Bradken Limited

ACN 108 693 009

Report for the period ended 31 December 2004

Appendix 4D

Half Year Report
Period Ended 31 December 2004

BRADKEN LIMITED

Results for Announcement to the Market

	Percentage Change		$000
Revenues from ordinary activities	NA	to	163573
Profit (loss) from ordinary activities after tax attributable to members	NA	to	4445
Net Profit (loss) for the period attributable to members	NA	to	4445

Dividends

	Amount per Security	Percentage Franked
Interim Dividend	5.1 cents	100%

Date the dividend is payable: 23rd March 2005

Record Date for determining entitlements to the dividend: 9th March 2005

Final Dividend: NA

Dividend Reinvestment Plan
The Directors intend to invite Eligible Members to participate in the DRP, with a 2.5% discount, per the Rules displayed on the Bradken website. Record date for application for DRP 9th March 2005.

Net Tangible Assets per Security

As at 31st December 2004	$0.62
As at 31st December 2003	NA

Brief explanation of the figures reported above:

The figures reflect the period from the IPO of Bradken Ltd on 20th August 2004 to 31st December 2005, hence there are no previous period comparisons. Furthermore a direct comparison to the pro-forma numbers within the Prospectus dated 9th August 2004 for this period is not relevant, however is included in the Director's Report for the 6 months ended 31st December 2004 pro-forma period.

Bradken Limited

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Directors' Report

The directors present their report together with the consolidated financial report for the period from 13 April 2004, being the date of incorporation, to 31 December 2004 and the review report thereon.

Directors

The directors of the company at any time during or since the end of the period are:

Name	Period of directorship
Nick Greiner Non Executive Chairman	Appointed 13 April 2004
Brian Hodges Managing Director	Appointed 13 April 2004
Phil Arnall Non Executive Director	Appointed 13 April 2004
Vince O'Rourke Non Executive Director	Appointed 8 August 2004

Bradken Limited

Review of operations

Summary

For the pro-forma 6 month period ended 31st December 2004 the Bradken business has achieved the forecasts as presented in the Prospectus dated 9th August 2004 for the Key Financial Indicators as indicated below:

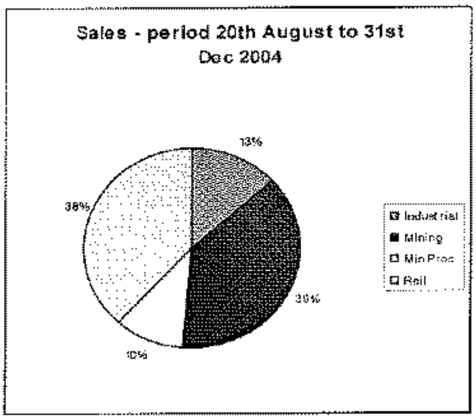
	Prospectus Forecast 6 Months Ending Dec 2004 $000's	Actual 6 Months Ending Dec. 2004 $000's	Variance %
Sales	227,455	227,691	0
EBITDA	26,066	25,878	-1
NPAT	5,945	5,958	0
Cashflow *	17,074	21,805	27
Dividend per share **	5.1 cents	5.1 cents	0

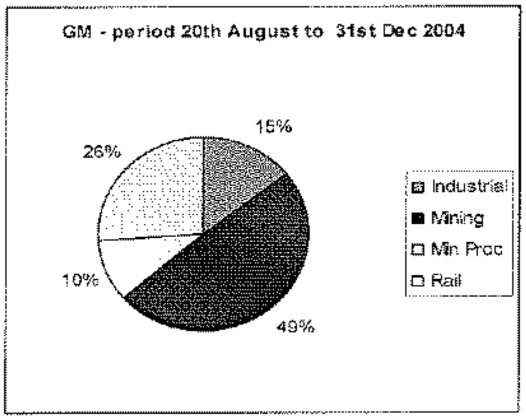
** Net operating and investing cash flow before borrowing costs and income tax*

*** For the period from IPO to 31st December 2004*

During this period the consumable business within Bradken including Mining and Industrial experienced volumes in excess of the Prospectus forecast however there has been an offset due to some rapidly increasing input costs particularly for the Molybdenum alloy.

Sales and Gross Margin Split by Business for the Period:





Business Overview:

Note: As the IPO occurred mid month (20th August 2004) meaningful comparisons to prospectus forecasts are not available for that period, hence the following comparisons and commentary have been done to the pro-forma Prospectus forecasts (Prospectus dated 9th August 2004) as provided for the six month period ended 31st December 2004.

Mining

Bradken's Mining Business supplies ground engaging tools, wear plate and block products, crawler systems and associated refurbishment and maintenance