The Bradken Employee Recognition Awards seek to reinforce and develop our culture by recognising the outstanding contributions of our employees across a series of award categories that reflect the Company's core set of Values.

First held in 2006, the Awards are now held in all of Bradken's major regional centres with the Company's Malaysian facilities holding their first annual event in 2014. Recognising employees that embrace our culture are display our Values in their daily activities is particularly important as the efforts being made by our employees is what keeps us moving forward.

Foundry Practives (TAFE Queensland SkillsTech), AUS

Workforce Profile

At the end of FY15 Bradken directly employed 3,650 people. Significant downsizing occurred during the period with employment numbers falling 24% from the previous year. Reflected in this figure are the closures of the Welshpool foundry in Australia and the Chehalis foundry in the United States along with significant reductions in the manning of several other facilities as we reshaped our workforce in line with market demand.

The period also saw another of our long serving employees reach the milestone of 50 years of continuous service.

Youth Development

Bradken offers cadetships, industry scholarships and trade apprenticeship opportunities across our global network of facilities. These programs provide opportunities for students studying in fields complementary to Bradken's core business function to gain practical 'hands-on' experience while obtaining their formal qualifications. Our undergraduate programs are a key component of our succession planning efforts and continue to provide us with a pipeline of talent for the future.

For the period FY15 Bradken sponsored a total of 21 undergraduate students, both male and female, at Universities and Colleges in Australia (the University of Wollongong and the University of Newcastle in New South Wales, and Curtin University in Western Australia) and China (Henan Science and Technology University).

Fields of study undertaken by these students include Materials Engineering, Mechanical Engineering and Mechatronic Engineering.

Education and Training

Bradken remains committed to nurturing and developing the skills of our people and actively promotes a culture of continuous improvement and personal development. In Australia a number of in-house training programs were conducted during the period including Sales training (in conjunction with AIM), Business Risk Management training (in conjunction with EY) and ISO Quality training and Auditor and ISO Awareness sessions (in conjunction with SAI Global).

In the latter half of 2014 Bradken once again offered a select group of employees and scholarship students the opportunity to participate in the Foundry Practices course run in conjunction with TAFE Queensland SkillsTech at their state of the art facility in Acacia Ridge, Queensland Australia.

First run in 2011 the course covers all necessary processes and practices involved in the manufacture of metal castings which are at the foundation of our Business. From pattern making to pouring moulds to inspection and testing, the course provides valuable hands on learning on the entire foundry process.

The continued offering of this course has furthered our relationships with Wollongong and Newcastle Universities (located in New South Wales, Australia) with both now recognising the value of the course as part of their curriculum with undergraduate participants receiving course credits towards their degrees.

Employee Services

Rollout of the 'Employee Connect' Human Resources Employee Information Portal continued during the period with initial training sessions conducted in North America. It is expected that this training will be completed across all Bradken's North American facilities in Q1 FY16.

SAFETY

Bradken operates a 21 Step Safety Plan that supports our health, safety and environmental philosophy (that 'all injuries and incidents can be prevented'), forms an integral part of the Group's Management System and reinforces the safety processes outlined in international safety standards.

The following principles represent the foundation upon which the Bradken 21 Step Safety Plan is established:

- #01 All injuries and incidents can be prevented
- #02 We demonstrate the level of safety that we want
- #03 We confront at risk behaviour
- #04 We involve employees in the decision making
- #05 Training is not to be compromised
- #06 A safe business is a good business
- #07 All operating exposures can be safeguarded
- #08 Management is accountable but everyone is responsible for OHS
- #09 Compliance is a minimum requirement
- #10 Assessment is to be based on facts and data; and
- #11 A healthy workforce is a more productive workforce.

Through the involvement, commitment and education of all employees, a reduction of injuries and incidents continues to be achieved across the Group. Bradken's global Lost Time Injury Frequency rate (LTIFR) for FY15 was 3.4, a significant reduction on the previous year's figure of 4.1. For the period a total of 35 sites globally were Lost Time Injury (LTI) free. This figure represents a 46% increase on the FY14 figure with 11 more sites achieving the safety milestone for FY15.

During the period a number of sites achieved more notable LTI free milestones including Adelaide, Australia (7.1 years), Darlaston, United Kingdom (5.6 years) and Singleton, Australia (4.5 years).

The Company implemented a number of safety initiatives and training sessions during the period including the release of several revised global policies pertaining to electrical safety, core hazard and risk reduction. Safety system audits were conducted at all sites globally.

NUMBER OF LTI FREE SITES

26 *in 2013* **24** *in 2014* **35** *in 2015*

46% INCREASE IN THE NUMBER OF LOST TIME INJURY (LTI) FREE SITES BETWEEN ***2014 & 2015***

proud to belong...
proud to safe...

The continuation of the Group's Zero Harm Safety campaign saw the introduction of a rolling 12 month awareness program highlighting and exploring different areas of safety each month which have been identified across Bradken's facilities as areas which would benefit from an increased safety focus.

The goal of the program, which commenced in July 2014 with the theme of 'Cranes & Load Shifting' and 'PPE - Hand Protection', has been to continue to encourage all employees to make safety their first priority.

The program features three different delivery methods (wall posters, table talkers and card inserts designed to be included in the Bradken Safety Passport) to remind employees of the monthly safety message at every possible opportunity.

Environment

Bradken's operations are subject to significant environmental laws and regulation. The Group has devoted and will continue to devote resources to *environmental compliance* and management in each of the jurisdictions in which it operates.

FY15 Overview

- #01 Total GHG emissions 227,000 Co2e
- #02 Total energy use 2,500,000 GJ
- #03 Total waste to landfill 47,000 tonnes
- #04 Total waste to off-site recyclers 47,000 tonnes
- #05 100,000 tonnes of Scrap metal recycled into new product
- #06 Zero significant environmental incidents and convictions
- #07 14 neighbourhood complaints (down 60% on FY14)
- #08 $1.2M spent on capital equipment to improve environmental performance
- #09 Almost $500,000 spent on environmental monitoring of emissions

Environmental Management

Bradken has developed an Environmental Management System (EMS) which complies with the international standard ISO 14001. While some facilities have been independently certified since 1998, four sites obtained independent certification to ISO 14001 during the financial year. Amite, LA, Atchison, KS and St Josephs, MO (United States) became the first of Bradken's North American locations to attain certification. It is expected that all other North American sites will gain certification by the end of FY17. Bradken's facility in Xuzhou, China also attained certification during the period.

Environmental initiatives for FY15 included the update of Bradken's EMS procedures to better meet the requirements of a more multi-nationally orientated company.

Energy & GHG Management

Energy & resource use efficiency is benchmarked across the foundries and engineering sites to promote awareness of the benefits of efficiency improvements and share ideas around the company. Our foundries require large amounts of energy to melt the scrap metal to produce the new castings (up to 60% of electricity use) and to heat treat product casings to give them the properties required by customers (up to 80% of gas use).

Bradken has complied with its energy and GHG reporting requirements in the countries that require it. Overall Bradken used 2.5M GJ of energy and generated 227,000 tonnes of CO2e GHG gasses.

In Australia, the Group's energy related requirements have corporate thresholds and the Group's operations are subject to the reporting requirements of the National Greenhouse and Energy Reporting Act and the National Pollutant Inventory .

In the USA, the Group's Atchison site will be reporting its Greenhouse gas (GHG) emissions as it has exceeded the US Greenhouse Gas Reporting Rule annual threshold of 25,000 tpa CO2e within the last 5 years. The Atchison site is also participating voluntarily in the US Department of Energy Better Plants program with a pledge to reduce energy intensity by 25% over 10 years. The Group's other US sites do not exceed the reporting threshold.

The Group's United Kingdom sites have been exempted from UK Climate Change Agreements in early 2014. The Bradken UK sites will no longer have to submit the Climate Change Agreement reports.

None of the Group's Canadian facilities exceed the 50,000t CO2e threshold for reporting under the Canadian GHGRP program. No mandatory GHG or energy reporting requirements apply to the Group's operations in New Zealand, Malaysia or China.

The Group has established data collection systems and processes are in place to meet all requirements. There have been no significant known breaches of the Group's obligations or environmental regulations to which it is subject.

Sustainable Use of Resources

The key resources for Bradken's foundries are scrap metal and foundry sand. Bradken foundries are designed to recycle metal and have moulding sand reclamation plants on site that allow the sand to be reused up to 10 times.

In FY15 Bradken purchased 100,000 tonnes of scrap metal to be recycled into new products by its foundries. This with the addition of the necessary specialty alloys produced 100,279 tonnes of new product castings.

Bradken operates a product buy-back program for many of its products. At some sites an estimated 50% of the scrap metal recycled during the period was former Bradken product that had reached the end of its useful life.

Bradken purchased 71,000 tonnes of moulding sand in FY15. Of the sand that reached the end of its useful life in a foundry environment, approximately 50% was sent off site for use in other industries such as composting, bitumen manufacture and road construction.

In December 2014 Bradken's foundry in Wodonga, Australia completed a $700,000 project to update the site's sand reclamation system in response to increasing waste disposal costs and difficulty in developing beneficial off site sand reuse projects.

The new system provides both financial and environmental benefits with increased sand reclamation capabilities for the hard sand system allowing moulds to be produced with up to 75% used sand, reducing the amount of new sand being purchased and as well as the amount of spent sand being sent off site.

Waste Management

All Bradken facilities operate recycling programs with local contractors for conventional wastes. Foundries produce relatively large amounts of used foundry sand, typically 85% of site waste. For FY15 over 52% of the total wastes generated were recycled with some sites recycling over 90% of their industrial waste.

Emissions

Foundry emissions are well understood and made public via the Toxic Release inventory in the US, the National Pollutant Release Inventory in Canada and the National Pollutant Inventory in Australia.

For FY15 Bradken spent almost $500,000 monitoring emissions and has detected no significant exceedances of emission standards

Environmental Compliance

All Bradken facilities carry out annual environmental compliance audits as part of the site EMS. Many facilities also receive routine audits by their local Environmental Protection Agencies. The number and frequency of these EPA inspections and audits is increasing. All concerns raised in these audits have been rectified or actions are planned to address any remaining concerns, most within 30 days.

Community

There were 14 neighbourhood complaints this year about nuisance odour, dust and noise. This is a reduction of 21 (or 60%) from the previous year. A range of actions have been completed or are in place to address the causes of these complaints.

NEIGHBOURHOOD COMPLAINTS

68 *in 2013* ↓ **35** *in 2014* ↓ **14** *in 2015*

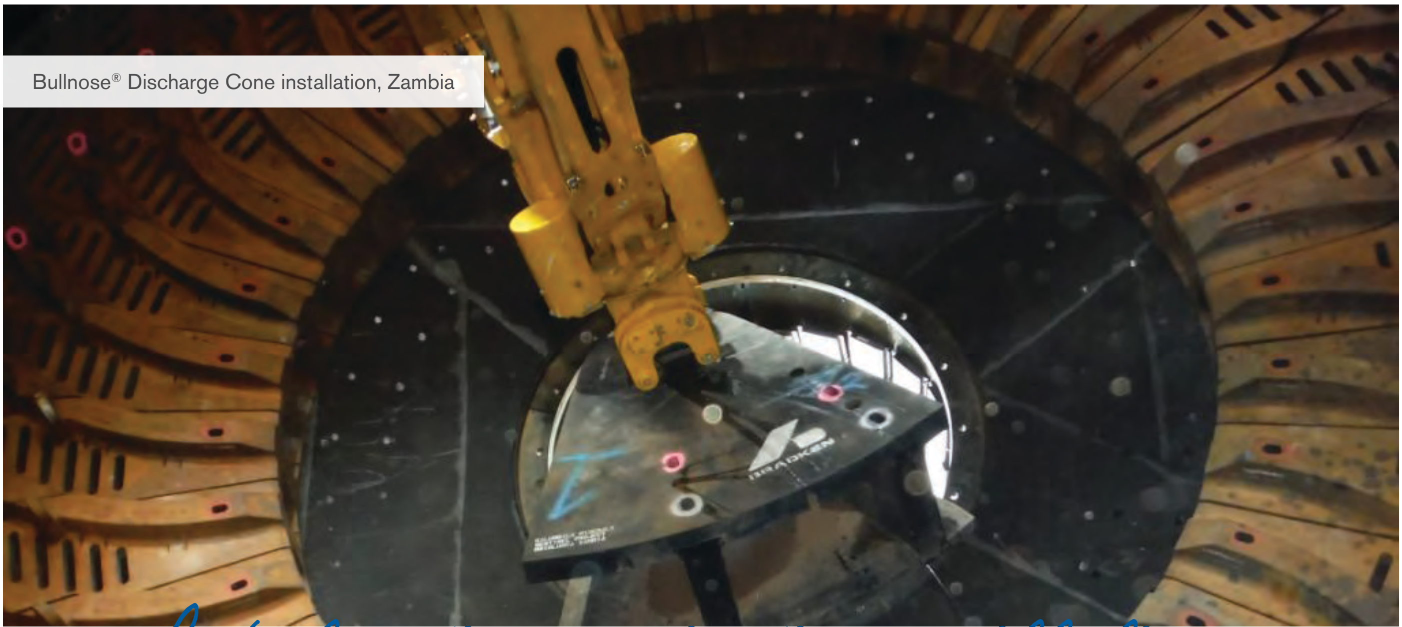
Sand Reclamation System at Wodonga, Australia

MINERAL PROCESSING

The Mineral Processing Division is a global manufacturer of custom designed products for grinding mills, crushing and conveying equipment predominantly for the hard rock mining industry. The Division's customers include some of the world's largest mining companies, as well as the range of industry OEMs.

The Division serves customers through the provision of design, manufacture and aftermarket support and optimisation in their mining operations in over 30 countries across five continents.

Sales and product support resources are deployed close to customer operations in Australia, Asia, Africa, North America, South America, China and throughout the Commonwealth of Independent States (CIS). Dedicated manufacturing facilities are located in Australia, Malaysia and Canada. Product is also sourced from Bradken Group facilities in Australia, China, the United States of America and the United Kingdom. The Division is the market leader in the manufacture and supply of grinding mill liners.



Bullnose® Discharge Cone installation, Zambia

market leading grinding mill liners...

Year in Review

2015 saw a continuation of the dower resource sector market conditions experienced over the last several years. Against this backdrop the Division's FY15 sales of $216 million represented a 7% reduction on the previous year. Again the market was characterised by limited greenfield project development along with a commensurate wind-back in OEM demand for first fitment product. A continuation of customer austerity initiatives and constrained production also reflected in a sluggish after-market.

Despite these challenging conditions, the Division secured material new business in the Americas. Much of this business has emanated from South American countries where Bradken market share has been small, relative to the total accessible market, but the subject of significant business development efforts. The annuity effect of this new business will be material in future years.

Execution of the Division's strategy to re-base cost structures continued in 2015 with the closure of Henderson foundry in Western Australia, the announced closure of the Adelaide foundry in South Australia and the deal to acquire a large and relatively new jobbing foundry in India. FY16 will see the integration of the new Indian foundry well advanced with some synergy benefits budgeted in that fiscal year.

Bradken Bullnose® Dicharge Cone casting, Adelaide AUS

Outlook

For the year ahead the Mineral Processing Division's current business focus continues with the introduction of new differentiated products into existing and new markets where some geographies, particularly the Americas and Africa, are already demonstrating good wins.

ENGINEERED PRODUCTS

Bradken's Engineered Products Division is a North American based manufacturer of large, highly-engineered steel castings and differentiated consumable products to the mining, resource, transportation, structural, energy, and military industries. The Division also has foundry capacity in the United Kingdom to serve European markets.

The Division is a leader in the North American market for large, complex steel castings (over 10,000 lbs.) supplying a broad range of key industry segments including mining and heavy construction, locomotive rail, transit rail, power generation, nuclear, oil & gas and military. The Division's revenue is primarily based on the sale of products to large, international OEMs including well-known, blue-chip customers such as General Electric, Caterpillar, Sulzer, EMD, and Solar Turbines. Many of these products are mission-critical components designed into the customer's end products. On a lesser basis, the Division also manufactures certain consumable items for direct sale to end customers.

The Engineerd Products Division incorporates three businesses.

- The Industrial Products Business manufactures components predominantly for the mining and construction, locomotive and transit rail, military and dredging markets, as well as castings for specialised industrial markets such as structural nodes used in building construction.
- The Energy Business manufactures offshore oil and gas platform components, pumps, valves, turbines and gas compressors for the global energy and power generation markets as well as military products for Tier 1 suppliers to the United States government.
- The Europe Business specialises in the design and manufacture of differentiated wear consumables specific to the dredge and industrial markets, including dredge ground engaging tools (GET), replacement slurry pump parts and grinding elements for coal fired power generation, cement production and other such industries.


Bradken 38TC Cutter Head, Scunthorpe UK

Machined off-shore oil casting, Tacoma USA

Structural cast node (Transbay Transit Terminal), Atchison USA

... complex steel castings

Year in Review

Overall sales for the Division were down 12% in FY15 on the previous year. This net change resulted from a continued slow-down throughout FY15 in mining markets which began in the latter half of CY12, partially offset by a recent increase in the locomotive rail market.

Annual sales for the Industrial Products business were impacted by the continued softening of demand in the mining sector, showing a decline of 3% for FY15. This was driven by a 35% increase in first half sales from the comparable period in FY14 reflecting stronger volumes to the structural market, followed by a 31% decline in second half sales as the mining market continued to weaken.

The Energy business' annual sales declined 18%, spread evenly across both halves and the revenues for the Division's Europe business were also down 18%. General and Administrative expenses for the division were down 19% from the prior year, driven by a number of cost reduction initiatives.

The Division responded to the reduction in demand in FY15 by focusing on the recuction of controllable inventory, managing receivables, reducing workforce numbers and rationalising capacity. In January 2015, the closure of the Chehalis, WA foundry was announced. Production was suspended in April and transitioned to our Tacoma, WA foundry. The closure was completed with the sale of the property and equipment in June.

Outlook

The Division remains focused on the diversification of its North American and European customer-base expanding into markets in growth sectors such as commercial building construction, large and heavy energy castings and the dredge industry. This strategic focus will assist in preventing undue reliance on our existing customer base, enable improved utilisation of available plant capacity and further reduce dependence on the OEM markets in which we participate providing the Company with a global footprint that allows competitive manufacturing alternatives based on changing markets and currency fluctuations.

With the decline in the mining market likely to continue to be soft in the coming financial year the Division remains well-positioned to service the future needs of its customers when a rebound occurs.

MINING & TRANSPORT

The Mining & Transport Division designs, manufactures and supplies consumable wear products for all types of earthmoving equipment to the global mining industry. The Division's products include Ground Engaging Tools (GET) and associated wear parts, dragline rigging packages and a range of buckets for dragline, front-end loader, face shovel and hydraulic excavator equipment as well as crawler system products for hydraulic mining excavators and electric rope shovels.

The Division also provides industrial cast products for general industry and mining OEMs and designs, manufactures and sells freight rollingstock products and services including freight wagons and bogies and associated spare and renewed parts and maintenance.

The Division's customers include mine operators, OEMs and mining contractors in the world's major mining markets, along with freight rail operators in targeted overseas markets.

Year in Review

The Division experienced difficult market conditions throughout FY15 with total sales down 27% as mining operators continued responding to lower commodity prices by significantly reducing capital expenditure and deferring maintenance programs to lower operating costs.

A significant drop in demand for new mining class excavators lead to reduced demand from OEM customers and an overall sales reduction of 31% for crawler systems products for the year. While OEM sales reduced by 88%, the business strategy to focus on direct aftermarket sales for certain product platforms continues to yield strong results with those sales increasing by 47% despite the tough market conditions. These direct aftermarket sales will protect the business from the capital goods cycle going forward and is in line with the proven Bradken business model of selling and servicing end users directly. The Division also continues to benefit from increased utilisation of the high quality, low cost manufacturing capacity at Bradken's Xuzhou, China foundry.

Sales revenue for GET and associated products reduced by 2%, reflecting market share increases for consumables in

Australia that offset substantial reductions in market size as mine operators increased utilisation of larger, more efficient equipment and lower sales for regional maintenance services on reduced customer spend. The Division continues to achieve incremental sales growth in targeted global mining regions where the fully released latest generation GET product designs have received promising market acceptance.

Sales of Industrial products primarily for OEMs and general industry in Australia increased by 2% in a flat market.

New rail wagon builds reduced significantly from 1,218 in 2014 to 625 in 2015, as reduced capital spend by the major miners in iron ore, coal and the large freight rail operators took hold combined with strong competition from Chinese competitors. This resulted in an overall sales reduction of 45%, and the requirement to restructure the business to reduce overheads while maintaining the capability to design, sell and execute future contracts. In the absence of a strong loading of rail wagon production the Xuzhou, China facility is now being utilised for the manufacture of mining buckets and other fabricated products such as cane bin wagons for the Australian sugar market.

With strong competition in the Australian market with Chinese wagon manufacturers firmly established the business has re-focused on winning niche opportunities for intermodal wagon projects where operators are seeking overall efficiencies through improved design, executed plans to succeed in new and emerging markets such as the Middle East and providing a differentiated offering of Rail consumable spare parts and maintenance to the market.

Outlook

Looking forward we expect mining operators to maintain production across most commodities but with capital expenditure to remain subdued. Demand for mining consumable products is expected to be in line with mining production volumes now that one-off reductions in inventory levels have been largely exhausted, while the Division's increasing sales presence in major mining markets outside Australia is providing new opportunities for growth.

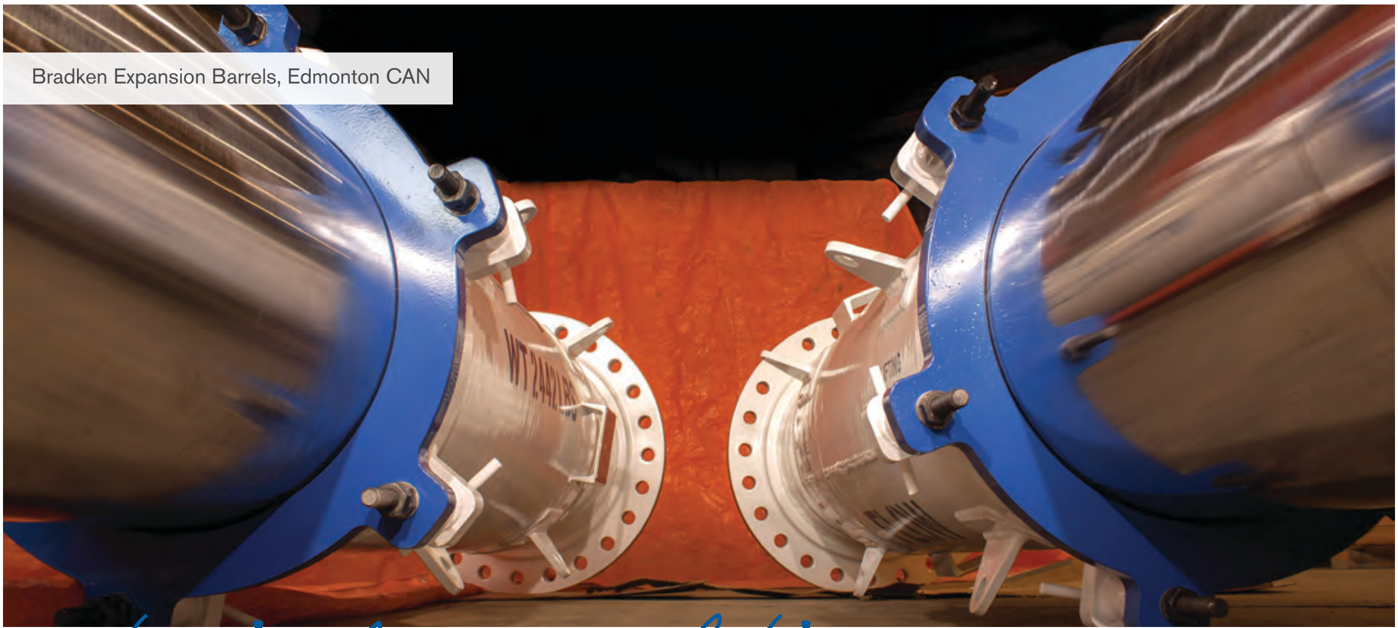
The Division continues to invest in product development and customer support, expanding its presence in major mining markets around the world and increasingly realising the benefits of relocating product manufacture to Bradken's lower cost operations.

Werris Creek Mine (Whitehaven Coal), New South Wales AUS

FIXED PLANT

The Fixed Plant Division creates customised wear solutions through the design and manufacture of a wide range of wear resistant products to protect fixed plant equipment in both the mining and port operations. The Division's customers include some of the world's largest mining and oil companies with products supplied from manufacturing facilities in Australia, China and Canada.

At the end of FY15 the Fixed Plant Business was consolidated with the Oil and Gas Business to form a separate Division of the Bradken Group. The new Division will be focussed on growing the current market share while introducing its products and services into the global markets of North and South America.


Bradken Expansion Barrels, Edmonton CAN

customised wear solutions...

Year in Review

Lower iron ore and oil prices had a significant impact on our base market with major reductions in capital expenditure and increased focus on operational spending on key wear consumables. 2015 proved further to be a challenging year for the Division with most mining companies seeking price reductions from their suppliers.

The Division's sales decreased 8.7% in 2015. While sales into the iron ore market remained steady, there was a 25% reduction in sales into the oil sands region, largely attributed to reduced project activity.

Gross margins decreased by 4.3% due to external price pressures and low margin project work being sold in the first half. To develop our key markets our work mix moved towards a more fully fabricated product, which attracts a lower overall margin. Foreign exchange movements also affected the cost benefit of supply out of the Xuzhou facility. However the Division remains focused on reducing manufacturing costs and lead-times by introducing capital expenditure initiatives that reduce both internal labour and our reliance on sub-contractors.

During the year our Product Development Group officially launched two application products (SMARTLINER and REVOLVER) both designed to reduce onsite labour during mine inspection and maintenance periods. The Division has already seen successful installations of each product and has received numerous enquiries from our major customers.

Our design teams have had great success working with mining operational staff to develop supplementary transport and installation equipment that complements our growing range of rotatable spare services. This, coupled with our newly acquired portable scanning equipment, has increased the Division's focus on customer service and onsite asset management.

Bradken Rubatile Ceramic production line, Bassendean WA

Outlook

With a continued suppressed commodity market the coming year will again be challenging, with some increases in activity coming from new mines moving into the maintenance stage. The full effect of recent price reductions will be seen in 2016 as major supply contracts come into effect.

Overall, the Division's direction will continue to concentrate on increasing share in existing markets, while identifying and gaining sales in mining regions around the globe currently not serviced by Bradken.

While sales into new mining projects will be challenging on the domestic front, our developing relationship with major EPCM's, puts us in a good position to being considered for various global projects.

The consolidation of the Oil & Gas and Fixed Plant Businesses will provide benefits resultant of the effective utilisation of shared resources. As such the Division has positioned itself to grow into the global market and replicate its successful business model.

CAST METAL SERVICES

Bradken's Cast Metal Services Business is a manufacturer and supplier of consumable products to the global cast metals industry operating in regions where Bradken has an established manufacturing footprint. The Business also incorporates a metal recycling operation which sources mild steel, stainless steel and alloy scrap steel largely from mine sites and industrial operations to supply Bradken's foundry operations.

The Business focuses on traded products and its own range of consumable products manufactured in facilities located in Brisbane, Australia and Xuzhou, China selling to both internal (Bradken) and external customers. The Business is a leading supplier to the Australian and New Zealand foundry industry.

Year in Review

Overall sales for FY15 were up 7.3% on the previous year due to significant new sales in North America where the Business now has an established sales office. In Australia, further contraction in the resources sector has resulted in a significant decrease in foundry activity. A subsequent decrease in the consumption of manufacturing consumables during this period saw the Business' sales into this region fall 15% from the FY14 figure.

In response to the tough market conditions and with limited opportunities for future growth in the region due to the already high level of market penetration, Cast Metal Services Australian operations were restructured. This process included the incorporation of the Metal Recycling Business and the relocation of the Cannington scrap facility in Western Australia to Bradken's Bassendean manufacturing facility, also located in Western Australia.

Sand core flow coating, Xuzhou CH

Metal recycling facilty, Runcorn AUS

... consumable foundry products

Sales of mild and alloy steel scrap in North America performed very well with sales of USD $9.4M for FY15. These sales were new business for the period.

With the completion of the new refractory plant in Xuzhou, China in FY14, the export of product from this plant continued to ramp up during FY15 taking advantage of the lower cost manufacturing base, with product being exported to Australia, North America, Malaysia and Taiwan.

Outlook

Looking towards FY16 a key focus for the Business is the growth of Cast Metal Services into the North American market. The Business has commenced the manufacture of foundry refractory coatings for the United States and in addition has a range of its own foundry consumable products on offer.

With the region expected to continue experiencing growth, a number of key initiatives will be undertaken including the employment of technical sales personnel to focus on the External market, providing local technical representation and product support, and the establishment of strategic global sourcing agreements for products and raw materials used in the various manufacturing processes.

Cast Metal Services recently obtained a scrap metal import license for China enabling the commencement of alloy metal scrap sales into a new region which will not only increase the Cast Metal Services Business' revenue, but also give the Bradken foundry facility in Xuzhou access to good quality alloy scrap.

Cast Metal Services warehouse, Brisbane AUS

Management Team

MR JOHN SAAD
Chief Technical Officer

John has been with Bradken for 28 years and was appointed Chief Technical Officer in March 2005. He is responsible for Bradken's technological direction, process and product innovation and advancement. John has had considerable experience across all Bradken operations previously occupying positions as a multi-site Manufacturing Manager, Technical and Product Development Manager for Mineral Processing and Head of Rail Engineering. He assumed responsibility for the Cast Metal Services business in June 2009. John holds a Bachelor Degree in Metallurgical Engineering from the University of New South Wales.

MR ENDA SHERIDAN
General Manager Corporate Development

Enda has been with the Bradken business for 25 years and was appointed General Manager Corporate Development in 2015 following 11 years as Executive General Manager of the Mining Products Division. Enda has held a number of production, technical and marketing positions with Bradken. In his current role he is responsible for the continued expansion of Bradken's global manufacturing capabilities and the investigation of new business opportunities. Enda holds a Bachelor of Materials Engineering from the University of Limerick, Ireland and a Master of Business Administration from the University of Newcastle.

MR WAYNE HERBERTSON
General Manager Human Resources

Wayne was appointed General Manager Human Resources in December 2004. He is responsible for all aspects of human resources, occupational health and safety and management systems. Prior to joining the Bradken business, Wayne held senior positions with Siemens and BHP Steel. He holds a Master of Applied Science Metallurgy, a Bachelor of Applied Science Metallurgy and a Bachelor of Applied Science Multidiscipline all from the University of Ballarat, an Associate Diploma of Theology from the Bible College of Victoria and a Diploma in Occupational Health and Safety from The Australian Training College.

MR STEVEN PERRY
Chief Financial Officer

Steven has been with Bradken since 1990. Having progressed through various other finance-based roles he was appointed Chief Financial Officer in 2011 after nine years as Commercial Manager Mining Products. He is responsible for finance, treasury, taxation, investor relations, investments, and audit and insurance. Steven holds a Bachelor of Commerce (Accounting) from the University of Newcastle, a Master of Business Administration (Advanced) from the University of Western Australia and is a member of CPA Australia.

MR BRAD WARD

Executive General Manager Mining & Transport

Brad has been with the Bradken business for 30 years and was appointed Executive General Manager Mining & Transport in May 2015. Prior to this appointment Brad held a number of senior positions within the Bradken Group including Executive General Manager of Bradken's Mineral Processing Division from June 2012, President Resource Products in the United States from July 2009, and President Bradken Products and Integration in the United States following the 2008 acquisition of Americast. Brad has gained extensive management, sales, marketing and manufacturing experience throughout his career with Bradken and in his current role manages the global operations of the Mining & Transport Division.

MR ANDREW ALLEN

General Manager Operations Mining & Transport

Andrew has a 35 year career history with Bradken. He was appointed General Manager Operations for the Mining & Transport Division in May 2015 having previously held a number of senior management positions across the Bradken Group. He has gained extensive manufacturing and technical expertise over his long operational and management career within the Bradken business. In his current role Andrew is responsible for overseeing the operation of Bradken's facilities throughout China, Australia and New Zealand and the development of a long term global manufacturing and logistics network to support the sales and marketing functions of the Mining & Transport Division. Andrew holds an Associate Diploma in Metallurgy Engineering from the Sydney Technical College.

MR STEPHEN CANTWELL

Executive General Manager Mineral Processing

Stephen joined Bradken in July 2011 and was appointed to his current position of Executive General Manager Mineral Processing in 2015. With more than 35 years' experience in a broad range of strategic, functional and customer-facing roles within multi-billion dollar national and international business environments, Stephen brings a wealth of valuable experience to the management of the Mineral Processing consumable products global business. Stephen holds a Business Degree majoring in Operations Research and Information Systems from the University of Southern Queensland, a Graduate Diploma in Transport Management and a Master of Business Degree from the Royal Melbourne Institute of Technology. He is also a fellow of the Chartered Institute of Transport and Logistics a Fellow of the Centre for Integrated Engineering Management and a Graduate Member of the Australian Institute of Company Directors.

MR CRAIG LEE

General Manager Fixed Plant

Craig has a 14 year career history with Bradken. He was appointed General Manager Fixed Plant in January 2011 and joined the Executive Management team in 2015. Prior to this Craig was Manufacturing Manager of Bradken's Henderson (from 2005) and Welshpool (from 2009) foundries. Prior to joining the Bradken Group, Craig held senior positions with Swanmet Foundry in Malaysia, Walkers foundry in Queensland and the FOSECO foundry supply company in Sydney. In his current role he is responsible for managing the operations of the Fixed Plant Division in Australia and Canada. Craig holds a Diploma in Chemistry from Bankstown Technical College.

MR KEVIN MCDERMED

Chief Operating Officer Engineered Products

Kevin was appointed as the Chief Operating Officer of the Engineered Products Division in October 2013. He joined Bradken as part of the AmeriCast Technologies acquisition in August 2008, serving as President of the Industrial Products business unit from that time. Kevin previously served as the Chief Financial Officer of AmeriCast, and its predecessor Atchison Casting Corporation, for 17 years. Kevin holds a Bachelor of Science in Business Administration degree from Kansas State University and a Master of Business Administration from Washburn University.

Board of Directors

Chairman

MR NICHOLAS F H GREINER
Independent Non-Executive Chairman

Mr Nicholas Greiner was appointed to the Board on 13 April 2004. He is a member of the Human Resources Committee.

Nick was Premier and Treasurer of New South Wales from 1988-1992 and has extensive experience as a corporate Director. He is currently Chairman of Accolade Wines, The Nuance Group, QBE Australia/Asia-Pacific, Rothschild Australia Limited Council of Advisors, Degremont, Deputy Chairman of CHAMP Private Equity, a Member of the Board of Governors Committee for Economic Development of Australia (CEDA) and the European Australian Business Council (EABC), and a Trustee of the Sydney Theatre Company Foundation. He is also a member of the Advisory Board for John Grill Centre for Project Leadership, Sydney University and of the Harvard Business School Asia-Pacific Advisory Board. In 1994, he was awarded a Companion of the Order of Australia for public sector reform and management and services to the community. Nick holds a Bachelor of Economics with Honours from Sydney University and a Master of Business Administration with High Distinction from Harvard Business School.

MR BRIAN W HODGES
Managing Director and Chief Executive Officer

Mr Brian Hodges was appointed to the Board on 13 April 2004.

Brian has been Chief Executive of the Bradken business since 1997. He has guided Bradken and its culture through periods of considerable change and corporate activity with four different owners during his tenure as Chief Executive. Over the course of his career, Brian has gained considerable management and leadership experience in raw material production and processing, supply and logistics and steel manufacturing. Brian holds a Bachelor of Chemical Engineering with Honours from the University of Newcastle.

MR PHILLIP J ARNALL
Independent Non-Executive Director

Mr Phillip Arnall was appointed to the Board on 13 April 2004. He is a member of the Audit and Risk Committee and the Human Resources Committee.

Phil has extensive experience in the mining and steel industries in senior management positions. He was the General Manager International at Smorgon Steel Group Limited and he held various senior positions at Australian National Industries Limited including, Chief General Manager of Structural Steel Product Group, Group Chief Executive of Tube Mills and Mining Services and Group Chief Executive of ANI Products Group. He is currently Chairman of ISIS (a private building company) and A J Lucas Group Limited. Phil holds a Bachelor of Commerce (Accounting) degree from University of Newcastle where he undertook postgraduate studies in Marketing and Industrial Law.

strategic guidance...

MR GREGORY R LAURIE
Independent Non-Executive Director

MR PETER I RICHARDS
Independent Non-Executive Director

DR EILEEN J DOYLE
Independent Non- Executive Director

DR DAVID SMITH
Independent Non-Executive Director

Mr Greg Laurie was appointed to the Board on 24 February 2005. He is Chairman of the Audit and Risk Committee.

Greg has extensive experience in a number of manufacturing and distribution industries. He was Finance Director of Crane Group Limited for almost 15 years until 2003. Prior to that he was the Chief Financial Officer of then top 100 listed company Rheem Australia Limited. He is an independent Non-Executive Director of Nick Scali Limited, Shriro Holdings Limited and Big River Group Pty Ltd. Greg holds a Bachelor of Commerce Degree from the University of New South Wales and an advanced management qualification from the University of Pittsburgh.

Mr Peter Richards was appointed to the Board on 11 February 2009. He is a member of the Audit and Risk Committee.

Peter has over 30 years of business and international experience with global companies including BP plc, Wesfarmers Ltd, Dyno Nobel Limited and Norfolk Holdings Limited. During his time with Dyno Nobel, he successfully lead (through challenging times) the Asia Pacific operation based in Sydney followed by the North American business unit based in Utah, USA. After becoming CEO, he expanded the business into China, Southern Africa and Europe while continuing to build upon its core Australian and North American operations. Peter is currently the Chairman of NSL Consolidated Limited and Cockatoo Coal Limited, and a Non-Executive Director of Emeco Holdings Limited and Sedgman Limited. Peter holds a Bachelor of Commerce from the University of Western Australia.

Dr Eileen Doyle was appointed to the Board on 1 July 2011. She is a member of the Audit and Risk Committee and the Chairman of the Human Resources Committee.

Eileen has over 30 years of business experience in the materials and water industries in Australia, including senior executive roles in BHP, Hunter Water and CSR. She was a founding Director of OneSteel and on the board for 10 years. She was Chairman of Port Waratah Coal Services for 11 years. She is currently Chairman of the Hunter Valley Research Foundation, Deputy Chairman of the CSIRO and a Director of Boral Group Limited, GPT Group Limited and various other private companies. Eileen has a PhD in Applied Statistics from the University of Newcastle, is a Fulbright Scholar and has an Executive MBA from Columbia University Business School.

Dr David Smith was appointed to the Board on 1 February 2014.

David has extensive operational and business development experience, in particular in business integration, growth and safety. He has over 30 years of experience within Rio Tinto; until 2009 he was President of Rio Tinto Atlantic and from 2001 to 2008 was Managing Director of Rio Tinto's iron ore business in Australia. In addition to his position on the Bradken Board, he also currently serves as Deputy Chairman of the WA Ballet. David has also served as President of the WA Chamber of Minerals & Energy, a Commissioner of Tourism WA, Director of the Australian Institute of Management (WA), a Councillor on the Australian Business Arts Foundation, a founding Director of Leadership WA and chaired the Federal Government's national Skills Working Group. David's formal qualifications include a Bachelor of Science and a PhD in Metallurgy from the University of New South Wales.

SECTION TWO

CONTENTS

Bradken Limited

SECTION TWO - Full Financial Report 30 June 2015

CORPORATE DIRECTORY

Directors	Nick Greiner, AC, B.Ec., MBA *Independent Non-Executive Chairman* Brian Hodges, B.Chem.Eng. (Hons) *Managing Director and Chief Executive Officer* Phil Arnall, B.Com. *Independent Non-Executive Director* Eileen Doyle, PhD *Independent Non-Executive Director* Greg Laurie, B.Com. *Independent Non-Executive Director* Peter Richards, B.Com. *Independent Non-Executive Director* David Smith, B.Sc., PhD *Independent Non-Executive Director*
Company Secretary and CFO	Steven Perry, B.Com. MBA, CPA
Joint Company Secretary	David Chesterfield, MBA
Business unit general managers	**Mining & Transport** Brad Ward **Fixed Plant** Craig Lee, Diploma in Chemistry **Mineral Processing** Stephen Cantwell, B.Business (Operations Research and Information Systems) and Master of Business **Engineered Products** Kevin McDermed, B.Sc, MBA
Notice of annual general meeting	The annual general meeting of Bradken Limited **Will be held at** Bradken Global Corporate Centre Bradford Room 20 McIntosh Drive Mayfield West NSW 2304 **Time** 2:30pm **Date** Tuesday 10 November 2015
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 680 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

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Bradken Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015.

This report has been divided into the following sections:

A. General information
B. Operational and financial review
C. Remuneration report
D. Other information

A. General information

Directors

The following persons were directors of Bradken Limited during the whole of the financial year and up to the date of this report unless otherwise noted:

Nick Greiner	Brian Hodges	Greg Laurie	Phil Arnall
Eileen Doyle	Peter Richards	David Smith	

Principal activities

During the year the principal activities of the Group consisted of:

- supply and service of wear components for mining and earthmoving equipment
- manufacture and maintenance of freight rollingstock products
- supply of equipment and consumables to the mineral processing, quarrying and power markets
- supply of cast, machined and fabricated components and highly engineered steel castings to the energy, industrial, oil & gas and rail transport industries
- supply of foundry consumables to the foundry and steelmaking industries

There were no major changes in the nature of the activities of the Group during the period.

Dividends - Bradken Limited

Dividends paid to members during the financial year were as follows:

	2015 $'000	2014 $'000
Final dividend for the year ended 30 June 2014 of 11.0 cents (2013: 18.0 cents) per fully paid share paid on 9 September 2014 (2013: 13 September 2013)	**18,813**	30,463
Interim dividend for the year ended 30 June 2015 of zero cents (2014: 15.0 cents) per fully paid share (2014: paid 21 March 2014)	**-**	25,386
	18,813	55,849

Significant changes in the state of affairs

During the year ended the Group has has incurred significant restructuring costs and has materially written down the value of many of the Group's assets,

On 30 June 2015, the Group entered into a Redeemable Preference Share ("RPS") agreement for cash consideration of $70,000,000. 700,000 RPSs were issued with a face value of $100 per share and have no fixed maturity date. Each RPS confers on its holder the right to semi-annual distributions at step up rate of 7.5-13% which, at the election of the Group, can be waived in the first 12 months through the issuance of additional RPS instruments at an increased distribution rate.

Significant events after the balance date

In August 2015 the Group chose not to participate in the rights issue undertaken by Austin Engineering Limited (ANG) and as such, the Group's shareholding in ANG has been diluted from 21.64% to 14.40%. Other than this there has not arisen in the interval between the end of the financial year 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.

Corporate activity

On 26 June 2015, Bradken announced that a consortium comprising the SK Group and CHAMP Private Equity had approached the company regarding a possible merger between Bradken and Magotteaux, a wholly owned subsidiary of the SK Group. The parties agreed to work together during a 60 day exclusivity period to review the strategic and financial merits of a merger, which is currently scheduled to expire on 29 August 2015. Bradken confirms merger discussions and due diligence between the parties remain ongoing, with the focus to date on identifying and quantifying the potential benefits that could be realised under a merger. Bradken will provide an update to the market regarding the potential merger transaction when appropriate. If an agreement is reached, any such merger is expected to require the approval of Bradken shareholders.

DIRECTORS' REPORT

A. General information (continued)

Likely developments and expected results of operations

Additional comments on expected results of certain operations of the Group are included in this annual report under the Operating and Financial Review section on pages 6 to 8.

Further disclosure on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation and performance

The Group's operations are subject to significant environmental laws and regulation. The Group has devoted and will continue to devote resources to environmental compliance and management in each of the jurisdictions in which it operates.

In Australia, the Group's energy related requirements have corporate thresholds and the Group's operations are subject to the reporting requirements of the *Energy Efficiency Opportunities Act 2006*, the *National Greenhouse and Energy Reporting Act 2007* and the *National Pollutant Inventory*.

In the USA, the Group's Atchison site will be reporting its Greenhouse gas (GHG) emissions as it exceeds the US Greenhouse Gas Reporting Rule threshold of 25,000 tpa CO2e. The Atchison site is also participating voluntarily in the US Department of Energy Better Plants program with a pledge to reduce energy intensity by 25% over 10 years. The Group's other US sites do not exceed the reporting threshold.

The Group's United Kingdom sites have been exempted from UK Climate Change Agreements in early 2014. The Bradken UK sites will no longer have to submit the Climate Change Agreement reports.

None of the Group's Canadian facilities exceed the 50,000 t CO2e threshold for reporting under the Canadian GHGRP program. No mandatory GHG or energy reporting requirements apply to the Group's operations in New Zealand, Malaysia or China.

The Group has established data collection systems and processes are in place to meet all requirements.

There have been no significant known breaches of the Group's obligations or environmental regulations to which it is subject.

Corporate governance

The Bradken Limited Board of Directors (Board) believes high standards of corporate governance are essential for sustainable long-term performance and creating value for shareholders. The Board is committed to delivering a robust governance system and fosters a culture that values ethical behaviour and integrity.

Throughout the financial year ended 30 June 2015 and at the date of this Statement, the Board believes the Bradken Group has complied with the third edition of the ASXCGC Principles and Recommendations, with effect from 1 August 2014.

More complete information on key risk categories, risk management and the overall Bradken Group governance framework is in the Company's detailed Corporate Governance Statement available on the website at bradken.com.

Information on directors

Nick Greiner, AC, B.Ec., MBA. *Independent Non-Executive Chairman.*

Experience and expertise

Chairman of Bradken Limited since 2004. Extensive experience in corporate roles. Formerly, Premier and Treasurer of New South Wales.

Other current directorships

Chairman of QBE Australia, Chairman of Nuance Global Traders, Deputy Chairman of Champ Private Equity and a director of various private groups.

Former directorships in the last three years

Chairman of Infrastructure NSW and Chairman of Citigroup Australia.

Special responsibilities

Member of Human Resources Committee.

Interest in shares

371,272 ordinary shares in Bradken Limited.

A. General information (continued)

Brian Hodges, B.Chem.Eng. (Hons). *Managing Director.*

Experience and expertise

Managing Director of the Bradken business since 2001. Formerly General Manager of the Bradken business from 1997. Extensive management and engineering experience in Australia for BHP, Australian National Industries and the Smorgon Steel Group.

Other current directorships

None.

Former directorships in the last three years

None

Special responsibilities

Managing Director.

Interest in shares and rights

2,316,630 ordinary shares in Bradken Limited.

458,072 rights over ordinary shares in Bradken

Phil Arnall, B.Com. *Independent Non-Executive Director.*

Experience and expertise

Director of Bradken Limited since 2004. Extensive experience in mining and steel industries in management positions. Held senior management positions with Smorgon Steel Group and Australian National Industries.

Other current directorships

Chairman of AJ Lucas Limited.

Former directorships in the last three years

Chairman of Ludowici Limited and Non-Executive Director of Macquarie Generation.

Special responsibilities

Member of Audit and Risk Committee

Member of Human Resources Committee.

Interest in shares

387,040 ordinary shares in Bradken Limited.

Eileen Doyle, PhD *Independent Non-Executive Director.*

Experience and expertise

Director of Bradken Limited since 1 July 2011. Over 30 years of experience in the materials and water industries in Australia, including senior executive roles in BHP, Hunter Water and CSR. A founding director of OneSteel Limited and board member for 10 years and Chairman of Port Waratah Coal Services Pty Ltd for 11 years.

Other current directorships

Deputy Chairman of the CSIRO, Director of Boral Limited and the GPT Group.

Former directorships in the last three years

None

Special responsibilities

Member of Audit and Risk Committee

Chairman of Human Resources Committee.

Interest in shares

17,650 ordinary shares in Bradken Limited.

Greg Laurie, B.Com. *Independent Non-Executive Director.*

Experience and expertise

Director of Bradken Limited since 2005. Extensive experience in manufacturing and distribution industries. Formerly Finance Director of Crane Group Limited and CFO of Rheem Australia Limited.

Other current directorships

Independent Non-Executive Director of Nick Scali Limited, Shriro Holdings Limited and various private groups.

Former directorships in the last three years

None.

Special responsibilities

Chairman of Audit and Risk Committee.

Interest in shares

44,667 ordinary shares in Bradken Limited.

DIRECTORS' REPORT

A. General information (continued)

Peter Richards, B.Com. *Independent Non-Executive Director.*

Experience and expertise

Appointed Director of Bradken Limited in 2009. Over 30 years of business and international experience with global companies including BP plc, Wesfarmers Ltd, Dyno Nobel Limited and Norfolk Group.

Other current directorships

Chairman and Non-Executive Director of NSL Consolidated Limited and Cockatoo Coal Limited, and Non-Executive Director of Emeco Holdings Limited and Sedgman Limited.

Former directorships in the last three years

Chairman and Non-Executive Director of Minbos Resources Limited and Kangaroo Resources Limited and Non-Executive Director of Norfolk Group Limited.

Special responsibilities

Member of Audit and Risk Committee.

Interest in shares

42,099 ordinary shares in Bradken Limited.

David Smith, B.Sc., PhD, *Independent Non-Executive Director.*

Experience and expertise

Appointed director of Bradken Limited on 1 February 2014. Over 30 years of experience within Rio Tinto including 2001 to 2008 as Managing Director of its Australian iron ore business and President of Rio Tinto Atlantic until 2009.

Other current directorships

Non-Executive Director of ERA Limited.

Former directorships in the last three years

Independent Chairman of Bannerman Resources, Independent Non-Executive Director of Macmahon Holdings and Lead Independent Non-Executive Director of Atlas Iron Limited.

Special responsibilities

Member of Audit and Risk Committee.

Interest in shares

No ordinary shares in Bradken Limited.

Company Secretary

The Company Secretary is Mr Steven Perry, B.Com, MBA, CPA. Mr Perry joined the Group in 1990 and progressed through a number of financial roles most recently spending nine years as Commercial Manager Mining Products. As Company Secretary and Chief Financial Officer (CFO) Mr Perry is responsible for finance, treasury, taxation, investor relations, investments, audit and insurance. The Joint Company Secretary is Mr David Chesterfield, MBA.

Meetings of directors

The number of meetings of the Company's board of directors and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each director were:

Director	Full meetings of directors *		Audit and Risk Committee meetings		Human Resources Committee meetings		Non-executive directors meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Nick Greiner	25	25	**	**	4	5	4	4
Brian Hodges	25	25	**	**	**	**	**	**
Phil Arnall	24	25	5	5	5	5	4	4
Eileen Doyle	24	25	5	5	5	5	4	4
Greg Laurie	25	25	5	5	**	**	4	4
Peter Richards	25	25	5	5	**	**	4	4
David Smith	23	25	5	5	5	5	4	4

A Number of meetings attended

B Number of meetings held during the time the director held office during the period

* Bradken Limited does not have a fully constituted Nominations Committee, however, as and when required the full Board participates as the Nominations Committee in order to fulfil its corporate governance responsibilities

** = Not a member of the relevant committee

B. Review of operations

Operating and Financial Review

	2015	2014	Change
NPAT	($241.3m)	$21.5m	
EBITDA	$109.7m	$143.0m	(23%)
Underlying NPAT	$33.9m	$55.1m	(38%)
Underlying EBITDA	$136.1m	$173.3m	(21%)
Underlying EBITDA Margin	14.1%	15.3%	
Sales Revenue	$965.9m	$1,135.2m	(15%)
Operating Cash Flow	$81.2m	$167.6m	(52%)
Underlying Earnings per Share	19.8 cents	32.4 cents	(39%)
Dividends per Share	Nil	26.0 cents	

The Company recorded a net loss after tax for the year ended 30 June 2015 of $241.3 million. The loss included adjustments for:

- manufacturing restructure costs of $50.5 million,
- impairment of property plant and equipment of $55.8 million,
- impairment of intangibles of $167.2 million,
- impairment of the investment in Austin Engineering of $36.0 million, and
- gains on the sale of property of $26.6 million.

While unadjusted EBITDA was $109.7 million, underlying EBITDA before one-off costs was $136.1 million, a decrease of 21% on the previous year. This result was achieved in a challenging environment where mining companies were focused on reducing expenditure. This resulted in pricing pressure and depressed demand for some of Bradken's products, especially capital products such as rail wagons. Bradken has responded to the market pressure with a restructuring program to lower the Company's cost base with the closure of high cost facilities and movement of products to lower cost locations as well as substantial reductions in cash overheads.

Sales revenue reduced 15% as a result of lower sales of rail wagon products, sales to mining OEMs and energy products. Margin percentages were largely retained as variable costs were reduced in line with volume decreases. The Company's base load of key product sales has remained steady over the last four years, which continues to demonstrate the strength of the Company's consumable products focus.

Key Outcomes

- Sales revenue decreased 15% to $966 million due to lower mining capital sales.
- Variable costs reduced in line with the sales decrease while cash overhead improvements of $25 million year-on-year delivered an underlying EBITDA of $136 million.
- An NPAT loss of $241 million was recorded after significant, but mainly non-cash, charges for restructuring and impairment somewhat offset by sale of properties.
- Restructuring was largely completed with the creation of a new division from four existing businesses, closure of high cost subscale manufacturing facilities and write-down of assets in line with current market conditions.
- Net debt including the RPS was $398 million at 30 June 2015 with gearing for covenant purposes reduced to 2.5x (Net Debt / EBITDA).
- The Directors did not declare a dividend to ensure maximum flexibility is maintained at the bottom of the current market cycle.

Operational Restructure

In May 2015 the Australian based Industrial Business, the Rail Division and the GET and Crawler Systems Businesses (formerly part of the Mining Products Division) were merged to form the new Mining & Transport Division. This consolidation will enable more effective utilisation of shared resources in manufacturing, product development and sales. The Fixed Plant business, also formerly part of the Mining Products Division, has been separated to form a new Division retaining the Fixed Plant name. The Company's Oil & Gas Business in Canada has been consolidated into the Fixed Plant Division in a move that will see improved utilisation of like resources including manufacturing and sales. Similarly, management of the Metal Recycling Business, previously under the Mineral Processing Division, has been transferred to the Cast Metal Services Business.

B. Review of operations (continued)

Operating and Financial Review (continued)

Mineral Processing Division

The Mineral Processing Division is a global manufacturer of custom designed products for grinding mills, crushing and conveying equipment for the hard rock mining industry. The Division's customers include the world's largest mining companies and some OEMs, with products supplied to mining operations in over 30 countries across five continents. Products are manufactured in the Division's manufacturing facilities in Australia, Malaysia, Canada and India as well as being obtained from other Company manufacturing facilities in Australia, China, the USA and the UK. The Division is the market leader in the manufacture and supply of grinding mill liners.

Sales of $216 million were down 6% on the previous year due to reduced operations of large mines in Indonesia and Africa, and commissioning delays in other regions, all now resolved and returning to normal ordering patterns. The Division's key manufacturing strategy continues to focus on the relocation of work to lower cost manufacturing facilities, with the transfer to India planned to begin in 1Q16. Current business focus continues with the introduction of new differentiated products into existing and new markets where some geographies, particularly the Americas and Africa, already demonstrating good wins.

Mining & Transport Division

The Mining & Transport Division designs, manufactures and supplies consumable wear products for all types of earth moving equipment to the global mining industry. Products include Ground Engaging Tools (GET), crawler system products for hydraulic mining excavators and electric rope shovels, and industrial cast products for general industry and Mining OEM's. The Division also manufactures and supplies freight rollingstock products including freight wagons, bogies, drawgear and spare and renewed parts, and services including the maintenance and refurbishment of rollingstock.

While sales of $328 million were down 27% on the previous corresponding period primarily due to lower rail wagon sales, the restructuring has reduced fixed costs by $25 million. The restructured business will focus on extracting maximum value and leverage from the reorganisation and rationalised overheads, sale of new products, successful entry into new mining regions and utilisation of low cost capacity including from the Xuzhou, China foundry.

Fixed Plant Division

The Fixed Plant Division creates customised wear solutions through the design and manufacture of a wide range of wear resistant products to protect fixed plant equipment in mining and port operations. The Division mainly services the iron ore, gold and copper market in Australia as well as oil sand mines in Alberta, Canada.

Lower iron ore and oil prices are having a significant impact on the market with our major customers reducing capital expenditure projects and a general decrease in key wear consumables. Most mining companies sought price reductions from their suppliers which meant 2015 was a challenging year for the division. The Division continues to develop a fully integrated supply chain, for a wide range of wear parts for major mine operations. Overall, the business direction continues to concentrate on increasing share in existing markets while identifying and gaining sales in targeted mining regions around the globe not currently serviced by the Fixed Plant Division. With the oil and gas business being consolidated into the Fixed Plant Division, providing the benefits of more effective utilisation of shared resources, the division has positioned itself to grow into the global market and replicate its successful business model.

Engineered Products Division

The Engineered Products Division is a leading North American manufacturer of large, highly-engineered steel castings and differentiated consumable products to the mining, resource, transportation, structural, energy, and military industries. The Division is a leader in the North American market for large, complex steel castings (over 4,500kg) and has an approximate 30% share of the US large steel castings market. The Division also has foundry capacity in the United Kingdom to serve European markets.

Sales revenue of $267 million was down 4% on FY14, reflecting continued softness throughout the year in the capital mining market. The release of deferred military projects, notably submarine builds, are expected to benefit the division in F16 as well as translation of the US dollar. Sales in F16 are expected to be higher, as improved military and transit rail markets are projected to offset a lower capital mining market.

Cast Metal Services Business

Cast Metal Services is a supplier of foundry consumable products operating in regions where Bradken has an established manufacturing footprint. Cast Metal Services customer base consists of 85% internal (Bradken) and 15% external sales. The Business focuses on traded products and its own consumable products of which manufacturing facilities are located in Brisbane, Australia and Xuzhou, China. Cast Metal Services is the dominant supplier to the Australian and New Zealand industry and is expanding globally into other regions.

Sales were up 7% on the previous corresponding period from the net effect of significant new sales in North America offsetting a 15% reduction of sales in Australia due to contracting market conditions and domestic foundry closures. New plant and equipment for the business in Xuzhou, China has been commissioned and is proving a catalyst for low cost refractories and coatings manufacture for promotion and sales globally.

B. Review of operations (continued)

Operating and Financial Review (continued)

Cast Metal Services Business (continued)

The Australian foundry industry, and hence the consumables market, has been contracting for the past couple of years at an accelerated rate. Opportunities for growth within the Australian market have slowed considerably with further opportunities limited with Cast Metal Services' current high level of market penetration. As a consequence, technical specialists have been relocated to North America in conjunction with a sales office with this region experiencing growth.

Engineered Products Division

The Engineered Products Division is a leading North American manufacturer of large, highly-engineered steel castings and differentiated consumable products to the mining, resource, transportation, structural, energy, and military industries. The Division is a leader in the North American market for large, complex steel castings (over 4,500kg) and has an approximate 30% share of the US large steel castings market. The Division also has foundry capacity in the United Kingdom to serve European markets.

Sales revenue of $267 million was down 4% on FY14, reflecting continued softness throughout the year in the capital mining market. The release of deferred military projects, notably submarine builds, are expected to benefit the division in F16 as well as translation of the US dollar. Sales in F16 are expected to be higher, as improved military and transit rail markets are projected to offset a lower capital mining market

Business Risks

The Company maintains an Enterprise Risk Management System, which identifies potential risks by site, business, region and function by actively pursuing the minimisation of identified business interruption risks. While each of the Company's Divisions has its own discrete business risks, as a group the Company's Executive Management Team identify high level business risks with the potential of having a material impact on the financial prospects of the Company. The most significant business risks for FY16 will be the continued pricing pressures exerted by major mining customers, particularly in the iron ore and coal sectors, the significant fall in oil and gas prices and pressure on the Australian dollar.

Business Strategies and Outlook

The Bradken vision, mission and business model continue to shape our business strategies. The Bradken business model focuses on the creation of differentiated consumable products and the sales of their value to our customers. There is a strong belief that the model can be adapted to our "consumable" markets, leading to end market diversification. A number of acquisition opportunities were explored in 2014/15 and continue to be a key strategic initiative. Bradken has continued to enhance its robust, bottom-up business planning program, which results in multiple growth initiatives being assessed and implemented as each new opportunity arises.

The restructure of manufacturing to materially lower costs is close to completion. This well-positions us to gain volume when the market improves.

The foundry in India will contribute to further cost reductions in F17 and will recover any lost capacity as a result of the prior plant closures.

The Company's short-term strategy is to focus on growing sound margin revenue through market share for consumable products and product development in preparation for an eventual uplift in global mining demand.

Forecasting results in the current environment remains challenging, however any further reductions in volume and price are expected to be offset by an additional $10 million EBITDA from full year run-rate savings of the restructuring program as well as $9 million of EBITDA (based on current FX rates) due to higher translation of the US based business which provides more than 50% of the Company's profits.

Gearing is forecast to reduce significantly in the second half of F16 due to very low translation exposure of debt to any further reductions in the AUD/USD exchange rates, continued inventory reductions especially in the Ground Engaging Tools and Crawler Systems product lines, given that the relocation of their manufacturing will be complete. Additionally, the sale of surplus properties and continued capex restrictions will assist gearing reduction further.

The Company's business strategy for the mining industry remains focused on growing the mining consumables business by designing, manufacturing and selling differentiated consumable wear products throughout the major global mining regions. A number of discrete strategies are being implemented to aid this focus including:

- expanding our sales presence direct to mining customers throughout the world;
- new product design and innovation;
- further reducing manufacturing costs by transferring product manufacture to targeted low cost facilities; and
- developing the global distribution network to include stock holdings in key mining regions to support direct sales.

DIRECTORS' REPORT

C. Remuneration report

The remuneration report is set out under the following main headings:

(a) Introduction
(b) Principles used to determine the nature and amount of remuneration
(c) Key management personnel remuneration disclosure
(d) Service agreements
(e) Share-based compensation
(f) Additional information

(a) *Introduction*

The information provided under headings (b) to (e) includes the remuneration disclosures that are required under the Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. Information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

This report details the Bradken Group's remuneration objectives, practices and outcomes for Non-Executive Directors, the Managing Director / Chief Executive Officer and other key management personnel of the Group for the year to 30 June 2015.

In the 2015 financial year there was no external benchmarking conducted to provide remuneration recommendations as defined in section 9B of the *Corporations Act 2001*.

In the 2014 financial year AON Hewitt provided remuneration recommendations and were paid $19,080 for these services. AON Hewitt confirmed these recommendations were made free from undue influence by members of the Group's key management personnel.

There were no changes to the remuneration framework in the current period compared to the previous period.

Role of the Human Resources Committee

The Human Resources Committee is a Committee of the Board. It assists the Board to exercise sound governance in Human Resources matters. In the Remuneration area it is primarily responsible for making recommendations to the Board on:

- Non-Executive Director fees
- remuneration levels of the Managing Director, executive directors and other key management personnel; and
- the over-arching executive remuneration framework and incentive plans.

Its objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. In doing this, the Human Resources Committee seeks advice from independent remuneration consultants.

The Corporate Governance Statement provides further information on the role of this Committee.

Voting and comments made at the company's 2014 Annual General Meeting

Bradken Limited received more than 89% of "yes" votes on its remuneration report for the 2014 Financial year.

The Company did not receive any specific feedback at the AGM. No other correspondence was received throughout the year pertaining to the remuneration report.

(b) *Principles used to determine the nature and amount of remuneration*

The objective of the Group's executive reward framework is to ensure reward for performance whilst maintaining competitiveness with the market and appropriateness for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

C. Remuneration report (continued)

(b) Principles used to determine the nature and amount of remuneration (continued)

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward executive directors and senior executives for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash, while the long-term incentive (LTI) is provided as rights over ordinary shares of Bradken Limited under the rules of the Performance Rights Plan (PRP).

No key management personnel has entered into any arrangement to limit the exposure or risk related to their remuneration.

Non-executive directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board also uses the advice of independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market.

(i) Directors' fees

The current base remuneration was last reviewed with effect from 1 October 2011. Total aggregate remuneration for all Non-Executive Directors, last voted upon by shareholders in October 2011, is not to exceed $1,200,000 per annum and actual amounts payable to individual directors are determined after considering advice from external advisors and with reference to fees paid to other non-executive directors of comparable companies.

Directors' base fees are presently $130,000 (2014: $130,000) per annum. The Chairman's fee is currently $280,000 (2014: $280,000) per annum. Non-Executive Directors do not receive performance related remuneration. Directors' fees are inclusive of superannuation and cover all main Board activities and membership of any Board committee.

In recognition of the prevailing external economic market conditions, the Chairman, the Non-Executive Directors and the Managing Director decided to voluntarily forego fee and base salary increases in the period to 30 June 2015.

(ii) Non-Executive Director Share Acquisition Plan

Non-Executive Directors may elect to have a percentage of their annual fixed directors' fees provided in shares under the Non-Executive Director Share Acquisition Plan (NED plan). Participation in the NED plan is voluntary.

Executive pay

In addition to base pay, at risk short-term salary and benefits including superannuation, key management personnel are invited to participate in a long term (3 year) incentive scheme. The combination of these comprise total remuneration.

(i) Base pay and benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion it includes contributions to employee superannuation funds.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market and reflects the individual's performance. An executive's pay is also reviewed on promotion.

Each year the Board sets the job goals for the Managing Director. The senior executives' job goals are set and managed by the Managing Director. The job goals are focused on the growth of the business and generally include measures relating to the Group, the relevant business unit, and the individual, and include financial, people, customer, strategy and risk measures. The measures are chosen to directly align the individual's reward to the goals of the Group and to its strategy and performance.

C. Remuneration report (continued)

(b) ***Principles used to determine the nature and amount of remuneration (continued)***

(ii) At risk short-term salary

At the end of the financial year an assessment is made of the actual performance of the Group, the relevant business unit and the individual targets set at the beginning of the financial year. A percentage of the at risk short-term salary is awarded depending on performance. At risk short-term salary is not awarded where there is no year on year growth for the financial year.

The at risk short-term salary is paid wholly on actual improvement in profitability. The value of the at risk short-term salary payable is set within a range of 30% to 60% of the executive's total cash base remuneration depending on the position held by the executive. In calculating the at risk short-term salary the growth in year on year NPAT is calculated and where applicable the EBITDA of the executive's business. To achieve the full at risk short-term salary value a growth of 15% on the previous year profitability must be achieved.

The Human Resources Committee recommends the at risk short-term salary to be paid to the Managing Director for approval by the Board. For other senior executives the Managing Director recommends the at risk short-term salary to be paid, and seeks approval from the Human Resources Committee.

(iii) Long-term incentives - Performance Rights Plan

The Group's long-term incentive, the Performance Rights Plan, focuses on rewarding for long-term growth and the retention of key people. Information on the Performance Rights Plan is set out on page 14.

The long-term incentive (LTI) for executives is paid wholly on relative total shareholder return (TSR) performance over a 3 year period. The initial rights are provided based on a set range of 30% to 50% of the executive's total cash base remuneration depending on the position held by the executive. No rights vest to the executive if Bradken's TSR over a 3 year period is below 50% of the ASX Small Ordinaries Index and no re-testing occurs.

For all other key personnel the long term incentive (LTI) is paid wholly on Earnings Per Share (EPS) performance over a 3 year period. The initial rights for these personnel are provided based on a range of 20% to 30% of the key personnel's total cash base remuneration depending on the position held. No rights vest to the key personnel if Bradken's EPS growth over a 3 year period is below 5% and no re-testing occurs.

(c) ***Key management personnel remuneration disclosure***

The key management personnel of Bradken Limited and the Group are the directors of Bradken Limited (see page 2), the Chief Financial Officer and the General Managers and Chief Operating Officer of the Bradken business units who report directly to the Managing Director. The executives are:

- Steven Perry - *CFO and Company Secretary*
- Brad Ward - *Executive General Manager Mining & Transport*
- Craig Lee - *General Manager Fixed Plant*
- Stephen Cantwell - Executive *General Manager Mineral Processing*
- Kevin McDermed - *Chief Operating Officer Engineered Products*
- Enda Sheridan - *General Manager Corporate Development*
- Andrew Allen - *General Manager Operations*

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Bradken Limited and the Group are set out in the following tables.

The values in column (A) of each table below are remuneration as defined in Australian Accounting Standard AASB2 *Share-based payment*. This consists of share rights. These values are calculated based on a Monte Carlo Simulation Method valuation of the rights in the year in which they are granted and are amortised over the performance period to which they relate, which is typically a 3 year period. The degree to which performance conditions will be met is unclear until the end of the relevant performance periods. There is no certainty performance conditions will be met and there is therefore no direct correlation of these values to the remuneration received by the executive in any period.

The values in column (B) of each table shows the value of the rights that were granted to the executive for the performance periods 1 July 2012 to 30 June 2015 (2015) and 1 July 2011 to 30 June 2014 (2014).

For the performance period 1 July 2012 to 30 June 2015 the performance conditions were not met and no rights are eligible to vest for that period.

C. Remuneration report (continued)

2015

Name	Short-term employee benefits: Cash salary and fees $	Short-term employee benefits: At risk short term salary $	Short-term employee benefits: Non-monetary benefits $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave accrued $	Share-based payment allocation (A): Share Rights accrued in period $	Share-based payment (B): Share Rights to vest for period $
Non-executive directors							
Nick Greiner - *Chairman*	280,000	-	-	-	-	-	NIL
Phil Arnall	130,000	-	-	-	-	-	NIL
Eileen Doyle	118,721	-	-	11,279	-	-	NIL
Greg Laurie	118,721	-	-	11,279	-	-	NIL
Peter Richards	118,721	-	-	11,279	-	-	NIL
David Smith	118,721	-	-	11,279	-	-	NIL
Sub-total non-executive directors	884,884	-	-	45,116	-	-	NIL
Executive directors							
Brian Hodges	1,386,757	-	-	45,358	24,072	484,698	NIL
Other key management							
Andrew Allen	396,689	-	-	37,685	7,298	127,611	NIL
Stephen Cantwell	434,509	-	-	37,537	3,727	173,217	NIL
Craig Lee **	297,957	-	-	27,850	5,647	83,134	NIL
Kevin McDermed	387,461	-	-	20,430	-	86,377	NIL
Steven Perry	420,114	-	-	29,187	8,694	128,359	NIL
Enda Sheridan	600,928	-	-	39,631	10,216	235,231	NIL
Brad Ward	385,155	-	-	30,008	6,548	149,918	NIL
* **Total key management compensation (group)**	5,194,454	-	-	312,802	66,202	1,468,545	NIL

* The payment of at risk short-term salary has significantly reduced when compared to the previous year. In addition no share rights vested for the period. This is reflective of the quantum of year on year growth achieved and the current share price performance of Resource related stocks.

** Craig Lee became a Key Management Person in May 2015 when his position of managing the Fixed Plant business became directly reportable to the Managing Director. There was no change to his base salary at the time of this change and the values reported above are for the period 1 July 2014 to 30 June 2015.

2014

Name	Short-term employee benefits: Cash salary and fees $	Short-term employee benefits: At risk short term salary $	Short-term employee benefits: Non-monetary benefits $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave accrued $	Share-based payment allocation (A): Share Rights accrued in period $	Share-based payment (B): Share Rights to vest for period $
Non-executive directors							
Nick Greiner - Chairman	280,000	-	-	-	-	-	NIL
Phil Arnall	130,000	-	-	-	-	-	NIL
Eileen Doyle	118,993	-	-	11,007	-	-	NIL
Greg Laurie	118,993	-	-	11,007	-	-	NIL
Peter Richards	118,993	-	-	11,007	-	-	NIL
David Smith	49,581	-	-	4,586	-	-	NIL
Sub-total non-executive directors	816,560	-	-	37,607	-	-	NIL
Executive directors							
Brian Hodges	1,394,124	-	-	35,348	23,771	503,913	NIL
Other key management							
Andrew Allen	408,633	-	-	24,749	7,076	117,392	NIL
Tom Armstrong**	143,956	-	-	9,905	-	75,101	NIL
Stephen Cantwell	446,035	-	-	23,174	4,364	180,488	NIL
Kevin McDermed***	330,555	-	-	21,307	-	71,873	NIL
Steven Perry	414,342	-	-	25,144	31,744	95,135	NIL
Enda Sheridan	618,704	-	-	20,393	35,003	216,394	NIL
Brad Ward	390,435	-	-	20,210	29,801	125,657	NIL
* **Total key management compensation (group)**	4,963,344	-	-	217,837	131,759	1,385,953	NIL

** Tom Armstrong retired on 15 October 2013, values reported are for the period 1 July to 15 October 2013.

*** Kevin McDermed was appointed Chief Operating Officer Engineered Products on 15 October 2013. Before this appointment he was President Engineered Products. The amounts shown above include all Mr McDermed's remuneration during the reporting period. Amounts received as President Engineered Products were Cash Salary $246,832, Superannuation $15,354 and Share Rights $NIL.

C. Remuneration report (continued)

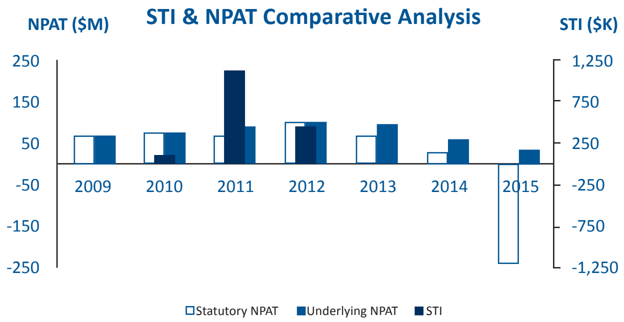
Relationship between remuneration and Bradken Limited's performance

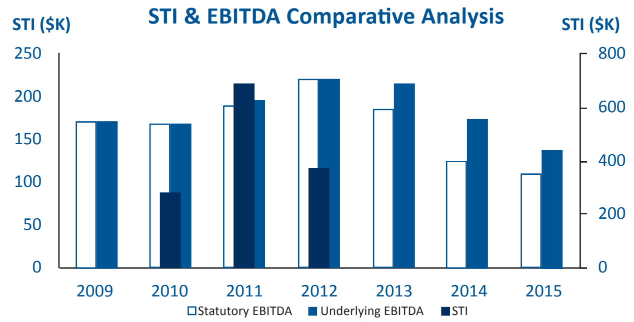
The following table shows key performance indicators for the group over the last five years:

	2011	2012	2013	2014	2015
Unadjusted EBITDA ($'000)	189,422	220,402	183,604	143,004	109,700
Underlying EBITDA ($'000)	196,059	220,402	214,016	173,289	136,119
Profit / (Loss) for the year attributable to owners of Bradken Limited ($'000)	67,561	100,533	66,937	21,480	(241,295)
Underlying profit / (loss) for the year attributable to owners of Bradken Limited ($'000)	87,082	100,533	96,054	55,079	33,900
Basic earnings / (loss) per share (cents)	47.6	60.5	39.6	12.7	(141.1)
Dividends ($'000)	59,821	68,747	64,311	44,199	-
Dividend payout ratio (%)	88.5%	68.4%	96.1%	205.8%	0.0%
BKN Y/E Share Price ($'s)	7.96	5.19	4.31	3.80	1.435
Increase/(decrease) in share price (%)	11%	-35%	-17%	-12%	-62%
Total KMP incentives as percentage of underlying profit/ (loss) for the year (%)	3.2%	1.7%	1.2%	2.5%	4.3%

Dividends shown above and the payout ratio calculated is in respect to profit earned for the year.

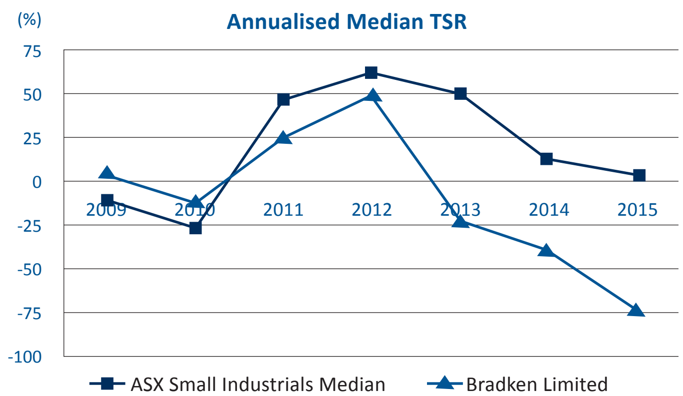
The graphs below illustrate two of the key links between key management personnel remuneration and Bradken Limited's performance.
The first two graphs illustrate the link between Bradken Limited's net profit before tax and EBITDA, both unadjusted and underlying, compared to payments made under the STI plan. In the 2011 year STI payouts were calculated against underlying NPAT and underlying EBITDA.





* Profit before tax is profit from continuing operations before income tax expense.
** STI % of target reflects the percentage of the target STI pool that was paid out to executives.

The last graph illustrates the operation of the long-term incentive plan by comparing Bradken Limited's TSR performance to the median TSR of the ASX Small Industrials Index (see page 14 below) over the last five years.



Note: 2012 was the last partial vesting year as indicated at the 50th percentile.
For full vesting to occur, the 75th percentile must be achieved.

C. Remuneration report (continued)

(d) *Service agreements*

Remuneration and other terms of employment for the Managing Director and key management personnel required to be disclosed under the *Corporations Act 2001* are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, other benefits including, but not limited to, motor vehicles and participation, when eligible, in the Bradken Performance Rights Plan. Other major provisions of the agreements relating to remuneration are set out below.

Name	Term of Agreement	* Base salary including superannuation	** Termination Benefit
Brian Hodges, *Managing Director****	Ongoing commencing 2 July 2004	$1,432,650	6 months base salary
Steven Perry, *Chief Financial Officer and Company Secretary*	Ongoing commencing 1 December 2011	$451,515	3 months base salary
Brad Ward, *Executive General Manager Mining & Transport*	Ongoing commencing 26 May 2015	$415,680	3 months base salary
Craig Lee, *General Manager Fixed Plant*	Ongoing commencing 26 May 2015	$322,295	3 months base salary
Stephen Cantwell, *Executive General Manager Mineral Processing*	Ongoing commencing 26 May 2015	$472,634	6 months base salary
Kevin McDermed, *Chief Operating Officer Engineered Products*	Ongoing commencing 15 October 2013	$414,776	12 weeks base salary
Enda Sheridan, *General Manager Corporate Development*	Ongoing commencing 17 June 2009	$640,559	3 months base salary
Andrew Allen, *General Manager Operations*	Ongoing commencing 29 May 2015	$434,374	3 months base salary

* Base salaries quoted are as at 30 June 2015; they are reviewed annually by the Human Resources Committee.

** Termination benefits are payable on early termination by the company, other than for gross misconduct; unless otherwise indicated, they are equal to the base salary for the remaining term of the agreement. There have been no changes to termination benefits during the year.

*** Brian Hodges has indicated his intention to retire before the end of 2015.

(e) *Share-based compensation*

Non-Executive Director Share Acquisition Plan

Non-Executive Directors may elect to have a proportion of their quarterly directors' fees provided as shares under the NED Plan. Participation in the plan is voluntary.

Non-Executive Directors are not able to sell or otherwise dispose of the shares until the earliest of 10 years after acquisition or when the Non-Executive Director ceases to be a director of the Company (except in very limited circumstances). During this period the shares are subject to a holding lock. No shares were issued under the NED plan in the financial period.

Rights

The Performance Rights Plan (PRP) is the Company's long-term incentive (LTI) scheme for selected key executives. The Managing Director recommends the list of executives who are entitled to participate in this scheme and seeks approval of the list from the Human Resources Committee which is then ratified by the Board. Under the PRP, eligible executives may be granted Performance Rights (each being a right to acquire a share, subject to the satisfaction of exercise conditions) on terms and conditions determined by the Board and as documented in the PRP Plan rules and Trust Deed. If the exercise conditions are satisfied, the Performance Rights may be exercised and the shares issued and delivered to the executive or key personnel according to scheme rules. The Board may impose restrictions on the disposal of the shares and implement procedures to enforce the restrictions.

The rules of the PRP provide that the Board may determine a price that is payable to exercise a Performance Right, or that no amount is payable by the executive upon exercise of the Right.

If any additional persons become entitled to participate in the PRP and their participation requires approval under Chapter 10 of the Listing Rules, they will not participate in the PRP until shareholder approval is received pursuant to Listing Rule 10.14.

Mr Brian Hodges, being the only Executive Director of the Company, is the only Director entitled to participate in the PRP. If any other Director is to participate in the PRP, the Company will seek shareholder approval required by the ASX Listing Rules.

There are 2 schemes in operation which are based on different performance conditions.

1. For the executive scheme the performance conditions are based on the relative total shareholder return (TSR) of the Company measured against other companies in the ASX Small Industrials Index during the performance period. TSR measures the total return on investment of a share taking into account capital appreciation, capital return and dividend income.

DIRECTORS' REPORT

C. Remuneration report (continued)

(e) Share-based compensation (continued)

The TSR performance conditions in relation to the grants issued are:

Target	Percentage of Rights available in given year to vest
The Company's TSR does not meet performance of the median Company in ASX Small Cap	0
The Company's TSR equals or exceeds performance of the median Company in ASX Small Cap	50
The Company's TSR ranked in third quartile of companies in ASX Small Cap	Pro rata between 50 and 100
The Company's TSR ranked in fourth quartile of companies in ASX Small Cap	100

2. For all other key personnel the long term incentive (LTI) is paid wholly on Earnings Per Share (EPS) performance over a 3 year period. The initial rights for these personnel are provided based on a range of 20% to 30% of the key personnel's total cash base remuneration depending on the position held. No rights vest to the key personnel if Bradken's average EPS growth over a 3 year period is below 5% and no re-testing occurs. The Average EPS Growth for the Company for the Performance Period is determined by:
   (a) adding the EPS Growth for each of the three financial years comprising the Performance Period; and
   (b) dividing that figure by three, being the number of financial years comprising the Performance Period.

   The EPS performance conditions in relation to the grants issued are:

Result for performance period	Percentage of Rights available in given year to vest
The Company's average EPS growth is below 5%	0
The Company's average EPS growth equals 5%	50
The Company's average EPS growth is between 5% and 15%	Pro rata between 50 and 100
The Company's average EPS growth equals or exceeds 15%	100

In assessing whether the performance hurdles have been met, the Human Resources Committee receives independent data from an investment bank which provides both the Company's TSR/EPS from previous financial years and in the case of TSR performance that of the ASX Small Cap Industrial Index. In the case of the TSR hurdle the Company's performance is then compared with each Company in the ASX Small Cap Industrial Index and Bradken is ranked in order of TSR in results from previous financial years. The Company's TSR percentile ranking is determined by aggregating the weighting within the ASX Small Cap Industrial Index (based on market capitalisation) of each company ranked below Bradken. The method of assessment was chosen for executives as it provides the Committee with an objective means of measuring the Company's performance against its peer group. Dividends, changes in share price, and return of capital are included in the TSR calculation. With respect to the EPS measure, the EPS of the Company for a financial year is the amount determined by the Board to be the NPAT of the Company for the financial year divided by the weighted average number of Shares in the Company over the financial year. This measure ensures alignment of key personnel with shareholder returns.

Once vested the performance rights are exercised on the final test date depending on the conditions of the grant.

New entrants to the schemes are provided with a transition to the 3 year plan. Rights granted under the PRP carry no dividend or voting rights. The terms and conditions of each grant of Rights affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Exercise price	Fair value per Right	Performance Period	Test Date (date vested and exercisable)	Expiry Date
7 October 2011	$0.00	$4.76	1 Jul 11 to 30 Jun 14	Result announcement y/e 14	Final Test Date
23 October 2012	$0.00	$3.39	1 Jul 12 to 30 Jun 14	Result announcement y/e 14	Final Test Date
23 October 2012	$0.00	$3.39	1 Jul 12 to 30 Jun 15	Result announcement y/e 15	Final Test Date
19 September 2013	$0.00	$4.96	1 Jul 13 to 30 Jun 14	Result announcement y/e 14	Final Test Date
19 September 2013	$0.00	$4.53	1 Jul 13 to 30 Jun 15	Result announcement y/e 15	Final Test Date
19 September 2013	$0.00	$3.96	1 Jul 13 to 30 Jun 16	Result announcement y/e 16	Final Test Date
22 October 2013	$0.00	$4.43	1 Jul 13 to 30 Jun 16	Result announcement y/e 16	Final Test Date
21 August 2014	$0.00	$4.11	1 Jul 14 to 30 Jun 15	Result announcement y/e 15	Final Test Date
21 August 2014	$0.00	$4.11	1 Jul 14 to 30 Jun 16	Result announcement y/e 16	Final Test Date
21 August 2014	$0.00	$4.11	1 Jul 14 to 30 Jun 17	Result announcement y/e 17	Final Test Date
21 August 2014	$0.00	$3.05	1 Jul 14 to 30 Jun 17	Result announcement y/e 17	Final Test Date
21 October 2014	$0.00	$1.98	1 Jul 14 to 30 Jun 17	Result announcement y/e 17	Final Test Date

Details of Rights over ordinary shares in the Company provided as remuneration to each director of Bradken Limited and each of the key management personnel are set out below. When exercisable, each Right is convertible into one ordinary share of Bradken Limited. Further information on the Rights is set out in note 35 to the financial statements.

C. Remuneration report (continued)

(e) *Share-based compensation (continued)*

Number of Rights granted and vested and Shares provided during the year on exercise of Performance Rights

Details of Rights granted and vested and ordinary shares in the Company provided as a result of the exercise of Performance Rights to the Managing Director of Bradken Limited and each of the key management personnel and other executives of the Group required to be disclosed under the *Corporations Act 2001* are set out below.

Name	Number of Rights granted during the year	Number of Rights vested during the year	Number of ordinary shares issued on exercise of Rights during the year	Value at exercise date *
Directors of Bradken Limited				
Brian Hodges	174,900	0	0	$ -
Other key management personnel of the Group				
Andrew Allen	42,423	0	0	$ -
Stephen Cantwell	45,930	0	0	$ -
Craig Lee	30,859	0	0	$ -
Kevin McDermed	32,991	0	0	$ -
Steven Perry	43,232	0	0	$ -
Enda Sheridan	78,200	0	0	$ -
Brad Ward	50,494	0	0	$ -

* The value at exercise date is deemed to be the closing price of the security on date exercised. No amounts were payable on the exercise of Rights during the period.

The assessed fair value at grant date of Rights granted to the individuals is allocated equally over the financial periods in which the Rights may vest, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Monte Carlo Simulation Method pricing model that takes into account the exercise price, the term of the Right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the Right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the Right.

Principles used to determine the nature and amount of remuneration: relationship between remuneration and Company performance

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year.

Details of share remuneration: Rights

For each grant of Rights included in the tables on pages 12 to 20, the percentage of the available Right that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the performance criteria is set out below. The Rights vest over a period up to three years, provided the vesting conditions are met (see page 14). Rights not vested when performance hurdles are not met do not carry forward to future periods.

B. Review of operations (continued)

Operating and Financial Review (continued)

Mineral Processing Division

The Mineral Processing Division is a global manufacturer of custom designed products for grinding mills, crushing and conveying equipment for the hard rock mining industry. The Division's customers include the world's largest mining companies and some OEMs, with products supplied to mining operations in over 30 countries across five continents. Products are manufactured in the Division's manufacturing facilities in Australia, Malaysia, Canada and India as well as being obtained from other Company manufacturing facilities in Australia, China, the USA and the UK. The Division is the market leader in the manufacture and supply of grinding mill liners.

Sales of $216 million were down 6% on the previous year due to reduced operations of large mines in Indonesia and Africa, and commissioning delays in other regions, all now resolved and returning to normal ordering patterns. The Division's key manufacturing strategy continues to focus on the relocation of work to lower cost manufacturing facilities, with the transfer to India planned to begin in 1Q16. Current business focus continues with the introduction of new differentiated products into existing and new markets where some geographies, particularly the Americas and Africa, already demonstrating good wins.

Mining & Transport Division

The Mining & Transport Division designs, manufactures and supplies consumable wear products for all types of earth moving equipment to the global mining industry. Products include Ground Engaging Tools (GET), crawler system products for hydraulic mining excavators and electric rope shovels, and industrial cast products for general industry and Mining OEM's. The Division also manufactures and supplies freight rollingstock products including freight wagons, bogies, drawgear and spare and renewed parts, and services including the maintenance and refurbishment of rollingstock.

While sales of $328 million were down 27% on the previous corresponding period primarily due to lower rail wagon sales, the restructuring has reduced fixed costs by $25 million. The restructured business will focus on extracting maximum value and leverage from the reorganisation and rationalised overheads, sale of new products, successful entry into new mining regions and utilisation of low cost capacity including from the Xuzhou, China foundry.

Fixed Plant Division

The Fixed Plant Division creates customised wear solutions through the design and manufacture of a wide range of wear resistant products to protect fixed plant equipment in mining and port operations. The Division mainly services the iron ore, gold and copper market in Australia as well as oil sand mines in Alberta, Canada.

Lower iron ore and oil prices are having a significant impact on the market with our major customers reducing capital expenditure projects and a general decrease in key wear consumables. Most mining companies sought price reductions from their suppliers which meant 2015 was a challenging year for the division. The Division continues to develop a fully integrated supply chain, for a wide range of wear parts for major mine operations. Overall, the business direction continues to concentrate on increasing share in existing markets while identifying and gaining sales in targeted mining regions around the globe not currently serviced by the Fixed Plant Division. With the oil and gas business being consolidated into the Fixed Plant Division, providing the benefits of more effective utilisation of shared resources, the division has positioned itself to grow into the global market and replicate its successful business model.

Engineered Products Division

The Engineered Products Division is a leading North American manufacturer of large, highly-engineered steel castings and differentiated consumable products to the mining, resource, transportation, structural, energy, and military industries. The Division is a leader in the North American market for large, complex steel castings (over 4,500kg) and has an approximate 30% share of the US large steel castings market. The Division also has foundry capacity in the United Kingdom to serve European markets.

Sales revenue of $267 million was down 4% on FY14, reflecting continued softness throughout the year in the capital mining market. The release of deferred military projects, notably submarine builds, are expected to benefit the division in F16 as well as translation of the US dollar. Sales in F16 are expected to be higher, as improved military and transit rail markets are projected to offset a lower capital mining market.

Cast Metal Services Business

Cast Metal Services is a supplier of foundry consumable products operating in regions where Bradken has an established manufacturing footprint. Cast Metal Services customer base consists of 85% internal (Bradken) and 15% external sales. The Business focuses on traded products and its own consumable products of which manufacturing facilities are located in Brisbane, Australia and Xuzhou, China. Cast Metal Services is the dominant supplier to the Australian and New Zealand industry and is expanding globally into other regions.

Sales were up 7% on the previous corresponding period from the net effect of significant new sales in North America offsetting a 15% reduction of sales in Australia due to contracting market conditions and domestic foundry closures. New plant and equipment for the business in Xuzhou, China has been commissioned and is proving a catalyst for low cost refractories and coatings manufacture for promotion and sales globally.

C. Remuneration report (continued)

(f) Additional information (continued)

Share based compensation: Rights

Further details relating to rights are set out below.

Name	A Remuneration consisting of Rights	B Value at grant date $	C Value at exercise date $	D Value at lapse date $
Andrew Allen	22.4%	129,390	-	96,658
Stephen Cantwell	26.7%	140,087	-	189,606
Craig Lee	20.1%	94,120	-	41,306
Brian Hodges	25.0%	346,302	-	395,462
Kevin McDermed	17.5%	100,623	-	55,911
Steven Perry	21.9%	131,858	-	31,511
Enda Sheridan	26.5%	238,510	-	178,175
Brad Ward	26.2%	154,007	-	79,518

A= The percentage of the value of remuneration consisting of Rights, based on the value at grant date set out in column B. Remuneration percentage refers to the AASB 2 Share-based payment values reported in the table in section (b) above and does not correlate to the remuneration received by the executive in the period.

B= The value at grant date calculated in accordance with AASB 2 *Share-based payment* of Rights granted during the year as part of remuneration.

C= The value at exercise date of Rights that were granted as part of remuneration and were exercised during the year.

D= The value at lapse date of Rights that were granted as part of remuneration and that lapsed during the year.

Shares under Performance Rights

Unissued shares of Bradken Limited under Performance Right at the date of this report are as follows:

Date Rights granted	Expiry date	Exercise price	Number of shares under right
18 November 2005	Ten years from Test Date	Nil	10,344
30 October 2006	Ten years from Test Date	Nil	7,340
30 October 2006	Ten years from Test Date	Nil	14,993
31 October 2007	Ten years from Test Date	Nil	3,353
17 October 2008	Ten years from Test Date	Nil	116
17 October 2008	Ten years from Test Date	Nil	10,269
23 October 2012	Final Test Date	Nil	1,063,701
19 September 2013	Final Test Date	Nil	14,968
19 September 2013	Final Test Date	Nil	29,936
19 September 2013	Final Test Date	Nil	881,326
22 October 2013	Final Test Date	Nil	142,151
21 August 2014	Final Test Date	Nil	847,930
21 October 2014	Final Test Date	Nil	174,900

All Rights expire on the earlier of their expiry date, their exercise, their failure to meet exercise conditions or termination of the employee's employment. In addition, the ability to exercise the Rights is conditional on the Group achieving certain performance hurdles related to relative total shareholder return to the ASX Small Cap Industrial index.

Further details are included in the Remuneration Report above.

DIRECTORS' REPORT

(f) ***Additional information (continued)***

Rights holdings

The number of Rights over ordinary shares in the company held during the financial year by each director of Bradken Limited and other key management personnel of the Group, including their personally related entities, are set out below.

2015 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Bradken Limited						
Brian Hodges	368,035	174,900	-	(84,863)	458,072	-
Other key management personnel of the Group						
Andrew Allen	89,666	42,423	-	(20,742)	111,347	-
Stephen Cantwell	115,310	45,930	-	(40,688)	120,552	-
Craig Lee	53,608	30,859	-	(8,864)	75,603	3,185
Kevin McDermed	10,619	32,991	-	32,275	75,885	-
Steven Perry	75,625	43,232	-	(6,762)	112,095	-
Enda Sheridan	165,286	78,200	-	(38,235)	205,251	-
Brad Ward	97,493	50,494	-	(17,064)	130,923	-

2014 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Bradken Limited						
Brian Hodges	305,774	142,151	-	(79,890)	368,035	-
Other key management personnel of the Group						
Andrew Allen	75,225	34,719	-	(20,278)	89,666	-
Tom Armstrong	77,999	-	-	(19,345)	58,654	-
Stephen Cantwell	77,721	37,589	-	-	115,310	-
Kevin McDermed	-	22,978	-	(12,359)	10,619	-
Steven Perry	47,812	34,688	-	(6,875)	75,625	-
Enda Sheridan	137,618	63,999	-	(36,331)	165,286	-
Brad Ward	75,066	40,514	-	(18,087)	97,493	-

Share holdings

The number of shares in the company held during the financial year by each director of Bradken Limited and other key management personnel of the Group, including their personally related entities, are set out below. There were no shares granted during the year as compensation.

2015 Name	Balance at the start of the year	Received during the year from Non-Executive Director Share Acquisition Plan	Received during the year on exercise of Rights	Other changes during the year	Balance at the end of the year
Directors of Bradken Limited					
Nick Greiner	371,272	-	-	-	371,272
Brian Hodges	2,316,630	-	-	-	2,316,630
Phil Arnall	387,040	-	-	-	387,040
Eileen Doyle	17,650	-	-	-	17,650
Greg Laurie	44,667	-	-	-	44,667
Peter Richards	42,099	-	-	-	42,099
David Smith	-	-	-	-	-
Other key management personnel of the Group					
Andrew Allen	339,743	-	-	44	339,787
Stephen Cantwell	-	-	-	-	-
Craig Lee	-	-	-	3,955	3,955
Kevin McDermed	23,581	-	-	-	23,581
Steven Perry	57,461	-	-	-	57,461
Enda Sheridan	482,781	-	-	323	483,104
Brad Ward	81,920	-	-	22	81,942

(f) ***Additional information (continued)***

Share holdings (continued)

2014 Name	Balance at the start of the year	Received during the year from Non-Executive Director Share Acquisition Plan	Received during the year on exercise of Rights	Other changes during the year	Balance at the end of the year
Directors of Bradken Limited					
Nick Greiner	371,272	-	-	-	371,272
Brian Hodges	2,316,630	-	-	-	2,316,630
Phil Arnall	387,040	-	-	-	387,040
Eileen Doyle	17,650	-	-	-	17,650
Greg Laurie	44,667	-	-	-	44,667
Peter Richards	42,099	-	-	-	42,099
David Smith	-	-	-	-	-
Other key management personnel of the Group					
Andrew Allen	339,743	-	-	-	339,743
Tom Armstrong	42,988	-	-	(42,988)	-
Stephen Cantwell	-	-	-	-	-
Kevin McDermed	-	-	-	23,581	23,581
Steven Perry	60,118	-	-	(2,657)	57,461
Enda Sheridan	584,182	-	-	(101,401)	482,781
Brad Ward	81,920	-	-	-	81,920

D. Other information

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important.

The Board of directors has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia and related practices of Ernst & Young Australia received or are due to receive the following amounts for the provision of non-audit services:

	$
Tax compliance services	83,727
Assurance related	405,000
	488,727

D. Other information (continued)

Insurance of officers

During the year, the Company paid a premium to insure the directors and secretaries of the Company and its Australian-based controlled entities, the general managers of each of the businesses, all executive officers of the Group and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify any officer of the Group or of any related body corporate against a liability incurred by any such officer.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount) – except for any loss in respect of any matters which are finally determined to have resulted from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the financial year.

Proceedings on behalf of the Company

No person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

Ernst & Young continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of the directors:

Nick Greiner
Chairman

Brian Hodges
Managing Director

Sydney
10 August 2015

Ernst & Young
680 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

Building a better working world

Auditor's Independence Declaration to the Directors of Bradken Limited

In relation to our audit of the financial report of Bradken Limited for the financial year ended 30 June 2015 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Trent van Veen
Partner
Sydney
10 August 2015

FINANCIAL REPORT CONTENTS

Contents

This financial report covers the consolidated entity consisting of Bradken Limited and its subsidiaries. The financial report is presented in the Australian currency.

Bradken Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

20 McIntosh Drive

Mayfield West NSW 2304

A description of the nature of the consolidated entity's principal activities and an operating and financial review is included on page 2 and pages 6 to 8 respectively of the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 10 August 2015. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.bradken.com.au.

CONSOLIDATED INCOME STATEMENT

	Notes	2015 $'000	2014 $'000
Revenue from continuing operations	6	**968,358**	1,137,566
Cost of sales		**(783,988)**	(907,568)
Gross profit		**184,370**	229,998
Other income	6	**29,750**	16,416
Selling and technical expenses		**(55,982)**	(57,136)
Administration expenses	6	**(60,236)**	(89,331)
Restructuring and fixed asset impairment costs	7	**(106,354)**	(41,161)
Goodwill and intangible asset impairment	7	**(167,182)**	-
Finance costs	6	**(34,096)**	(30,662)
Share of net profit / (loss) of associates accounted for using the equity method and impairment expense	7, 30	**(45,110)**	(85)
Net profit / (loss) before income tax		**(254,840)**	28,039
Income tax (expense) / benefit	8	**13,545**	(6,559)
Net profit / (loss) for the year		**(241,295)**	21,480
Net profit / (loss) attributable to:			
Owners of Bradken Limited		**(241,295)**	21,480
		(241,295)	21,480
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings / (loss) per ordinary share: (cents per share)	34	**(141.1)**	12.7
Diluted earnings / (loss) per ordinary share: (cents per share)	34	**(141.1)**	12.4

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2015 $'000	2014 $'000
Net profit / (loss) for the year		**(241,295)**	21,480
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	23(a)	**1,946**	(530)
Exchange differences on translation of foreign operations	23(a)	**65,961**	(12,745)
Income tax expense / (benefit) relating to these items	8(d)	**(584)**	159
Items that will not be reclassified to profit or loss			
Actuarial (losses) / gains on retirement benefit obligations	23(b)	**(3,902)**	898
Income tax expense / (benefit) relating to these items		**1,983**	(207)
Other comprehensive income / (loss) for the year net of tax		**65,404**	(12,425)
Total comprehensive income / (loss) for the year		**(175,891)**	9,055
Total comprehensive income / (loss) for the year is attributable to:			
Owners of Bradken Limited		**(175,891)**	9,055
		(175,891)	9,055

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

CONSOLIDATED BALANCE SHEET

	Notes	2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents	9	**278,408**	144,479
Trade and other receivables	10	**166,647**	140,712
Finance lease assets	11	**573**	509
Inventories	12	**211,035**	211,382
Current tax assets		**9,857**	11,289
Derivative financial instruments	13	**1,332**	-
Assets held for sale	37	**13,581**	-
Total current assets		**681,433**	508,371
Non-current assets			
Trade and other receivables	10	**2,843**	2,754
Finance lease assets	11	**4,493**	4,802
Property, plant and equipment	14	**566,622**	583,360
Deferred tax assets	15	**25,880**	10,897
Intangible assets	16	**233,859**	366,922
Investments accounted for using the equity method	30	**8,683**	53,171
Total non-current assets		**842,380**	1,021,906
Total assets		**1,523,813**	1,530,277
Current liabilities			
Payables	17	**153,844**	143,504
Borrowings	20	**54,042**	5,690
Redeemable convertible preference shares	20	**63,700**	-
Current tax liabilities		**6,176**	5,947
Provisions	18	**62,712**	62,974
Derivative financial instruments	13	**5,556**	2,809
Total Current Liabilities		**346,030**	220,924
Non-current liabilities			
Payables	17	**9,371**	7,728
Borrowings	20	**571,514**	515,963
Deferred tax liabilities	21	**36,977**	40,808
Provisions	18	**21,416**	15,037
Total non-current liabilities		**639,278**	579,536
Total liabilities		**985,308**	800,460
Net assets		**538,505**	729,817
Equity			
Contributed equity	22	**549,671**	549,671
Reserves	23(a)	**90,445**	19,730
(Accumulated deficit) / Retained earnings	23(b)	**(101,611)**	160,416
Capital and reserves attributable to owners of Bradken Limited		**538,505**	729,817
Total equity		**538,505**	729,817

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of Bradken Limited			
		Contributed Equity	Reserves	(Accumulated deficit) / Retained earnings	Total
	Notes	$'000	$'000	$'000	$'000
Total equity at the beginning of the financial year 1 July 2013		**542,071**	**29,145**	**194,094**	**765,310**
Net profit for the year		**-**	**-**	**21,480**	**21,480**
Other comprehensive income		**-**	**(13,116)**	**691**	**(12,425)**
Total comprehensive income for the year as reported in the 2014 financial statements		**-**	**(13,116)**	**22,171**	**9,055**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	24	7,600	-	(55,849)	**(48,249)**
Employee share rights - value of employee services	23	-	3,701	-	**3,701**
		7,600	3,701	(55,849)	(44,548)
Balance at 30 June 2014		**549,671**	**19,730**	**160,416**	**729,817**
Net profit / (loss) for the year		**-**	**-**	**(241,295)**	**(241,295)**
Other comprehensive income / (loss)		**-**	**67,323**	**(1,919)**	**65,404**
Total comprehensive income / (loss) for the year		**-**	**67,323**	**(243,214)**	**(175,891)**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	24	-	-	(18,813)	**(18,813)**
Employee share rights - value of employee services	23	-	3,392	-	**3,392**
		-	3,392	(18,813)	(15,421)
Balance at 30 June 2015		**549,671**	**90,445**	**(101,611)**	**538,505**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**2015 $'000**	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**1,070,305**	1,249,887
Payments to suppliers and employees (inclusive of goods and services tax)		**(976,492)**	(1,059,872)
		93,813	190,015
Interest received		**1,049**	1,282
Interest paid		**(28,891)**	(27,078)
Income taxes paid		**(11,688)**	(9,134)
Net cash (outflow) inflow from operating activities	32	**54,283**	155,085
Cash flows from investing activities			
Payment for property, plant and equipment		**(48,876)**	(53,083)
Payment for businesses		**(491)**	(462)
Increase in investments by way of share purchases	30	**(622)**	(6,441)
Proceeds from sale of property, plant and equipment		**40,407**	1,693
Payment for capitalised design costs		**(6,731)**	(3,995)
Dividends received	30	**-**	2,446
Net cash (outflow) inflow from investing activities		**(16,313)**	(59,842)
Cash flows from financing activities			
Proceeds from issue of redeembale preference shares		**70,000**	-
Transaction costs from issue of redeemable preference shares		**(2,100)**	-
Payment of finance lease liabilities		**(10,315)**	(11,229)
Repayment of borrowings		**(73,177)**	(364,712)
Proceeds from borrowings		**118,660**	382,545
Dividends paid to Company's shareholders	24	**(18,813)**	(48,249)
Net cash (outflow) inflow from financing activities		**84,255**	(41,645)
Net increase (decrease) in cash and cash equivalents		**122,225**	53,598
Cash and cash equivalents at the beginning of the year		**144,479**	91,822
Effects of exchange rate changes on cash and cash equivalents		**11,516**	(941)
Cash and cash equivalents at the end of the year	9	**278,220**	144,479
Financing arrangements	20		
Non-cash financing and investing activities	33		

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

CONTENTS to the notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

The consolidated financial statements of Bradken Limited and its subsidiaries (collectively referred to as the Group) for the year ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 10 August 2015.

Bradken Limited (the Company or the parent) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' report.

2 Summary of significant accounting policies

(a) Basis of preparation

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Bradken Limited and its subsidiaries.

(i) Compliance with IFRS

The consolidated financial statements of the Bradken Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

(ii) Changes in accounting policies, disclosures, new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

New and amended standards and interpretations

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

AASB 2014-1 Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 - 2013 Cycle

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 1031 Materiality

The adoption of these standards did not have a significant impact on the Group's financial results, balance sheet or disclosures. All other accounting policies are consistent with those adopted and disclosed in the annual financial report for the year ended 30 June 2014. Accounting policies are applied consistently by each entity in the Group.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

2 Summary of significant accounting policies (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 2(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost (refer to note 30).

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Bradken Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

(d) Foreign currency translation

(i) Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Bradken Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has passed the significant risks and rewards to the buyer.

(ii) Contract revenue

Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified, and total contract revenue and costs to complete can be reliably estimated.

The stage of completion is measured by reference to an assessment of components completed to date as a percentage of the total components for each contact, or measured by reference to an assessmetn of the percentage of costs incurred to date, as a percentage of the total contract costs.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the cost will be recovered, revenue is recognised to the extent of costs incurred. Where it is probable that a loss will arise on a contract, the excess of total costs over revenue is recognised immediately as an expense.

(iii) Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

2 Summary of significant accounting policies (continued)

(iv) Sale of non-current assets

The gain or loss on disposal of non-current assets is included as other income or expense at the date control passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(v) Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(vi) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 2(m).

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Bradken Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Investment allowances

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 14). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term, if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Lease income from finance leases where the group is a lessor is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period (note 11). The respective lease receivable is included in the balance sheet.

Sale & Lease Back transactions

The Group accounts for sale and leaseback transactions depending upon the type of lease involved.
If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not be immediately recognised as income by a seller-lessee. Instead, it is deferred and amortised over the lease term.
If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.
For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree’s net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Receivables

Trade receivables are recognised initially at fair value and subsequently, less provision for doubtful debts. Trade receivables are normally due for settlement no more than 30 days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

2 Summary of significant accounting policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the value of estimated future cash flows. The amount of the provision is recognised in the income statement.

(l) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate portion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on either standard or weighted average basis. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale such as expenses of marketing, selling and distribution to customers.

(ii) Construction and service contract work in progress

Construction and service contract work in progress is carried at cost plus profit recognised to date based on the value of work completed, less progress billings and less provision for foreseeable losses. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities.

Cost includes variable and fixed costs directly related to specific contracts, those costs related to contract activity in general which can be allocated to specific contracts on a reasonable basis and other costs specifically chargeable under the contract. Costs expected to be incurred under penalty clauses and rectification provisions are also included.

(iii) Stock Obsolescence

All inventory items are reviewed on a regular basis during the year and a provision raised for products which have not been sold for one year unless the review indicates that a sale is likely.

(m) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (note 10).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

2 Summary of significant accounting policies (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 13. Movements in the hedging reserve in shareholders' equity are shown in note 23.

The full fair value of a hedging derivative is classified as a non current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within other income or other expense together with the gain or loss relating to the ineffective portion and changes in the fair value of the hedge fixed rate borrowings attributable to the interest rate risk. The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

2 Summary of significant accounting policies (continued)

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within "finance costs". The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within "sales". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or a non-financial liability), the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

(o) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. Assets are depreciated or amortised from the date of acquisition, or in respect of internally constructed assets, from the time an asset is completed and held ready for use. Depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	20 to 66 years
Plant and equipment	1 to 20 years
Patterns	1 to 40 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(p) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 2(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 5).

(ii) Patents, trademarks and brand names

Patents are carried at fair value at acquisition and amortised on a straight line basis over the life of the patent. Trademarks are carried at their fair value at acquisition less impairment losses and amortised over 5 years with amortisation calculated on a straight line basis. Brand names are not amortised if they continue to be used and add value. Discontinued brand names are amortised over a period of 10 years as they are phased out.

(iii) Customer relationships

Customer relationships acquired as part of a business acquisition are recognised separately from goodwill. The customer relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on their estimated useful lives, which currently vary from 10 to 20 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

(iv) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 10 years.

(q) Payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(t) Provisions

A provision is recognised in the accounts when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(i) Warranties

Products are warranted against faulty workmanship and in some cases these are specifically extended to periods up to seven years or hours used depending on the type of product and contract in place. Rectification claims are settled in cash or by repair of the item, at the discretion of the Group. Provision for warranty claims are made for claims received and claims expected to be received in relation to sales made prior to reporting date adjusted for specific information arising from internal quality assurance processes.

(u) Employee Benefits

(i) Wages, salaries, annual leave, sick leave, rostered days off and non-monetary benefits

Liabilities for annual leave, accumulating sick leave and rostered days off, including non-monetary benefits, expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Liabilities for unpaid wages and salaries up to the reporting date are recognised in current payables.

(ii) Long service leave

The provision for long service leave represents the present value of the expected future cash outflows to be made resulting from employees’ services provided to reporting date.

2 Summary of significant accounting policies (continued)

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in current provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit
- the amounts to be paid are determined before the time of completion of the financial report
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) Employee share and rights plans

Share based compensation benefits are provided to employees and directors via the Performance Rights Plan ('PRP') and the Non-Executive Director Share Acquisition Plan ('NEDSAP') respectively.

The fair value of Rights granted under the PRP are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date taking into account market performance conditions only, and spread over the vesting period during which the employees become unconditionally entitled to the Rights. The fair value of Rights granted are measured using the Monte Carlo Simulation Model, taking into account the terms and conditions attached to the Rights. The amount recognised as an expense is adjusted to reflect the actual number of Rights that vest except where forfeiture is due to market related conditions.

The fair value of shares issued under the NEDSAP are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date.

(v) Retirement benefit obligations

All employees of the Group are entitled to benefit from various superannuation or pension plans on retirement, disability or death. The Group operates three defined benefit plans in its North American operations, two in the United States and the other in Canada. The United States plans are closed to new members and cover hourly employees hired before May 10, 1993 at one of the US subsidiaries. The Canadian plan is currently active at one of the Canadian subsidiaries for hourly employees but closed on March 1, 2010 to salaried employees.

The Group recognises a liability or asset in respect of defined benefit superannuation plans in the statement of financial position measured as the present value of the defined benefit obligation at the end of the reporting period less the fair value of the superannuation fund's assets at that date. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the end of the reporting period, calculated on a regular basis by independent actuaries using the projected unit credit method.

Expected future payments are discounted using market yields at the end of the reporting period using high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

(vi) Healthcare reserves

The Group's U.S. operations primarily self-insure employee healthcare expenses. Reserves are based on historical claims experience.

(v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or rights are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or rights for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

2 Summary of significant accounting policies (continued)

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(z) Rounding of amounts

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) Amended accounting standards and UIG interpretations

Certain amended accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. The Group's and the parent entity's assessment of the impact of these amended standards and interpretations is set out below.

AASB 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)
In January 2015 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. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses.

A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The Group has not yet decided when to adopt AASB 9.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)
IFRS 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 IFRS 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. The International Accounting Standards Board ("IASB") has agreed in principle to defer the application of this standard to annual periods beginning on or after 1 January 2018. The Australian Accounting Standards Board will amend the Australian standard accordingly when the IASB has finalised this change. The Group is currently assessing the impact of IFRS 15 and has not yet decided when to adopt it.

There are no other standards that are not yet effective and that are expected to have a material impact on the group in the current or future reporting periods on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

(ab) Parent entity financial information

The financial information for the parent entity, Bradken Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Tax consolidation legislation

Bradken Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Bradken Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Bradken Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Bradken Limited for any current tax payable assumed and are compensated by Bradken Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Bradken Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(ii) Financial guarantees

The parent entity is a guarantor under the Bradken Group - Common Terms Deed Poll and unconditionally and irrevocably guarantees payments due in connection with any financing facilities owed by any Group company. The parent entity is also guarantor under the terms of the Redeemable Preference Shares Investment Agreement to unconditionally and irrevocably guarentee all payments due in respect of the redeemable preference shares.

3 Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used as hedging instruments, not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which is it exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and ageing analysis for credit risk.

Risk management is carried out centrally by the CFO and finance function under policies approved by the Board of Directors.

(a) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

The maximum exposure to credit risk best represents the carrying value of the financial assets at balance date.

The standard terms and conditions on sale of goods includes a clause which allows Bradken to repossess goods which have not been consumed should Bradken require it necessary to recoup unpaid debts owed to them.

Bradken's global customer base is large and diverse and subject to strict credit application and assessment criteria to minimise impairment risk.

Details on the past due but not impaired trade receivables are disclosed at note 10(b).

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims at maintaining flexibility in funding by keeping committed credit lines available.

Management monitors forecasts of the Group's liquidity on the basis of expected cash flow. See note 20(d) for details of available facilities.

3 Financial risk management (continued)

The tables below analyse the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. There is no liquidity risk at the Parent entity level.

Group - 2015	Less than 1 year $'000	Between 1 and 3 years $'000	Between 3 and 5 years $'000	Between 5 and 8 years $'000	Over 8 years $'000
Non-derivatives					
Payables	153,844	-	-	-	-
Borrowings (excluding finance leases)	52,488	189,057	237,889	147,984	66,226
Redeemable convertible preference shares	63,700	-	-	-	-
Finance lease liabilities	4,261	5,547	4,477	2,132	-
Derivatives					
Net settled interest rate swaps and caps	1,356	-	-	-	-
Redemable preference shares - option	4,200	-	-	-	-

Group - 2014	Less than 1 year $'000	Between 1 and 3 years $'000	Between 3 and 5 years $'000	Between 5 and 8 years $'000	Over 8 years $'000
Non-derivatives					
Payables	143,504	-	-	-	-
Borrowings (excluding finance leases)	21,999	337,840	72,933	123,034	56,683
Finance lease liabilities	4,676	4,137	2,111	1,548	-
Derivatives					
Net settled interest rate swaps and caps	2,809	-	-	-	-

The Group enters into forward exchange contracts to hedge foreign currency denominated receivables and also to manage foreign currency denominated inventory and capital items.

Refer to note 10(f) for receivables denominated in foreign currencies.

(c) Market risk

(i) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets and the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest-rate-risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate-risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate-risk. Group policy is to fix the rates for between 30% and 70% of its borrowings.

(c) Market risk (continued)

The Group manages its cash flow interest-rate-risk by using floating-to-fixed interest rate swaps and interest rate caps. Such instruments have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates. Under the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Refer to note 20 for further details generally of the Group's borrowings.

A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities is provided in the table at note 3(c)(iv).

(ii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. It is the policy of the Group to enter into forward foreign exchange contracts to cover all foreign currency exposure other than those effectively covered within the natural hedging pool.

Refer to note 10 and 17 for receivables and payables denominated in foreign currencies.

A sensitivity analysis of foreign exchange risk on the Group's financial assets and liabilities is provided in the table at note 3(c)(iv).

(iii) Price risk

The Group is exposed to commodity price risk through the purchase of steel and various alloys.

3 Financial risk management (continued)

(iv) Summarised sensitivity analysis

The following table summarises the pre-tax sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk. These sensitivities are prior to the offsetting impact of hedging instruments.

2015		Interest rate risk				Foreign exchange risk			
	Carrying	-100 bps		+100 bps		-10%		+10%	
	amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets									
Cash and cash equivalents	278,408	(2,784)	(2,784)	2,784	2,784	8,833	8,833	(8,833)	(8,833)
Accounts receivable	151,837	-	-	-	-	11,089	11,089	(11,089)	(11,089)
Receivables under finance leases	5,066	-	-	-	-	-	-	-	-
Derivatives - cashflow hedges	1,332	-	(4,542)	-	4,271	-	1,194	-	(1,194)
Financial liabilities									
Derivatives - cashflow hedges	(1,356)	-	(10)	-	10	-	-	-	-
Derivative - Redeemable preference shares	(4,200)	300	-	(300)	-	-	-	-	-
Trade payables	(96,557)	-	-	-	-	(6,330)	(6,330)	6,330	6,330
Borrowings	(625,556)	5,619	5,619	(5,619)	(5,619)	(29,964)	(29,964)	29,964	29,964
Redeemable preference shares	(63,700)	637	637	(637)	(637)	-	-	-	-
Total increase/(decrease)		3,772	(1,080)	(3,772)	809	(16,372)	(15,178)	16,372	15,178

2014		Interest rate risk				Foreign exchange risk			
	Carrying	-100 bps		+100 bps		-10%		+10%	
	amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets									
Cash and cash equivalents	144,479	(1,444)	(1,444)	1,444	1,444	7,740	7,740	(7,740)	(7,740)
Accounts receivable	125,428	-	-	-	-	8,963	8,963	(8,963)	(8,963)
Receivables under finance leases	5,311	-	-	-	-	-	-	-	-
Derivatives - cashflow hedges	-	-	-	-	-	-	-	-	-
Financial liabilities									
Derivatives - cashflow hedges	(2,809)	-	(22)	-	22	-	2,785	-	(2,785)
Trade payables	(112,339)	-	-	-	-	(7,941)	(7,941)	7,941	7,941
Borrowings	(521,653)	5,217	5,217	(5,217)	(5,217)	(32,644)	(32,644)	32,644	32,644
Total increase/(decrease)		3,773	3,751	(3,773)	(3,751)	(23,882)	(21,097)	23,882	21,097

Financial risk exposure of the parent entity is limited to the exposure of the Group.

(d) Fair value measurements

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

AASB 7 *Financial Instruments: Disclosures* 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).

3 Financial risk management (continued)

The following table presents the group's assets and liabilities measured and recognised at fair value at 30 June 2015 and 30 June 2014.

2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	-	1,332	-	1,332
Total assets	-	1,332	-	1,332
Liabilities				
Derivatives used for hedging	-	1,356	-	1,356
Redemable preference shares - option	-	-	4,200	4,200
Total liabilities	-	1,356	4,200	5,556

2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Derivatives used for hedging	-	2,809	-	2,809
Total liabilities	-	2,809	-	2,809

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. The fair value of the redeemable preference shares is determined using the binomial tree lattice methodology. 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 redeemable preference shares conversion option is recognised as level 3 financial instrument, due to the presence of significant unobservable inputs used in the binomial tree lattice valuation methodology. The significant unobservable inputs are as follows:

Asset Volatility	50%
Asset Default Threshold	$35,000,000

A description of the valuation process for the conversion option associated with the redeemable preference shares is summarised below. The estimation of the fair value of the conversion option requires judgement with respect to the appropriate valuation methodology. To value the conversion option a binomial tree lattice methodology has been used which is underpinned by a theoretical 'risk neutral' probability framework and the assumption of a lognormal distribution for asset values. This methodology and involves the following steps:

1. Propagate the asset value of the company through a binomial tree lattice methodology.
2. Calculate the payoff of the conversion option and RPS at maturity and other key dates of the RPS.
3. Probability weight and discount all potential conversion option values back to the valuation date.

The value of the conversion option is sensitive to both changes in volatility and asset default threshold assumptions. The asset volatility assumption is representative of the level of uncertainty expected in the movements in the value of the company's assets over the life of the RPS. The asset default threshold plus the face value of the RPS represents the level whereby the payout of the RPS is reduced representing the instances where value is lost as an organisation ceases to be a going concern.

A volatility of 40% would result in a conversion option value of $2.6m (decrease of $1.6m) and a volatility of 60% would result in a conversion option value of $6.1m (increase of $1.9m).

An asset default threshold of nil will result in a conversion option value of $5.1m (increase of $0.9m) and an asset default threshold of $70m would result in a conversion option value of $3.4m (decrease of $0.8m).

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of assets or cash generating units

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(p). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Estimated percentage completion for major contracts

The Group reviews the percentage of completion for its major contracts monthly including assessing costs to be incurred to complete the project in accordance with the accounting policy stated in note 2(e) and note 2(l). These assessments require an estimate of the remaining labour and material costs for the projects.

(iii) Equity accounting for Austin Engineering

The Group has equity accounted the latest available published results of Austin Engineering Limited for the half year ending 31 December 2014 and extrapolated these to 30 June 2015 based on market conditions, market updates and analyst estimates. Differences identified when Austin Engineering Limited publishes results for the 2015 financial period will be adjusted in Bradken Limited's interim report for the half year ending 31 December 2015.

(iv) Intangibles

The group values identifiable intangibles acquired in a business combination based on a combination of independent valuations in some cases and management's estimate of the net present value of estimated future cash flows of the assets. Identifiable intangible assets are amortised over their estimated useful lives. Given the estimates involved, management review the carrying value of these assets annually for impairment.

(v) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

(vi) Restructuring provision

A restructuring provision is recognised for the expected costs associated with restructuring where there is a detailed formal plan for restructure and a valid expectation has been raised to those affected. The group estimates a number of costs including termination benefits and costs associated with decommissioning of the affected sites and does not include costs associated with ongoing activities which are yet to be incurred. Please refer to note 7(c) for further details.

(vii) Share-based payments

The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 35.

5 Segment information

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Managing Director.

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 liabilities consist primarily of trade and other creditors, employee benefits and provision for service warranties.

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. The Group manages income taxes on a Group basis and this measure is therefore not reported internally at a segment level.

(a) Description of segments

The Australian based Industrial business, previously included in the "all other segments" column, the Mining Products segment, and the Australian based Rail segment have been merged to form the new Mining & Transport segment. The Fixed Plant business, formerly part of the Mining Products segment, has been separated to form a new segment called Fixed Plant. Similarly the Scrap Processing business, previously managed by the Mineral Processing segment, has been combined with the Cast Metal Services business to form the new CMS segment. Comparative disclosures have been amended to reflect these changes.

Mining & Transport 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 Rollingstock products and services including freight wagons, bogies, drawgear, inventory management, spare and renewed parts and the maintenance and refurbishment of rollingstock.

Mineral Processing designs, manufactures, supplies and services mill liner products in the Mineral Processing industry.

Fixed Plant designs, manufactures 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.

CMS represents other smaller businesses including Scrap Processing and Cast Metal Services.

5 Segment information (continued)

(b) Segment information provided to the Managing Director

The segment information provided to the Managing Director based on segments at year end 30 June 2015 and for the comparative year end 30 June 2014 are as follows:

2015	Notes	Mining & Transport $'000	Mineral Processing $'000	Fixed Plant $'000	Engineered Products $'000	CMS $'000	Total $'000
Total segment revenue		371,928	227,739	136,871	278,434	120,466	1,135,438
Inter-segment revenue		(43,234)	(9,936)	(1,412)	(10,946)	(104,049)	(169,577)
Revenue from external customers		**328,694**	**217,803**	**135,459**	**267,488**	**16,417**	**965,861**
Gross margin		**84,668**	**75,049**	**47,775**	**85,913**	**16,488**	**309,893**
Depreciation expense		17,260	10,095	4,613	13,905	963	46,836
Amortisation expense		2,248	4,255	1,627	3,150	-	11,280
Goodwill impairment		29,039	45,503	29,012	37,806	-	141,360
Intangibles impairment		16,685	1,469	5,942	1,726	-	25,822
Net interest expense		1,786	5,228	(8)	(20)	-	6,986
Impairment of inventories	Note 6	322	259	(2)	543	-	1,122
Impairment of trade receivables expense / (income)	Note 6	(4)	426	-	42	-	464
Other non cash expenses / (revenue)		(6,648)	1,115	(618)	10,120	107	4,076
Total segment assets		**474,171**	**290,777**	**73,972**	**273,248**	**36,265**	**1,148,433**
Total segment assets include:							
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets		18,568	12,646	6,062	7,564	713	45,553
Total segment liabilities		**43,136**	**13,318**	**14,551**	**55,923**	**16,991**	**143,919**

2014	Notes	Mining & Transport $'000	Mineral Processing $'000	Fixed Plant $'000	Engineered Products $'000	CMS $'000	Total $'000
Total segment revenue		501,791	239,279	150,255	287,014	112,307	1,290,646
Inter-segment revenue		(52,159)	(7,363)	(829)	(9,489)	(85,566)	(155,406)
Revenue from external customers		**449,632**	**231,916**	**149,426**	**277,525**	**26,741**	**1,135,240**
Gross margin		**124,999**	**84,102**	**59,116**	**92,301**	**17,589**	**378,107**
Depreciation expense		19,563	9,936	3,642	15,538	650	49,329
Amortisation expense		4,124	3,891	1,759	3,232	-	13,006
Net interest expense		1,961	2,990	1,601	119	-	6,671
Impairment of inventories	Note 12	808	157	-	163	15	1,143
Impairment of trade receivables		58	(23)	-	(269)	19	(215)
Other non cash expenses / (revenue)		1,704	(3,347)	(537)	(4,195)	(296)	(6,671)
Total segment assets *		**498,304**	**307,453**	**152,226**	**272,545**	**46,838**	**1,277,366**
Total segment assets include:							
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets		30,247	10,382	3,489	9,311	1,946	55,375
Total segment liabilities *		**100,488**	**28,540**	**22,975**	**47,571**	**16,274**	**215,848**

5 Segment information (continued)

(c) Other segment information

The Group's divisions are managed on a global basis and operate in five main geographical areas, Australia, the home country of the parent entity, the UK, the US, Canada, China and Other countries. The majority of revenue classified within "Other countries" relates to Canada, and various European, African, Asian, and South American countries.

(i) Segment revenue

Sales between segments under the same tax jurisdiction are made at variable cost and are eliminated on consolidation. Sales between segments under different tax jurisdictions are carried out at arms length and are eliminated on consolidation.

The revenue from external parties reported to the Managing Director is measured in a manner consistent with that in the income statement. Segment revenue reconciles to total revenue from continuing operations as follows:

	2015 $'000	2014 $'000
Total segment revenue	**1,135,438**	1,290,646
Intersegment eliminations	**(169,577)**	(155,406)
Total external segment revenue	**965,861**	**1,135,240**
Rental income	**366**	405
Royalty income	**88**	251
Sale of scrap	**590**	380
Commission income	**41**	19
Other	**1,412**	1,271
Total revenue from continuing operations (note 6)	**968,358**	1,137,566

Segment revenues are allocated based on the country in which the customer is located.		
Australia	**432,914**	548,971
US	**269,367**	250,824
Other countries	**263,580**	335,445
Revenue from external customers	**965,861**	1,135,240

(ii) Gross margin

The Managing Director 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:

	2015 $'000	2014 $'000
Gross margin	**309,893**	378,107
Fixed manufacturing overheads and other cost of sale adjustments	**(128,020)**	(150,435)
Other revenue	**2,497**	2,326
Other income	**29,750**	16,416
Selling and technical expenses	**(55,982)**	(57,136)
Administration expenses	**(60,236)**	(89,331)
Goodwill and other intangibles impairment	**(167,182)**	-
Finance costs	**(34,096)**	(30,662)
Restructuring and asset impairment costs	**(106,354)**	(41,161)
Share of net profit/(loss) of associates accounted for using the equity method and impairment	**(45,110)**	(85)
Profit / (loss) before income tax	**(254,840)**	28,039

5 Segment information (continued)

(c) Other segment information (continued)

(iii) Segment assets

The amounts provided to the Managing Director 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. Reportable segments' assets are reconciled to total assets as follows:

	2015 $'000	2014 $'000
Segment assets	**1,148,433**	1,277,366
Unallocated:		
Inventories	**(199)**	(121)
Current receivables	**(3,187)**	(59,681)
Intangibles	**42,848**	77,940
Property, plant and equipment	**13,117**	14,989
Investments accounted for using the equity method	**8,683**	53,171
Current tax assets	**9,857**	11,289
Deferred tax assets	**25,880**	10,897
Cash and cash equivalents	**278,381**	144,427
Total assets as per the balance sheet	**1,523,813**	1,530,277

Segment assets are allocated based on where the assets are located.

Australia	**328,557**	460,296
US	**229,469**	224,315
Canada	**315,575**	305,370
China	**216,752**	202,904
UK	**23,718**	32,161
Other countries	**34,362**	52,320
Total segment assets	**1,148,433**	1,277,366

(iv) Segment liabilities

The amounts provided to the Managing Director with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment and the physical location of the liabilities. Reportable segments' liabilities are reconciled to total liabilities as follows:

	2015 $'000	2014 $'000
Segment liabilities	**143,919**	215,848
Unallocated:		
Payables	**29,438**	6,877
Derivative financial instruments	**5,556**	2,809
Current provisions	**82,311**	9,119
Non-current provisions	**5,308**	4,839
Current and non-current borrowings	**675,622**	514,213
Current tax liabilities	**6,176**	5,947
Deferred tax liabilities	**36,978**	40,808
Total liabilities as per the balance sheet	**985,308**	800,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Profit from ordinary activities

	2015 $'000	2014 $'000
Revenue		
From continuing operations		
Sales revenue		
Sale of goods	**965,861**	1,135,240
	965,861	1,135,240
Other revenue		
Rental income	**366**	405
Royalty income	**88**	251
Sale of scrap	**590**	380
Commission received	**41**	19
Other	**1,412**	1,271
	968,358	1,137,566
Other income		
Interest	**1,049**	1,282
Insurance recoveries	**2,209**	1,795
Net gain on disposal of property, plant and equipment	**26,492**	-
Recovery of costs associated with the Pala legal matter (note 7)	**-**	13,339
	29,750	16,416

Expenses

	2015 $'000	2014 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**6,484**	4,790
Plant & equipment	**38,244**	42,790
Leasehold improvements	**150**	184
Plant & equipment under finance leases	**7,177**	5,184
Total depreciation	**52,055**	52,948
Amortisation		
Customer lists	**5,765**	7,470
Trademarks	**3,266**	1,423
Licences and other	**2,249**	4,124
Total amortisation	**11,280**	13,017
Impairment charges		
Goodwill	**141,360**	-
Customer lists	**9,137**	-
Licences and other	**16,685**	-
Total impairment	**167,182**	-
Finance costs - net		
Interest and finance charges paid/payable	**34,754**	30,636
Borrowing costs amortisation	**1,980**	1,514
	36,734	32,150
Amount capitalised*	**(2,638)**	(1,488)
Finance costs expensed	**34,096**	30,662
*The borrowing costs capitalised represent amounts incurred upfront to renew finance facilities.		
Foreign exchange losses recognised in profit before income tax for the year	**567**	15,498

6 Profit from ordinary activities (continued)

Expenses (continued)

	2015 $'000	2014 $'000
Net loss on disposal of property, plant and equipment	**924**	136
Rental expense relating to operating leases		
Minimum lease payments	**9,980**	9,416
Total rental expense relating to operating leases	**9,980**	9,416
Research and development	**20,600**	17,005
Warranty	**4,880**	5,866
Stock Obsolescence	**1,122**	1,143
Net bad and doubtful debts expense (revenue) including movements in doubtful debts provision	**464**	(215)
Employee benefits expense	**350,387**	377,597

7 Significant items

	Notes	2015 $'000	2014 $'000
Gains			
Costs recovery associated with the Pala legal case and judgement	(a)	**-**	13,339
Insurance recoveries in relation to Runcorn fire	(b)	**2,209**	-
Net gain on sale of Mittagong property		**2,112**	-
Net gain on sale of Chehalis property		**1,671**	-
Net gain on sale of Bassendean property		**22,812**	-
		28,804	13,339
Expenses			
Manufacturing reorganisation	(c)	**50,531**	21,626
Impairment of property, plant & equipment	(d)	**55,823**	19,535
Impairment of goodwill and intangible assets	(e)	**167,182**	-
Due dilligence, acquisition and legal costs	(f)	**1,913**	6,500
Inventory valuation adjustment *		**1,330**	-
Impairment of investment in Austin Engineering Limited		**36,008**	-
		312,787	47,661
Total of significant (gains) and expenses		**283,983**	34,322

* Change of overhead allocation rates following the Unibis ERP system implementation in Canada.

7 Significant items (continued)

(a) Pala legal case

During the prior period Bradken reached a commercial in confidence settlement with Norcast S.ar.L regarding the 2011 acquisition of Norcast. An amount of $30.4m (before tax) had been expensed during the financial year ending 30 June 2013 pursuant to the legal case relating to the Federal Court of Australia judgment sum, interest and associated costs. As a consequence of the Federal Court of Australia setting aside its initial judgement and the settlement reached with Norcast S.ar.L, a gain of $13.3m (before tax) was recorded in the prior period.

(b) Runcorn fire

In October 2014, a fire destroyed part of the core shop at the Runcorn facility. This resulted in the $256k impairment of plant and equipment. The company is continuing to work with its insurer to assess the final damage. For the period ended 30 June 2015, the company was entitled to net insurance proceeds, after deductibles, of $2.2m.

(c) Manufacturing reorganisation

As announced in the 2014 financial year, and reaffirmed on 5 December 2014, the Group has continued to review its operational footprint. During the period the Group incurred $50.5m of redundancy and other restructuring costs and had a remaining provision balance of $20.2m as at 30 June 2015.

(d) Impairment of property, plant & equipment

Of the $55.8m fixed asset impairment expense recognised during the period, $23.1m related to the facilities subject to closure already announced.

During the period there was structural deterioration in the market conditions in which the Scunthorpe (United Kingdom), Edmonton (Canada) and Launceston (Australia) facilities operate. As a result, the Group has assessed the recoverable amount of the facility's property, plant and equipment and recognised impairment expense of $11.1m relating to Scunthorpe, $13.1m relating to Edmonton and $4.4m relating to Launceston.

(e) Impairment of goodwill and intangible assets

During the period, a total impairment of $167.2m was recorded on goodwill and intangibles broken down as a $141.4m impairment expense against goodwill, $16.7m impairment expense against Licences and Other and a $9.1m impairment expense against customer lists. Refer to note 16 for a breakdown of these balances by CGU and a description of the circumstances that lead to the impairment charge.

(f) Due dilligence, acquisition and legal costs

During the year Bradken incurred $1.2m of due diligence costs associated with acqusitions that did not proceed and further legal costs of $0.7m. During the prior year Bradken incurred $5.3m of due dilligence costs associated with acquisitions that did not proceed and further legal costs of $1.2m.

8 Income tax expense

	Notes	2015 $'000	2014 $'000
(a) Income tax expense			
Current tax		**8,890**	14,738
Deferred tax		**(23,389)**	(6,538)
Adjustment for current tax of prior periods		**1,301**	(1,641)
		(13,198)	6,559
Income tax expense is attributable to:			
Profit from continuing operations		**(13,545)**	6,559
Aggregate income tax (benefit) / expense		**(13,545)**	6,559
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets (note 15)		**(25,675)**	(3,553)
(Decrease) increase in deferred tax liabilities (note 21)		**2,286**	(2,985)
		(23,389)	(6,538)
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit from continuing operations before income tax expense		**(254,840)**	28,039
		(254,840)	28,039
Tax at the Australian tax rate of 30% (2014: 30%)		**(76,452)**	8,412
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Goodwill impairment		**35,704**	-
Entertainment		**35**	40
Impairment of investments		**15,808**	-
Unrecognised deferred tax movement		**4,879**	-
Research and development		**(2,064)**	(2,100)
Share of net profit of associates		**2,731**	-
Share based payments		**1,079**	(97)
Tax offset for franked dividends		**-**	(734)
Legal settlements		**-**	(1,252)
Sundry items		**838**	2,776
		(17,442)	7,045
Difference in overseas tax rates		**2,870**	(934)
Adjustment for tax of prior periods		**1,027**	(2,295)
Prior year tax losses de-recognised as not probable of recovery		**-**	2,743
Income tax (benefit) / expense		**(13,545)**	6,559
(c) Amounts recognised directly in equity			
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity			
Net deferred tax - debited (credited) directly to equity (notes 15 and 21)		**(994)**	(1,215)
		(994)	(1,215)
(d) Tax expense (income) relating to items of other comprehensive income			
Cash flow hedges (note 23(a))		**584**	(159)
		584	(159)

8 Income tax expense (continued)

(e) Tax consolidation legislation

Bradken Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 2(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Bradken Limited.

The Australian entities have also entered into an agreement under which the wholly-owned entities fully compensate Bradken Limited for any current tax payable assumed and are compensated by Bradken Limited for any current tax receivable and deferred tax assets relating to the unused tax losses or unused tax credits that are transferred to Bradken Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of the financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

9 Cash and cash equivalents

	2015 **$'000**	2014 $'000
Cash at bank and in hand*	**278,408**	144,479

* As at 30 June 2015, the Group had $19.2m (30 June 2014: $23.2m) of restricted cash and related payables.

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	2015 **$'000**	2014 $'000
Cash and cash equivalents above	**278,408**	144,479
Bank overdrafts (note 20)	**(188)**	-
Balances per statement of cash flows	**278,220**	144,479

(b) Interest rate risk exposure

The Group's and parent entity's exposure to interest rate risk is discussed in note 3.

10 Trade and other receivables

	2015 $'000	2014 $'000
Current		
Trade receivables	**151,837**	125,428
Provision for impairment of receivables	**(529)**	(63)
	151,308	125,365
Other receivables	**9,661**	10,054
Prepayments	**5,678**	5,293
	166,647	140,712
Non-current		
Other receivables	**2,843**	2,754
	2,843	2,754

(a) Impaired trade receivables

As at 30 June 2015 current trade receivables of the Group with a nominal value of $529,000 (2014: $63,000) were impaired. The amount of the provision was $529,000 (2014: $63,000).

Movements in the provision for impairment of receivables are as follows:

	2015 $'000	2014 $'000
Balance at 1 July	**63**	405
Charge for the year	**468**	77
Receivables written off during the year as uncollectable	**(38)**	(127)
Unused amounts reversed	**(4)**	(292)
Foreign currency exchange differences	**40**	-
Balance at 30 June	**529**	63

The creation and release of the provision for impaired receivables has been included in administration expenses in the income statement. Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

At 30 June, the ageing analysis of past due trade receivables is as follows:

	2015 $'000	2014 $'000
31-60 days	**12,921**	8,691
61-90 days	**6,001**	3,195
91 + days	**4,486**	4,768
Total	**23,408**	16,654

As at 30 June 2015 trade receivables of $529,000 (2014:$63,000) were past due and considered impaired and trade receivables of $73,622,000 (2014:$69,157,000) were past due but not impaired.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

In relation to the receivables recognised as past due but not impaired and impaired, collateral is held in the form of a retention of title over the goods until payment is received. Given the consumable nature of these goods the ability to determine an accurate value for this collateral has been unable to be performed.

(c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group and also include amounts receivable based on the revenue recognised for contracts on a percentage of completion basis.

10 Receivables and other assets (continued)

(d) Fair values

The fair values and carrying values of non-current receivables of the Group are as follows:

	2015		2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Other receivables	**2,843**	2,843	**2,754**	2,754
	2,843	2,843	**2,754**	2,754

Due to the relatively short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

(e) Credit risk

There is no concentration of credit risk with respect to current and non-current receivables, as the Group has a large number of customers, nationally and internationally dispersed. Refer to note 3 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

(f) Foreign exchange and interest rate risk

The carrying amounts of the Group's and parent entity current and non-current receivables are denominated in the following currencies:

	2015	2014
	$'000	$'000
Australian Dollars	**47,456**	42,463
US Dollars	**71,853**	62,185
Canadian Dollars	**35,223**	25,106
Chinese Yuan	**1,512**	1,533
Other *	**13,446**	12,179
	169,490	143,466

* Other refers to a basket of currencies (Euros, Great British Pounds, Japanese Yen, New Zealand Dollars, Singapore Dollars, Malaysian Ringgit, South African Rand, Chilean Pesos)

Further information about the Group's and the parent entity's exposure to credit risk, foreign exchange risk and interest rate risk in relation to trade and other receivables is provided in note 3.

11 Finance lease assets

	2015 $'000	2014 $'000
Current receivables under finance leases (a)	**573**	509
Non current receivables under finance leases (a)	**4,493**	4,802

(a) Receivables under finance leases

The Group leases freight rail wagons to customers in Australia under finance lease arrangements. Lease agreements in which the other party, as lessee, is to be regarded as the economic owner of the leased assets give rise to accounts receivable in the amount of discounted future lease payments. The receivables under finance leases are as follows:

	Not later than one year $'000	Between one and five years $'000
2014		
Present value	509	4,802
Unearned interest income	626	2,158
Total future payments	**1,135**	**6,960**
2015		
Present value	573	4,493
Unearned interest income	595	1,562
Total future payments	**1,168**	**6,055**

12 Inventories

	2015 $'000	2014 $'000
Construction work in progress:		
Contract costs incurred and recognised profits less recognised losses	**60,236**	258,327
Progress billing	**(58,510)**	(247,915)
Net construction work in progress	**1,726**	10,412
Raw materials and stores	**34,725**	46,106
Work in progress	**62,204**	50,253
Finished goods	**112,380**	104,611
	211,035	211,382

(a) Inventory expense

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2015 amounted to $1,122,000 (2014: $1,143,000). The expense has been included in 'cost of sales' in the income statement.

13 Derivative financial instruments

	2015 $'000	2014 $'000
Current assets		
Cross currency interest rate swap contracts - cash flow hedges ((a)(i))	**876**	-
Forward foreign exchange contracts - cash flow hedges ((a)(ii))	**456**	-
Total current derivative financial instrument assets	**1,332**	-
Current liabilities		
Interest rate swap and cap contracts - cash flow hedges ((a)(i))	**1,356**	1,825
Forward foreign exchange contracts ((a)(ii))	**-**	984
Derivative on redeemable preference shares ((a)(iii))	**4,200**	-
Total current derivative financial instrument liabilities	**5,556**	2,809

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 3).

(i) Interest rate swap and interest rate cap contracts - cash flow hedges

Bank loans of the Group had an average variable interest rate of 4.23% at 30 June 2015 (2014: 3.64%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. , and interest rate caps which provide protection over an agreed interest rate level.

Swaps currently in place cover approximately 13% of floating rate bank loans (2014: 14%). The average fixed interest for the swaps and caps is 4.88 % (2014: 4.88%). The Group also entered into a Cross Currency Interest Rate Swap under which it is obliged to receive fixed USD interest and pay variable AUD interest.

At balance date, the notional principal amounts and periods of expiry of the interest rate swap and cap contracts are as follows:

	2015 $'000	2014 $'000
Interest rate swap contracts		
1 - 2 years	**40,000**	-
2 - 3 years	**-**	40,000
	40,000	40,000

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

A cross currency interest rate swap is in place for USD $50,000,000 with a maturity date between 3 and 4 years. The contract requires settlement of receivable interest each 180 days (semi annually) and payable interest each 90 days.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately.

At balance date for the Group these contracts were net liabilities with fair value of $480,000 (2014: $1,825,000 liability). In the year ended 30 June 2015 there was a gain from the change in fair value of $1,345,000 (2014: $485,000 gain).

(ii) Forward exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover all foreign currency exposures greater than $100,000 AUD.

At balance date these contracts were net assets of $456,000 (2014: $984,000 liability). The Group has classified these hedging instruments to be effective hedges.

In the year ended 30 June 2015 there was a gain from the change in fair value of the asset of $1,440,000 (2014: loss of $13,881,000)

13 Derivative financial instruments (continued)

(iii) Derivative on redeemable preference shares

The derivative on the Redeemable Preference Shares relates to the ability of the holder to convert a portion of the instrument into ordinary shares of the Group. This value has been determined using the binomial tree lattice methodology with the following assumptions:

Conversion price $2.00

Spot Price: $1.44

Stock price volatility 50%

Risk-free interest rate 2.35%

Maturity date: Perpetual

Please refer to note 20 for further details of the Redeemable Preference Share issuance.

(b) Risk exposures and fair values

Further information about the Group's exposure to credit risk, foreign exchange risk and interest rate risk is provided in note 3.

Further information about the fair value of the Group's derivatives is provided in note 3.

(c) Offsetting financial assets and liabilities

Bradken presents derivative assets and liabilities on a gross basis. Certain derivative assets and liabilities are subject to enforceable master netting arrangements with individual counterparites if they were subject to default. As at 30 June 2015, if these netting arrangements were to be applied to the deriviatives portfolio, derivative assets are reduced by $0.84m (30 June 14 $0.58m) and derivative liabilities reduced by $0.84m (30 June 14 $0.58m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Property, plant and equipment

	Note	Freehold land $'000	Buildings $'000	Leasehold improve-ments $'000	Plant and equipment $'000	Leased plant and equipment $'000	Capital works in progress $'000	Total $'000
At 1 July 2013								
Cost or fair value		43,923	184,919	5,084	606,998	27,909	42,773	911,606
Accumulated depreciation		-	(30,115)	(795)	(248,854)	(15,617)	-	(295,381)
Net book amount		43,923	154,804	4,289	358,144	12,292	42,773	616,225
Year ended 30 June 2014								
Opening net book amount		43,923	154,804	4,289	358,144	12,292	42,773	616,225
Exchange differences		(782)	(3,294)	(129)	(7,091)	(340)	-	(11,636)
Additions		-	-	-	(4,145)	6,548	50,680	53,083
Transfer (to)/from capital work in progress		62	1,647	-	33,355	-	(35,064)	-
Disposals		(51)	(1,132)	(6)	(20,091)	(84)	-	(21,364)
Depreciation charge		-	(4,790)	(184)	(42,790)	(5,184)	-	(52,948)
Closing net book amount		43,152	147,235	3,970	317,382	13,232	58,389	583,360
At 30 June 2014								
Cost or fair value		43,152	180,361	4,925	587,711	29,898	58,389	904,436
Accumulated depreciation		-	(33,126)	(955)	(270,329)	(16,666)	-	(321,076)
Net book amount		43,152	147,235	3,970	317,382	13,232	58,389	583,360
Year ended 30 June 2015								
Opening net book amount		43,152	147,235	3,970	317,382	13,232	58,389	583,360
Exchange differences		5,402	22,576	149	43,919	1,459	-	73,505
Additions		-	-	298	(235)	7,834	34,193	42,090
Transfer (to)/from capital work in progress		-	3,072	-	34,309	-	(37,381)	-
Disposals		(3,127)	(6,333)	(104)	(1,310)	-	-	(10,874)
Assets held for sale	37	(3,726)	(6,045)	-	(3,810)	-	-	(13,581)
Impairment (see below)		(417)	(580)		(54,826)			(55,823)
Depreciation charge		-	(6,484)	(150)	(38,244)	(7,177)	-	(52,055)
Closing net book amount		41,284	153,441	4,163	297,185	15,348	55,201	566,622
At 30 June 2015								
Cost or fair value		41,284	193,369	5,953	625,627	36,196	55,201	957,630
Accumulated depreciation		-	(39,928)	(1,790)	(328,442)	(20,848)	-	(391,008)
Net book amount		41,284	153,441	4,163	297,185	15,348	55,201	566,622

During the year, the Group reassessed the useful lives of certain assets. The impact of the change of this reassesment is included in the depreciation charge line item above.

An impairment loss of $1.418m was recognised in the year end 30 June 2015 relating to property, plant and equipment held at the Group's Henderson site in Western Australia. This loss is included withing the manufacturing reorganisation expense in note 7.

(a) Non current assets pledged as security

Assets under finance lease arrangements are pledged as security by the Group.

15 Deferred tax assets

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Doubtful debts	**24**	11
Employee benefits	**12,338**	13,203
Depreciation	**5,446**	257
Other provisions	**8,855**	11,497
Unrealised foreign exchange differences	**21,133**	8,231
Other accruals	**2,766**	5,743
Tax losses	**12,018**	297
Cash flow hedges	**-**	835
Other	**4,032**	-
	66,612	40,074
Amounts recognised directly in equity		
Defined benefits pension liabilities	**5,408**	3,550
	5,408	3,550
Total deferred tax assets	**72,020**	43,624
Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 21)		
Net deferred tax assets	**(46,140)**	(32,727)
	25,880	10,897
Movements:		
Opening balance at 1 July	**43,624**	40,368
Credited/(charged) to the income statement (note 8)	**25,675**	3,553
Credited/(charged) to other comprehensive income (note 8)	**(584)**	159
Credited/(charged) to equity	**994**	(456)
Net foreign currency movements	**2,311**	-
Closing balance at 30 June	**72,020**	43,624

The Group has tax losses which arose in Australia of $9.8M and $2.2M in China. Deferred tax assets have been recognised in respect of these losses as they will be able to be applied against taxable profits in the future. The Australian tax losses do not have an expiry date. The Chinese tax losses must be utilised within a 5 year period. Management anticipates that they will be applied in full before their expiry date.

The Group also had tax losses in the UK of $3.5M for which deferred tax assets have not been recognised. This entity has been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Intangible assets

	Goodwill	Customer lists	Patents, trademarks and brands	Licences and other	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2013					
Cost	284,133	108,770	12,459	60,236	465,598
Accumulated amortisation and impairment	(8,759)	(26,436)	(3,895)	(43,769)	(82,859)
Net book amount	275,374	82,334	8,564	16,467	382,739
Year ended 30 June 2014					
Opening net book amount	275,374	82,334	8,564	16,467	382,739
Additions	-	-	-	3,994	3,994
Foreign exchange variation	(4,171)	(2,384)	(239)	-	(6,794)
Amortisation charge	-	(7,470)	(1,423)	(4,124)	(13,017)
Closing net book amount	271,203	72,480	6,902	16,337	366,922
At 30 June 2014					
Cost	279,962	106,386	12,220	64,230	462,798
Accumulated amortisation and impairment	(8,759)	(33,906)	(5,318)	(47,893)	(95,876)
Net book amount	271,203	72,480	6,902	16,337	366,922
Year ended 30 June 2015					
Opening net book amount	271,203	72,480	6,902	16,337	366,922
Additions	-	-	-	4,752	4,752
Impairment charge	(141,360)	(9,137)	-	(16,685)	(167,182)
Foreign exchange variation	25,709	13,866	1,072	-	40,647
Amortisation charge	-	(5,765)	(3,266)	(2,249)	(11,280)
Closing net book amount	155,552	71,444	4,708	2,155	233,859
At 30 June 2015					
Cost	305,671	120,252	13,292	68,982	508,197
Accumulated amortisation and impairment	(150,119)	(48,808)	(8,584)	(66,827)	(274,338)
Net book amount	155,552	71,444	4,708	2,155	233,859

Impairment tests for goodwill and other intangibles

As a result of the manufacturing reorganisation changes within the Group, the cash generating units (CGUs) for which impairment is tested have been reorganised in May 2015. During the second half of the year, the former Mining Products, and Transport and Industrial CGUs were combined to form the newly named Mining & Transport segment. Concurrently, the Fixed Plant business was separated from the Mining Products CGU and now forms a new CGU called Fixed Plant.

Due to the continued adverse market conditions and the continued downturn in the market for mobile plant mining capital parts sales, an assessment of the recoverable amount of the goodwill and other intangibles of each of the Group's CGUs was performed both before and after the re-alignment of the CGUs. The recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year peroid. Cash flows beyond the five-year period are extrapolated using perpetual growth rates.

For the year ending 30 June 2015, this has resulted in a $141.4m impairment expense against goodwill, $16.7m impairment expense against Licences and Other and a $9.1m impairment expense against customer lists in the current period. The below table outlines the Group's CGUs tested for impairment, the allocation of these impairment balances, and the goodwill remaining in the balance sheet at 30 June 2015:

$'000s	Goodwill	Other Intangibles	FY15 Total Impairment Charge	Remaining Goodwill balances at 30 June 2015**
Mining Products* (old)	(26,528)	-	(26,528)	-
Transport & Industrial* (old)	(16,723)	(4,285)	(21,008)	-
Mining and Transport (new)	(14,800)	(12,400)	(27,200)	-
Fixed Plant (new)	-	(5,942)	(5,942)	8,200
Engineered Products	(37,806)	(1,726)	(39,532)	49,138
Mineral Processing	(45,503)	(1,469)	(46,972)	89,600
Cast Metal Services	-	-	-	8,614
Total impairment	(141,360)	(25,822)	167,182	155,552

*Mining Products and Transport & Industrial CGU impairment testing was performed prior to the restructure in May 2015.
** The goodwill balances at 30 June 2014 were Mining Products $45.9m, Transport and Industrial $19.3m, Engineered Products $85.1m, Mineral Processing $112.3m and CMS $8.6m

16 Intangible assets (continued)

Impairment Charge

During the period impairment of $141.4m was charged to Goodwill, $9.1m to Customer Lists and $16.7m to Licences and Other (2014: $NIL).

Key assumptions used for value in use calculations

The calculation of value in use for the CGUs is most sensitive to the following assumptions:

(a) EBITDA/sales margins

(b) Discount rates

(c) Growth rates used to extrapolate cash flows beyond the forecast period

The Company has determined the assumptions based on past performance and expectations for the future. The growth rates used are consistent with forecasts included in industry reports.

In performing the value-in-use calculations, the company has applied a post tax discount rate to discount the forecast future attributable post tax cash flows. Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. CGU-specific risk premiums have been incorporated into the calculation of the discount rates.

The post tax discount rate used for the Australian based CGU's, including Mining & Transport, Fixed Plant and CMS is 12.0% (2014: 12.0%), which equates to a pre tax discount rate of 17.1% (2014: 17.1%).

The post tax discount rate used in the United States based Engineering Products CGU is 10.5% (2014: 11.0%), which would equates to a pre tax discount rate of 16.2% (2014: 16.9%).

The post tax discount rate used for the Mineral Processing CGU which operates in Canada and Australia is 11.3% (2014: 11.5%), which would translate into a pre tax discount rate of 16.7% (2014: 17.1%).

The perpetual growth rates per CGU are as follows; Mining & Transport 2.6%, Mineral Processing 2.0%, Engineered Products 1.9%, Fixed Plant 3.0% and Cast Metal Services 2.5%.

Impact of reasonably possible changes in key assumptions

As the Mineral Processing and Mining & Transport CGUs are written down to their recoverable amount at 30 June 2015, any future adverse changes in the key assumptions will result in further impairment.

The directors believe there is a reasonably possible change in assumptions for the Engineered Products and CMS CGUs that may result in an impairment. These changes are listed below. There is no reasonably possible change in assumptions that would result in an impairment of goodwill allocated to the other CGU's.

The difference between the carrying value and recoverable amount of the Engineered Products and CMS CGU's at 30 June 2015 is as follows;

(a) Engineered Products: $46 million

(b) Cast Metal Services: $18 million

The implications of the key assumptions for the recoverable amount are discussed below:

EBITDA Margin

The following changes in the EBITDA margin would be required to result in impairment for CGU's considered to be significant in comparison with the entity's total carrying amount of goodwill.

Engineering Products: a sustained reduction of 2.2% in the EBITDA margin used would result in impairment.

Cast Metal Services: a sustained reduction of 1.6% in the EBITDA margins used would result in impairment.

17 Payables

	2015 $'000	2014 $'000
Current		
Trade payables	**96,557**	112,339
Other payables	**57,287**	31,165
	153,844	143,504
Non current		
Other payables	**9,371**	7,728
	9,371	7,728

(a) Foreign currency risk

The carrying amounts of the Group's payables are denominated in the following currencies:

	2015 $'000	2014 $'000
Australian Dollars	**67,352**	46,572
US Dollars	**41,324**	49,585
Chinese Yuan	**35,646**	42,059
Other *	**18,893**	13,016
	163,215	151,232

* Other refers to a basket of currencies (Euros, Great British Pounds, Japanese Yen, New Zealand Dollars, Singapore Dollars, Malaysian Ringgit, South African Rand, Chilean Pesos)

(b) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

18 Provisions

	2015 $'000	2014 $'000
Current		
Employee benefits	**39,050**	46,977
Restructuring	**20,153**	9,292
Warranty	**3,509**	6,705
	62,712	62,974
Non-current		
Employee benefits	**20,473**	14,669
Make good provision	**802**	-
Environmental	**141**	368
	21,416	15,037

(a) Warranties

Provision is made for known warranty claims at balance date. Most claims are expected to be settled in the next financial year. Management estimates the provision based on expected costs to be incurred to resolve the warranty claim.

(b) Restructuring

The restructuring provision represents those costs associated with the announced company restructure that are yet to be incurred but for which a constructive obligation exists at balance date.

(c) Make good provision

The make good provision represents expected costs to restore the now leased Bassendean facility at the end of the lease.

18 Provisions (continued)

(c) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2015	Warranty Current $'000	Restructuring Current $'000	Environmental Non Current $'000	Make good Non Current $'000
Carrying amount at start of year	6,705	9,292	368	-
Additional provisions recognised	4,880	50,531	-	802
Provision reversal	-	-	(285)	-
Foreign currency exchange differences	-	-	58	-
Amounts used	(8,076)	(39,670)	-	-
Carrying amount at end of year	3,509	20,153	141	802

(d) Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2015 $'000	2014 $'000
Long service leave obligation expected to be settled after 12 months	504	3,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Employee defined benefit liability

(a) Superannuation plan

All employees of the Group are entitled to benefit from various superannuation or pension plans on retirement, disability or death. The Group operates two defined benefit retirement plans, one in the United States and the other in Canada. The United States plan at one of the Group's US subsidiaries is closed to new members and covers hourly employees hired before May 10, 1993. The Canadian plan is currently active at one of the Group's Canadian subsidiaries for hourly employees but closed on March 1, 2010 to salaried employees. Benefits for the defined benefit plans are determined on years of credited service.

The Group also operates a number of defined contribution plans which receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

The following sets out details of the liabilities in respect of the defined benefit plans only.

	2015	2014
	$'000	$'000
US Defined benefit retirement plan	**(11,129)**	(6,394)
Canadian defined benefit retirement plans	**(3,244)**	(2,723)
	(14,373)	(9,117)

(b) Changes in the defined benefit plan obligation and fair value of plan assets

	Defined benefit obligation	**Fair value of plan assets**	**Benefit Liability**
	$'000	**$'000**	**$'000**
Balance at 1 July 2013	**(56,530)**	**44,825**	**(11,705)**
Pension costs charged to profit or loss			
Service cost	(1,239)	(168)	
Net Interest	(2,499)	1,999	
Subtotal included in profit or loss	**(3,738)**	**1,831**	**(1,907)**
Benefits paid	2,592	(2,592)	**-**
Re-measurement gains/(losses) in other comprehensive income			
Return on plan assets (excluding amounts included in net interest expense)	-	6,123	**6,123**
Actuarial changes arising from changes in demographic assumptions	(1,522)	-	**(1,522)**
Actuarial changes arising from changes in financial assumptions	(4,169)	-	**(4,169)**
Experience adjustments	466	-	**466**
Sub-total included in OCI	**(5,225)**	**6,123**	**898**
Contributions by employer	-	3,252	**3,252**
Foreign currency exchange differences	2,166	(1,821)	345
Balance at 30 June 2014	**(60,735)**	**51,618**	**(9,117)**

19 Employee defined benefit liability (continued)

	Defined benefit obligation $'000	Fair value of plan assets $'000	Benefit Liability $'000
Balance at 1 July 2014	**(60,735)**	**51,618**	**(9,117)**
Pension costs charged to profit or loss			
Service cost	(1,343)	(89)	
Net Interest	(2,658)	2,261	
Subtotal included in profit or loss	**(4,001)**	**2,172**	**(1,829)**
Benefits paid	2,826	(2,826)	**-**
Re-measurement gains/(losses) in other comprehensive income			
Return on plan assets (excluding amounts included in net interest expense)	-	(157)	**(157)**
Actuarial changes arising from changes in demographic assumptions	(4,187)	-	**(4,187)**
Actuarial changes arising from changes in financial assumptions	473	-	**473**
Experience adjustments	(31)	-	**(31)**
Sub-total included in OCI	**(3,745)**	**(157)**	**(3,902)**
Contributions by employer	-	2,278	**2,278**
Foreign currency exchange differences	(8,983)	7,180	(1,803)
Balance at 30 June 2015	**(74,638)**	**60,265**	**(14,373)**

(c) Categories of the plan assets

The major categories of plan assets included in the fair value of the total plan assets are as follows:

	2015 $'000	2014 $'000
Cash equivalents	**13,067**	10,311
Fixed interest	**7,947**	8,117
Equity securities	**39,251**	33,190
	60,265	51,618

(d) Principal assumptions

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

	2015 $'000	2014 $'000
Discount rate:		
US Defined benefit retirement plan	4.09%	3.92%
Canadian defined benefit retirement plans	4.10%	4.90%

19 Employee defined benefit liability (continued)

	2015 $'000	2014 $'000
Life expectation for pensioners at the age of 65:		
US Defined benefit retirement plan		
Male	18.65	17.87
Female	21.11	19.92
Canadian defined benefit retirement plans		
Male	21.49	21.40
Female	23.96	23.90

	2015 $'000
Sensitivity analysis	
Impact of 1% change to the discount rate on defined benefit obligation at 30 June 2015	
Increase in assumption	
US Defined benefit retirement plan	4,930
Canadian defined benefit retirement plans	4,324
Decrease in assumption	
US Defined benefit retirement plan	(6,004)
Canadian defined benefit retirement plans	(5,625)
Impact of 1% change in the salary rate increase on defined benefit obligation at 30 June 2015	
Increase in assumption	
Canadian defined benefit retirement plans	(2,019)
Decrease in assumption	
Canadian defined benefit retirement plans	1,752
The average duration of the defined benefit plan obligation at the end of the reporting period in years is:	
US Defined benefit retirement plan	12.6
Canadian defined benefit retirement plans	17.2

(e) Employer contributions

Employer contributions to the defined benefit plans are based on recommendations by the plan actuaries. Actuarial assessments are performed annually, and the last such assessments were made during June 2015.

Total employer contributions expected to be paid by Group companies for the year ending 30 June 2016 are $2,062,502.

20 Borrowings

	2015 $'000	2014 $'000
Current - secured		
Lease liabilities (note 28)	**4,261**	4,676
Total secured current borrowings	**4,261**	4,676
Current - unsecured		
Bank overdrafts	**188**	-
Bank loans	**48,723**	-
Redeemable convertible preference shares	**63,700**	-
Other loans	**870**	1,014
Total unsecured current borrowings	**113,481**	1,014
Total current borrowings	**117,742**	5,690
Non-current secured		
Lease liabilities (note 28)	**12,156**	7,796
Total secured non-current borrowings	**12,156**	7,796
Non-current unsecured		
Bank loans	**300,851**	299,027
US private placement	**258,507**	209,140
Total unsecured non-current borrowings	**559,358**	508,167
Total non-current borrowings	**571,514**	515,963

(a) Secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2015 $'000	2014 $'000
Lease liabilities	**16,417**	12,472
Total secured liabilities	**16,417**	12,472

(b) Other loans

Other loans are repayable within twelve months. The current interest rate on these loans are 2.13% (2014: 1.57%).

(c) Risk exposures

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2015 $'000	2014 $'000
Australian Dollars	**325,912**	195,214
US Dollars	**265,364**	270,948
Great British Pounds	**36,706**	30,859
Canadian Dollars	**5,345**	2,118
Chinese Yuan	**52,928**	22,415
Malaysian Ringgits	**26**	69
Chilean Pesos	**2,787**	30
Euros	**188**	-
	689,256	521,653

Further information about the Group's and the parent entity's exposure to foreign exchange risk and interest rate risk and an analysis of the sensitivity of borrowings to interest rate and foreign exchange risk, is provided in note 3.

20 Borrowings (continued)

(d) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	2015 $'000	2014 $'000
Credit standby arrangements		
Total facilities		
Bank overdrafts	**16,108**	41,608
Standby letters of credit and bank guarantees	**105,758**	118,053
	121,866	159,661
Used at balance date		
Bank overdrafts	**188**	-
Standby letters of credit and bank guarantees	**78,514**	57,596
	78,702	57,596
Unused at balance date		
Bank overdrafts	**15,920**	41,608
Standby letters of credit and bank guarantees	**27,244**	60,457
	43,164	102,065
Bank loan facilities		
Total facilities	**661,646**	565,226
Used at balance date	**352,599**	301,310
Unused at balance date	**309,047**	263,916
US private placement notes		
Total facilities	**259,235**	212,157
Used at balance date	**259,235**	212,157
Unused at balance date	**-**	-

Working capital facilities comprise bank overdraft facilities and bank guarantee and letter of credit lines. Bank overdraft facilities comprise a AUD 15,000,000 bilateral overdraft facility, a GBP 500,000 multi currency overdraft facility and a NZD 100,000 overdraft facility.

Bank guarantees and letters of credit facilities comprise a AUD 102,250,000 multicurrency revolving bank guarantee facility, a GBP 500,000 bank guarantee facility, a NZD 50,000 bank guarantee facility, a CAD 500,000 standby letter of credit facility, a MYR 2,000,000 bank guarantee facility and bank guarantee and letter of credit lines made available under revolving loan facilities in China (total drawings A$1.2m at 30 June 2015).

Bank loan facilities comprise the following:

(i) a syndicated loan with three, four and five year revolving bullet term loan facilities. The facilities comprise of AUD 440,000,000 multicurrency tranches and USD 100,000,000 tranches. Current interest rate is 3.71% (2014: 3.84%).

(ii) a USD 40 million multi-currency revolving credit facility. Current interest rate is 5.08% (2014: 4.43%)

(iii) a USD 31 million multi-currency revolving credit facility. Current interest rate is 6.00% (2014: 4.43%)

US Private Placement Notes comprise a 7 year USD 50,000,000 tranche, 10 year USD 100,000,000 tranche and 12 year USD 50,000,000 tranche. Current weighted average interest rate is 4.64% (2014: 4.64%).

During the year drawings under a GBP 20,000,000 facility were repaid and the facility subsequently cancelled.

On 30 June 2015, the Group entered into a Redeemable Preference Share (“RPS”) agreement for cash consideration of $70,000,000. 700,000 RPSs were issued with a face value of $100 per share and have no fixed maturity date. Each RPS confers on its holder the right to semi-annual distributions at step up rate of 7.5% for the first year and up to 13% to year 5, which at the election of the Group, can be waived in the first 12 months through the issuance of additional RPS instruments at an increased distribution rate of 8%.

The RPS holders have an option to convert the RPS for ordinary shares in Bradken at a conversion price of $2 per share. This price is adjusted should certain events occur. The Group can elect to redeem the shares by way of a cash payment after 5 years, or if specified conditions are met at an earlier date.

At the date of the issuance, which is concurrent with the reporting date, the instrument has been split between long term debt and derivative financial liabilities. $63,700,000 has been treated as debt, being a financial liability at amortised cost. This figure is net of $2,100,000 in borrowing costs. In addition, the option to convert the RPS into ordinary shares has been treated as a financial instrument measured at fair value through profit or loss at $4,200,000. Please refer to note 13 for valuation details of the derivative component of this instrument.

20 Borrowings (continued)

(f) Fair value

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

	2015		2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
On balance sheet				
Non traded financial liabilities				
Bank overdrafts	**188**	**188**	-	-
Bank loans	**349,574**	**316,238**	299,027	302,277
US private placement	**258,507**	**201,841**	209,140	213,032
Redeemable convertiible preference shares	**63,700**	**65,800**	-	-
Other loans	**870**	**870**	1,014	1,014
Lease liabilities	**16,417**	**16,417**	12,472	12,472
	689,256	**601,354**	521,653	528,795

Fair value is inclusive of costs which would be incurred on settlement of a liability.

(i) On balance sheet

The fair value of interest bearing liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

(ii) Off balance sheet

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 27. As explained in those notes, no material losses are anticipated in respect of any of those contingencies.

21 Deferred tax liabilities

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Prepayments	**494**	477
Design assets	**931**	5,004
Unrealised foreign exchange differences	**22,480**	5,511
Financial assets at fair value through profit or loss	**1,172**	1,225
Fixed assets	**50,562**	52,209
Other	**7,478**	9,109
Total deferred tax liabilities	**83,117**	73,535
Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 15)	**(46,140)**	(32,727)
Net deferred tax liabilities	**36,977**	40,808
Movements:		
Opening balance at 1 July	**73,535**	78,191
Charged/(credited) to the income statement (note 8)	**2,286**	(2,985)
Charged/(credited) to equity (note 23)	**-**	(1,671)
Net foreign currency movements	**7,296**	-
Closing balance at 30 June	**83,117**	73,535

22 Contributed equity

	Notes	Parent entity 2015 Shares	Parent entity 2014 Shares	Parent entity 2015 $'000	Parent entity 2014 $'000
(a) Share capital					
Ordinary shares	(b),(c)				
Fully paid		**171,027,249**	171,027,249	**715,293**	715,293
Total contributed equity				**715,293**	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.

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Parent entity $'000
At 1 July 2013	**Opening balance**		**169,240,662**	**707,693**
21 March 2014	Dividend reinvestment plan issues	(d)	1,786,587	7,600
At 30 June 2014	**Balance**		**171,027,249**	**715,293**
At 30 June 2015	**Balance**		**171,027,249**	**715,293**

22 Contributed equity (continued)

(b) Movements in ordinary share capital (continued):

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Dividend reinvestment plan

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

(e) Performance Rights Plan

Information relating to the Performance Rights Plan, including details of shares issued under the plan, is set out in note 35.

(f) Non-executive director share acquisition plan

Information relating to the non-exective director share acquisition plan, including details of shares issued under the plan, is set out in note 35.

(g) Capital risk management

The group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors it's performance against these objectives on the basis of its gearing levels expressed as a ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA).

During 2015, the group's strategy, which was unchanged from 2014, was to maintain the net debt level to around 2.0 times underlying EBITDA. The comparative ratios at 30 June 2015 and 30 June 2014 were as follows:

	Notes	**2015** **$'000**	2014 $'000
Net Debt	9, 20	**350,487**	377,174
EBITDA *		**139,874**	163,935
Net debt to EBITDA		**2.51**	2.30

* EBITDA for 2014 adjusted for acquisition, restructuring (including asset impairment of $19.535m) and Pala litigation costs. EBITDA for 2015 has been adjusted for restructuring and asset impairments.

Bradken Limited has complied with the financial covenants of its borrowing facilities during the 2015 and 2014 reporting periods.

23 Reserves and retained profits

	2015 $'000	2014 $'000
(a) Reserves		
Hedging reserve - cash flow hedges	**(584)**	(1,946)
Share based payments reserve	**18,479**	15,087
Foreign currency translation reserve	**73,114**	7,153
Revaluation reserve	**-**	-
Transactions with non-controlling interests	**(564)**	(564)
	90,445	19,730
Movements:		
Hedging reserve - cash flow hedges		
Balance 1 July	**(1,946)**	(1,575)
Revaluation-gross (note 13)	**1,946**	(530)
Deferred tax (note 15)	**(584)**	159
Balance 30 June	**(584)**	(1,946)
Share-based payments reserve		
Balance 1 July	**15,087**	11,386
Rights expense	**3,392**	3,701
Transfer to share capital (Rights exercised)	**-**	-
Balance 30 June	**18,479**	15,087
Foreign currency translation reserve		
Balance 1 July	**7,153**	19,898
Currency translation differences arising during the year	**65,961**	(12,745)
Balance 30 June	**73,114**	7,153
Transactions with non-controlling interests		
Balance 1 July	**(564)**	(564)
Balance 30 June	**(564)**	(564)
(b) Retained profits		
Balance 1 July	**160,416**	194,094
Net profit / (loss) for the year	**(241,295)**	21,480
Dividends	**(18,813)**	(55,849)
Actuarial (losses) / gains on retirement benefit obligations, net of tax	**(1,919)**	691
Balance 30 June	**(101,611)**	160,416

(c) Nature and purpose of reserves

(i) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 2(n). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(ii) Share-based payments reserve

The share based payments reserve is used to recognise the fair value of rights issued but not exercised.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 2(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(iv) Transactions with non-controlling interests

This reserve is used to record the differences described in note 2(b)(iii) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

24 Dividends

	2015 $'000	2014 $'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2014 of 11.0 cents (2013: 18.0 cents) per fully paid share paid on 9 September 2014 (2013: 13 September 2013)		
100% unfranked (2013: fully franked based on tax paid @ 30%)	**18,813**	30,463
Interim dividend for the year ended 30 June 2015 of zero cents (2014: 15.0 cents) per fully paid share (2014: paid 21 March 2014)		
2014: 100% unfranked	**-**	25,386
Total dividends provided for or paid	**18,813**	55,849
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2014 and 30 June 2015 were as follows:		
Paid in cash	**18,813**	48,249
Satisfied by issue of shares	**-**	7,600
	18,813	55,849
(b) Dividends not recognised at year end		
Since the end of the period the directors have determined that no dividend will be paid out of retained profits at 30 June 2015 (2014 - 11.0 cents fully unfranked). The aggregate amount of the dividend paid on 9 September 2014 out of retained profits at 30 June 2014, but not recognised as a liability at the end of the period, was	**-**	18,813

(c) Franked dividends

The Company has no franking credits available.

25 Key management personnel disclosures

(a) Directors

The following persons were directors of Bradken Limited during the financial year:

(i) Chairman - non-executive

Nick Greiner

(ii) Executive director

Brian Hodges, Managing Director

(iii) Non executive directors

Phil Arnall
Eileen Doyle
Greg Laurie
Peter Richards
David Smith

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	*Position*	*Employer*
Andrew Allen	General Manager - Operations	Bradken Resources Pty Ltd
Stephen Cantwell	Executive General Manager - Mineral Processing	Bradken Resources Pty Ltd
Craig Lee	General Manager - Fixed Plant	Bradken Resources Pty Ltd
Kevin McDermed	Chief Operating Officer - Engineered Products	Bradken Inc.
Steven Perry	Chief Financial Officer	Bradken Resources Pty Ltd
Enda Sheridan	General Manager - Corporate Development	Bradken Resources Pty Ltd
Brad Ward	Executive General Manager - Mining & Transport	Bradken Resources Pty Ltd

(c) Key management personnel compensation

	2015	2014
	$	$
Short-term employee benefits	**5,194,454**	4,963,344
Post-employment benefits	**312,802**	217,837
Other long-term benefits	**66,202**	131,759
Share-based payments	**1,468,545**	1,385,953
	7,042,003	6,698,893

The company has taken advantage of the relief provided by Corporation and related legislation *Amendment Regulation 2013 (No. 1)* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections (a) to (f) of the remuneration report on pages 9 to 20.

(d) Equity instrument disclosures relating to key management personnel

(i) Rights provided as remuneration and shares issued on exercise of rights

Details of Performance Rights provided as remuneration and shares issued on the exercise of such Rights, together with terms and conditions of the Rights, can be found in section (C) of the remuneration report on pages 11 to 12 and in section (E) of the remuneration report on pages 14 to 16.

26 Remuneration of auditors

The current auditor of Bradken Limited is Ernst & Young who were appointed at the 2013 AGM following a comprehensive tender process. The previous auditor was Pricewaterhousecoopers. It is the Group's policy to employ Ernst & Young on assignments additional to their statutory audit duties where Ernst & Young's expertise and experience with the Group are important. During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non related audit firms:

	2015	2014
	$	$
Amounts received or due and receivable by Ernst & Young for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	**970,000**	930,000
Due diligence services in relation to the entity and any other entity in the consolidated group	**200,000**	-
Other services in relation to the entity and any other entity in the consolidated group	**205,000**	-
	1,375,000	930,000
Amounts received or due and receivable by related practices of Ernst & Young for:		
Tax compliance services	**83,727**	13,386
Assurance related	**-**	4,645
	83,727	18,031
Amounts received or due and receivable by other audit firms for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	**30,292**	119,317
	30,292	119,317
Amounts received or due and receivable by other audit firms for:		
Assurance related	**-**	22,732
Taxation and tax compliance services	**533,268**	679,418
Other non-audit services.	**19,145**	34,900
	552,413	737,050

27 Contingencies

(a) Contingent Liabilities

The parent entity and Group had contingent liabilities at 30 June 2015 and 2014 in respect of:

Guarantees and letters of credit

	2015 $'000	2014 $'000
Bank guarantees for contract performance	**73,773**	56,800
Letters of credit	**4,741**	796
Total estimated contingent liabilities	**78,514**	57,596

Information about guarantees given by entities within the Group, including the parent entity are described in note 31. No deficiencies of assets exist in any of these companies.

Claims

The Bradken Group is involved in various claims and lawsuits incidental to the ordinary course of business, including damages and commercial disputes relating to its products and services. The Group has disclaimed liability and will defend any action flowing from specific claims. Based on legal advice obtained, any adverse impact of these claims is unlikely to be material

Austin Engineering

There are no contingent liabilities that are known to Bradken that relate to Austin Engineering.

28 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2015 $'000	2014 $'000
Land & buildings		
Payable:		
Within one year	**126**	92
	126	92
Property, plant and equipment		
Payable:		
Within one year	**9,573**	9,459
Later than one year but not later than five years	**43**	-
	9,616	9,459

(b) Lease commitments

	2015 $'000	2014 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**14,026**	11,145
Later than one year but not later than five years	**37,110**	26,348
Later than five years	**47,393**	15,338
	98,529	52,831
Representing:		
Non cancellable operating leases	**96,452**	51,372
Future finance charges on finance leases	**2,077**	1,459
	98,529	52,831

28 Commitments (continued)

(i) Operating leases

Operating leases relate to buildings and plant and equipment with lease terms generally between 1 to 5 years however the lease agreements for the Steel River Corporate Office facility in NSW and the Bassendean facility in Western Australia are up to 15 years in length. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

	2015 $'000	2014 $'000
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:		
Within one year	**13,303**	10,503
Later than one year but not later than five years	**35,830**	25,591
Later than five years	**47,319**	15,278
	96,452	51,372

(ii) Finance leases

The Group leases various items of plant and equipment with a carrying amount of $15,348,000 (2014: $13,232,000) under finance leases expiring within three to five years. Under the terms of the leases, the Group has the option to acquire some of the leased assets on expiry of the leases.

	2015 $'000	2014 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**4,982**	5,322
Later than one year but not later than five years	**11,305**	7,002
Later than five years	**2,207**	1,607
Minimum lease payments	**18,494**	13,931
Future finance charges	**(2,077)**	(1,459)
Total lease liabilities	**16,417**	12,472
Representing lease liabilities:		
Current (note 20)	**4,261**	4,676
Non current (note 20)	**12,156**	7,796
	16,417	12,472

The weighted average interest rate implicit in the leases is 7.35% (2014: 8.51%).

29 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is Bradken Limited.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 25.

(c) Terms and conditions

Transactions relating to dividends were on the same conditions that applied to other shareholders.

The terms and conditions of the tax funding agreement are set out in note 8(e).

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. Outstanding balances are unsecured with no fixed term for repayment.

30 Investments in associates

	2015 $'000	2014 $'000
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**53,171**	49,261
Increase in investment by way of share purchases in current period	**622**	6,441
Share of (loss) / profit after income tax (1)	**(9,102)**	(85)
Dividends received/receivable	**-**	(2,446)
Impairment of investment (2)	**(36,008)**	-
Carrying amount at the end of the financial year	**8,683**	53,171

(1) This amount includes the Company's actual share of ANG's net loss after tax for the six months ended 31 December 2014, and an estimate of the Company's share of ANG's net loss after tax for the six month period ending 30 June 2015 based on market conditions, market updates and analyst estimates and an adjustment to reflect the Company's actual share of ANG's net profit after tax for the year ending 30 June 2014. Differences identified when ANG publishes their results for the 30 June 2015 financial year will be adjusted in the Group's interim report for the half year ending 31 December 2015.

(2) The Directors have assessed the investment in Austin Engineering Limited may not be held to maturity and accordingly the recoverable amount has been assumed as the fair value less cost of disposal as at 30 June 2015. This resulted in an impairment expense of $36.0m.

(b) Summarised financial information of associates

As ANG are yet to announce their 30 June 2015 financial results, the following table contains the summarised financial information of the most recent published financial results of ANG.

	31-Dec14 $'000	31-Dec13 $'000
Current assets	**76,003**	113,205
Non-current assets	**199,904**	238,781
Current Liabilities	**(45,930)**	(63,973)
Non-current liabilities	**(101,664)**	(115,349)
Total Equity	**128,313**	172,664
Revenue	**102,051**	106,414
Net profit / (loss) for the period (from continuing operations)	**(41,598)**	860
Other comprehensive income / (loss)	**4,190**	(3,046)
Total other comprehensive income	**(37,408)**	(2,186)

(c) Market value of listed investment in associate based on last traded share price at 30 June 2015

	2015 $'000	2014 $'000
Austin Engineering Ltd (1)	**8,683**	28,442
	8,683	28,442

As the investment is written down to its recoverable amount at 30 June 2015, any future adverse change in the key assumptions will result in further impairment.

31 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 the Company and each of the subsidiaries enter into a Deed of Cross Guarantee.

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 2001, 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 companies subject to the Deed are:

- Bradken Limited
- Bradken Resources Pty Limited
- Bradken Finance Pty Limited
- Bradken Operations Pty Limited

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Bradken Limited, they also represent the 'Extended Closed Group'.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2015 of the Closed Group outlined above.

	2015	2014
	$'000	$'000
Income statement		
Revenue from continuing operations	**279,523**	455,301
Cost of sales	**(183,547)**	(330,628)
Gross profit	**95,976**	124,673
Other income	**27,691**	15,867
Selling and technical expenses	**(33,939)**	(38,181)
Administration expenses	**(30,645)**	(61,503)
Finance costs	**(13,215)**	(19,205)
Restructuring and asset impairment costs	**(69,966)**	(39,668)
Goodwill and intangible asset impairment	**(56,350)**	-
Share of net profit / (loss) of associates accounted for using the equity method	**(45,110)**	(85)
(Loss) / Profit before income tax	**(125,558)**	(18,102)
Income tax (expense) / benefit	**12,615**	9,376
(Loss) / Profit for the period	**(112,943)**	(8,726)
Statement of comprehensive income		
(Loss) / Profit for the period	**(112,943)**	(8,726)
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**1,946**	(530)
Exchange differences on translation of foreign operations	**(157)**	339
Income tax relating to these items	**(584)**	159
Other comprehensive income / (loss) for the period, net of tax	**1,205**	(32)
Total comprehensive income / (loss) for the period	**(111,738)**	(8,758)
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**44,139**	108,714
(Loss) / Profit for the period	**(112,943)**	(8,726)
Dividends provided for or paid	**(18,813)**	(55,849)
Dividends received from companies not in Closed Group	**52,668**	-
(Accumulated Deficit) / Retained earnings at the end of the financial year	**(34,949)**	44,139

31 Deed of cross guarantee (continued)

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2015 for the Closed Group outlined above.

	2015	2014
	$'000	$'000
Current assets		
Cash and cash equivalents	**126,475**	65,361
Trade and other receivables	**344,303**	286,985
Finance lease assets	**573**	509
Inventories	**82,675**	70,944
Current tax assets	**9,452**	11,289
Derivative financial instruments	**1,332**	-
Assets held for sale	**13,581**	-
Total current assets	**578,391**	435,088
Non-current assets		
Trade and other receivables	**407,168**	365,244
Finance lease assets	**4,493**	4,802
Investments accounted for using the equity method	**8,683**	53,171
Property, plant and equipment	**154,007**	212,070
Intangible assets	**10,768**	64,614
Deferred tax assets	**20,818**	7,895
Total non-current assets	**605,937**	707,796
Total assets	**1,184,328**	1,142,884
Current liabilities		
Payables	**73,135**	15,845
Borrowings	**488**	3,851
Provisions	**50,780**	51,904
Derivative financial instruments	**1,356**	2,809
Total Current Liabilities	**125,759**	74,409
Non-current liabilities		
Borrowings	**521,392**	456,559
Provisions	**4,906**	5,155
Total non-current liabilities	**526,298**	461,714
Total liabilities	**652,057**	536,123
Net assets	**532,271**	606,761
Equity		
Contributed equity	**549,679**	549,679
Reserves	**17,541**	12,943
(Accumulated deficit) / Retained profits	**(34,949)**	44,139
Total equity	**532,271**	606,761

32 Reconciliation of profit after income tax to net cash inflow from operating activities

	2015 $'000	2014 $'000
(Loss) / Profit for the year	**(241,295)**	21,480
Share of losses of associates	**9,102**	85
Impairment of investments	**36,008**	-
Depreciation and amortisation of licences and designs	**63,335**	65,965
Impairment of property, plant and equipment	**31,022**	19,535
Impairment of goodwill and customer intangibles	**167,182**	-
Amortisation of finance costs	**1,980**	1,514
Non-cash employee benefits expense - share-based payments	**3,484**	3,609
Net (gain) loss on sale of non-current assets	**(25,568)**	136
Net exchange differences	**(313)**	17,245
(Increase) / decrease in trade debtors and bills of exchange	**(25,779)**	18,208
(Increase) / decrease in inventories	**(1,625)**	50,081
(Increase) / decrease in deferred tax assets	**(13,222)**	(5,400)
Increase / (decrease) in trade creditors	**5,244**	(46,078)
(Increase) / decrease in other financial liabilities at fair value through profit or loss	**1,415**	499
Increase / (decrease) in provision for income taxes payable	**1,661**	3,448
Increase / (decrease) in provision for deferred income tax	**(9,675)**	(3,074)
Increase / (decrease) in other provisions	**51,327**	7,832
Net cash inflow from operating activities	**54,283**	155,085

33 Non cash investing and financing activities

	2015 $'000	2014 $'000
Acquisition of plant and equipment by means of finance leases	**7,834**	6,548
	7,834	6,548

Dividends satisfied by the issue of shares under the dividend reinvestment plan are shown in note 24 and rights and shares issued to employees under the Bradken Limited Performance Rights Plan and the Bradken Limited Employee Share Plan for no cash consideration are shown in note 35.

34 Earnings per share

	2015 Cents	2014 Cents
(a) Basic earnings / (loss) per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**(141.1)**	12.7
Profit attributable to the ordinary equity holders of the company	**(141.1)**	12.7
(b) Underlying basic earnings / (loss) per share		
Underlying profit from continuing operations attributable to the ordinary equity holders of the company	**19.8**	32.4
Underlying profit attributable to the ordinary equity holders of the company	**19.8**	32.4
(c) Diluted earnings / (loss) per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**(141.1)**	12.4
Profit attributable to the ordinary equity holders of the company	**(141.1)**	12.4
(d) Underlying diluted earnings / (loss) per share		
Underlying profit from continuing operations attributable to the ordinary equity holders of the company	**19.5**	31.9
Underlying profit attributable to the ordinary equity holders of the company	**19.5**	31.9

(e) Reconciliations of earnings used in calculating earnings per share

	2015 $'000	2014 $'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**(241,295)**	21,480

(d) Weighted average number of shares used as the denominator

	2015 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**171,027,249**	169,759,506
Adjustments for calculation of diluted earnings per share:		
Rights	**3,167,875**	2,782,743
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**174,195,124**	172,542,249

(e) Information concerning the classification of securities

(i) Rights

Rights granted to employees under the Bradken Performance Rights Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The Rights have not been included in the determination of basic earnings per share. Details relating to the Rights are set out in note 35.

35 Share based payments

(a) Non-Executive Director Share Acquisition Plan

The Company has a Non-Executive Director Share Acquisition Plan (NED Plan). All current and future Non-Executive Directors are encouraged to have a percentage of their annual Directors' fees provided in shares under the NED Plan. Shares will be allocated to the Non-Executive Directors under the NED Plan and must be held for a specified period.

Non-executive directors may elect to have a percentage of their annual fixed directors' fees provided in shares under the Non-Executive Director Share Acquisition Plan (NED plan). Participation in the plan is voluntary.

Non-Executive Directors will not be able to sell or otherwise dispose of the shares until the earliest of 10 years after acquisition or the Non-Executive Director ceasing to be a director of the Company (except in very limited circumstances). During this period the shares will be subject to a holding lock.

At 30 June 2015 there are no Directors participating in the NED plan.

(b) Performance Rights Plan

The Performance Rights Plan (PRP) is the Company's long-term incentive (LTI) scheme for selected key executives. The Managing Director recommends the list of executives who are entitled to participate in this scheme and seeks approval of the list from the Human Resources Committee which is then ratified by the Board. Under the PRP, eligible executives may be granted Performance Rights (each being a right to acquire a share, subject to the satisfaction of exercise conditions) on terms and conditions determined by the Board and as documented in the PRP Plan rules and Trust Deed. If the exercise conditions are satisfied, the Performance Rights may be exercised and the shares issued and delivered to the executive or key personnel according to scheme rules. The Board may impose restrictions on the disposal of the shares and implement procedures to enforce the restrictions.

The rules of the PRP provide that the Board may determine a price that is payable to exercise a Performance Right, or that no amount is payable by the executive upon exercise of the Right.

If any additional persons become entitled to participate in the PRP and their participation requires approval under Chapter 10 of the Listing Rules, they will not participate in the PRP until shareholder approval is received pursuant to Listing Rule 10.14.

Mr Brian Hodges, being the only Executive Director of the Company, is the only Director entitled to participate in the PRP. If any other Director is to participate in the PRP, the Company will seek shareholder approval required by the ASX Listing Rules.

There are 2 schemes in operation which are based on different performance conditions.

For the executive scheme the performance conditions are based on the relative total shareholder return (TSR) of the Company measured against other companies in the ASX Small Industrials Index during the performance period. TSR measures the total return on investment of a share taking into account capital appreciation, capital return and dividend income.

Dividends, changes in share price, and return of capital are included in the TSR calculation which is one of the performance criteria assessed for the LTI. The specific TSR performance conditions in relation to the grants are:

Target	Percentage of Rights available in given year to vest
The Company's TSR does not meet performance of the median company in ASX Small Cap	0
The Company's TSR equals or exceeds performance of the median company in ASX Small Cap	50
The Company's TSR ranked in third quartile of companies in ASX Small Cap	Pro rata between 50 and 100
The Company's TSR ranked in fourth quartile of companies in ASX Small Cap	100

35 Share based payments (continued)

(b) Performance Rights Plan (continued)

For all other key personnel the long term incentive (LTI) is paid wholly on Earnings Per Share (EPS) performance over a 3 year period. The initial rights for these personnel are provided based on a range of 20% to 30% of the key personnel's total cash base remuneration depending on the position held. No rights vest to the key personnel if Bradken's average EPS growth over a 3 year period is below 5% and no re-testing occurs. The Average EPS Growth for the Company for the Performance Period is determined by:

(a) adding the EPS Growth for each of the three financial years comprising the Performance Period; and

(b) dividing that figure by three, being the number of financial years comprising the Performance Period.

The EPS performance conditions in relation to the grants issued are:

Result for performance period	Percentage of Rights available in given year to vest
The Company's average EPS growth is below 5%	0
The Company's average EPS growth equals 5%	50
The Company's average EPS growth is between 5% and 15%	Pro rata between 50 and 100
The Company's average EPS growth equals or exceeds 15%	100

In assessing whether the performance hurdles have been met, the Human Resources Committee receives independent data from an investment bank which provides both the Company's TSR/EPS from previous financial years and in the case of TSR performance that of the ASX Small Cap Industrial Index. In the case of the TSR hurdle the Company's performance is then compared with each Company in the ASX Small Cap Industrial Index and Bradken is ranked in order of TSR in results from previous financial years. The Company's TSR percentile ranking is determined by aggregating the weighting within the ASX Small Cap Industrial Index (based on market capitalisation) of each company ranked below Bradken. The method of assessment was chosen for executives as it provides the Committee with an objective means of measuring the Company's performance against its peer group. Dividends, changes in share price, and return of capital are included in the TSR calculation. With respect to the EPS measure, the EPS of the Company for a financial year is the amount determined by the Board to be the NPAT of the Company for the financial year divided by the weighted average number of Shares in the Company over the financial year. This measure ensures alignment of key personnel with shareholder returns.

Once vested the performance rights are exercised on the final test date depending on the conditions of the grant.

New entrants to the schemes are provided with a transition to the 3 year plan. Rights granted under the PRP carry no dividend or voting rights. The terms and conditions of each grant of Rights affecting remuneration in the previous, this or future reporting periods are as follows:

Summary of Rights issues in the plan:

Grant date	Number of Rights	Fair value per Right	Financial periods in which Rights may vest
23 October 2012	32,987	$3.39	30 June 2015 / 2016
23 October 2012	1,030,714	$3.39	30 June 2016
19 September 2013	14,968	$4.96	30 June 2015 / 2016
19 September 2013	29,936	$4.53	30 June 2016 / 2017
19 September 2013	881,326	$3.96	30 June 2017
22 October 2013	142,151	$4.43	30 June 2017
21 August 2014	1,503	$4.11	30 June 2017
21 August 2014	3,005	$4.11	30 June 2017
21 August 2014	488,884	$4.11	30 June 2018
21 August 2014	354,538	$3.05	30 June 2018
21 October 2014	174,900	$1.98	30 June 2018

There were no other Rights eligible for issuance under the scheme at 30 June 2015.

The movements in Rights issues in the plan are as follows:

35 Share based payments (continued)

Grant Date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2015						
18 November 2005	10,344	-	-	-	10,344	10,344
30 October 2006	7,340	-	-	-	7,340	7,340
30 October 2006	14,993	-	-	-	14,993	14,993
31 October 2007	3,353	-	-	-	3,353	3,353
17 October 2008	116	-	-	-	116	116
17 October 2008	12,690	-	(2,421)	-	10,269	10,269
7 October 2011	603,519	-	-	(603,519)	-	-
23 October 2012	61,369	-	-	(61,369)	-	-
23 October 2012	1,102,100	-	-	(38,399)	1,063,701	-
19 September 2013	19,384	-	-	(4,416)	14,968	-
19 September 2013	38,769	-	-	(8,833)	29,936	-
19 September 2013	926,328	-	-	(45,002)	881,326	-
22 October 2013	142,151	-	-	-	142,151	-
21 August 2014	-	525,211	-	(31,819)	493,392	-
21 August 2014	-	354,538	-	-	354,538	-
21 October 2014	-	174,900	-	-	174,900	-
Total	2,942,456	1,054,649	(2,421)	(793,357)	3,201,327	46,415
Weighted average price	3.92	3.40		4.47	3.61	3.48

Vesting for the performance period to 30 June 2015 will occur following the test date on 11 August 2015.

Grant Date	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2014						
18 November 2005	10,344	-	-	-	10,344	10,344
30 October 2006	7,340	-	-	-	7,340	7,340
30 October 2006	14,993	-	-	-	14,993	14,993
31 October 2007	3,353	-	-	-	3,353	3,353
17 October 2008	116	-	-	-	116	116
17 October 2008	12,690	-	-	-	12,690	12,690
5 November 2010	23,988	-	-	(23,988)	-	-
5 November 2010	543,929	-	-	(543,929)	-	-
7 October 2011	619,410	-	-	(15,891)	603,519	-
7 October 2011	17,877	-	-	(17,877)	-	-
23 October 2012	61,369	-	-	-	61,369	-
23 October 2012	1,122,908	-	-	(20,808)	1,102,100	-
19 September 2013	-	19,384	-	-	19,384	-
19 September 2013	-	38,769	-	-	38,769	-
19 September 2013	-	926,328	-	-	926,328	-
22 October 2013	-	142,151	-	-	142,151	-
Total	2,438,317	1,126,632	-	(622,493)	2,942,456	48,836
Weighted average price	4.36	4.06		5.90	3.92	3.54

The expiry dates of all grants shown in the tables above are 10 years from the test date. The weighted average share price at the date of exercise of Rights exercised regularly during the year ended 30 June 2015 was $2.44 (2014: NIL). The weighted average remaining contractual life of share Rights outstanding at the end of the period was 1.49 years (2014: 1.50 years).

35 Share based payments (continued)

Fair value of Rights granted

The assessed fair value at grant date of Rights granted during the year ended 30 June 2015 was between $1.98 and $4.11 per right (2014: between $3.96 and $4.96). The fair value at grant date for rights granted during the years ended 30 June 2014 and 30 June 2015 were determined using a Monte Carlo option pricing model that took into account the exercise price, the term of the Right, the vesting and performance criteria, the impact of dilution, the non tradeable nature of the Right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the Right. In previous periods a Black Scholes option pricing model was used for the valuation using similar inputs.

The following factors and assumptions have been used in determining the fair value of Rights for the issues granted:

Grant Date	Expiry Date	Fair value per Right	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
18/11/2005	Ten years from Test Date	2.35	-	4.15	90%	5.35%	0.00%
30/10/2006	Ten years from Test Date	2.80	-	6.00	90%	5.73%	0.00%
30/10/2006	Ten years from Test Date	3.44	-	6.00	90%	5.73%	0.00%
31/10/2007	Ten years from Test Date	4.44	-	14.68	90%	6.18%	0.00%
17/10/2008	Ten years from Test Date	4.11	-	6.30	139%	5.19%	0.00%
17/10/2008	Ten years from Test Date	4.82	-	6.30	139%	5.19%	0.00%
29/10/2009	Final test date	3.71	-	6.05	129%	5.52%	0.00%
29/10/2009	Final test date	4.41	-	6.05	129%	5.52%	0.00%
5/11/2010	Final test date	5.13	-	8.60	125%	5.25%	0.00%
5/11/2010	Final test date	6.12	-	8.60	125%	5.25%	0.00%
7/10/2011	Final test date	4.76	-	6.80	121%	4.24%	0.00%
7/10/2011	Final test date	4.01	-	6.80	121%	4.24%	0.00%
23/10/2012	Final test date	2.84	-	4.96	119%	3.08%	0.00%
23/10/2012	Final test date	3.39	-	4.96	119%	3.08%	0.00%
19/09/2013	Final test date	4.96	-	5.99	50%	2.48%	0.00%
19/09/2013	Final test date	4.53	-	5.99	50%	2.76%	0.00%
19/09/2013	Final test date	3.96	-	5.99	50%	2.76%	0.00%
22/10/2013	Final test date	4.43	-	6.45	50%	2.92%	0.00%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(c) Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2015 $'000	2014 $'000
Rights issued under Performance Rights Plan	**3,484**	3,609
	3,484	3,609

36 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2015 $'000	2014 $'000
Balance sheet		
Total assets	**538,505**	904,151
Shareholders' equity		
Issued capital	**715,293**	715,293
Share-based payments reserve	**18,479**	15,087
Retained earnings	**(195,267)**	173,771
	538,505	904,151
Profit or loss for the year	**(350,255)**	174,736
Total comprehensive income	**(350,255)**	174,736

(b) Guarantees entered into by the parent entity

The parent entity is a guarantor under the Bradken Group - Common Terms Deed Poll and unconditionally and irrevocably guarantees payments due in connection with any financing facilities owed by any Group company. The parent entity is also guarantor under the terms of the Redeemable Preference Shares Investment Agreement to unconditionally and irrevocably guarentee all payments due in respect of the redeemable preference shares.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment at 30 June 2015 or 30 June 2014.

37 Assets held for sale

During the course of the year ended 30 June 2015 the Group has announced continuing plans for restructure which has resulted in the closure of several of the Group's facilities.

Property, plant and equipment at these facilities has been identified as held for sale to external parties to the Group. These asset sales are expected to be completed during the year ended 30 June 2016.

	Note	2015 $'000	2014 $'000
Assets			
Property, plant & equipment	14	**13,581**	-

The assets are located in Australia at Henderson, Cannington and Welshpool in Western Australia and Muswellbrook in NSW. During the period a loss of $1.418m was recognised on the Henderson facility.

The Henderson facility is part of the Mineral Processing segment, Cannington is part of the CMS segment while Welshpool and Muswellbrook are part of the Mining & Transport segment.

38 Events occurring after balance sheet date

In August 2015 the Group chose not to participate in the rights issue undertaken by Austin Engineering Limited (ANG) and as such, the Group's shareholding in ANG has been diluted from 21.64% to 14.40%.

Other than the above no material events have occurred that affect the operations of the Group from the end of the financial period ended 30 June 2015 to the date of issue of this report.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 24 to 90 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 30 June 2015 and of its performance for the financial year ended on that date; 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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 31 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 31.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors:

Nick Greiner
Chairman

Brian Hodges
Managing Director

Sydney
10 August 2015

Building a better working world

Ernst & Young
680 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

Independent auditor's report to the members of Bradken Limited

Report on the Financial Report

We have audited the accompanying financial report of Bradken Limited, which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls 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 controls. 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 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*. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

EY
Building a better working world

Opinion

In our opinion:

a. the financial report of Bradken Limited is in accordance with the *Corporations Act 2001*, including:

   a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 20 of the directors' report for the year ended 30 June 2015. 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 Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Bradken Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

Trent van Veen
Partner
Sydney
10 August 2015

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 September 2015.

A. Distribution of equity security holders

Analysis of numbers of equity security holders by size of holding:

	Class of equity security	
	Ordinary shares	Rights
1 – 1,000	4,361	0
1,001 – 5,000	5,338	5
5,001 – 10,000	1,451	7
10,001 – 100,000	1,181	66
100,001 and over	73	6
	12,404	84

The number of shareholders holding less than a marketable parcel of ordinary shares is 2443

B. Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	**Number held**	**Percentage of issued shares**
Citicorp Nominees Pty Limited	28,686,118	16.8%
J P Morgan Nominees Australia	22,818,939	13.3%
HSBC Custody Nominees (Australia) Limited	18,866,454	11.0%
National Nominees Limited	17,426,551	10.2%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	5,557,684	3.3%
Mr Brian Hodges	2,316,630	1.2%
BNP Paribas Noms Pty Ltd	2,041,667	1.2%
Diversified United Investment	1,000,000	0.6%
HSBC Custody Nominees (Australia) Limited<NT-Comnwlth Super Corp a/c>	957,473	0.6%
RBC Investor Services	938,181	0.6%
HSBC Custody Nominees - A/C 3	907,473	0.5%
Milton Corporation Limited	826,514	0.5%
Mr G Santalucia	800,000	0.5%
ABN Amro Clearing Sydney	633,169	0.4%
ACE Property Holdings Pty Ltd	620,000	0.4%
Mr P Arvanitis	549,000	0.3%
Ms J M Hall	485,000	0.3%
Mr A M Hartley	438,000	0.3%
Tom Hadley Enterprises Pty Ltd	400,000	0.2%
Mr E Sheridan	391,978	0.2%
	106,660,831	62.2%

SHAREHOLDER INFORMATION

C. Substantial shareholders

Substantial holders in the company are set out below:

Shareholder	Number of ordinary shares
Litespeed Partners	19,827,880
Redpoint Investments Management	9,853,279
Dimensional Fund Advisors	9,095,788

D. Voting rights

(a) Ordinary shares
On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share shall have one vote.

(b) Rights
No voting rights

BRADKEN

bradken.com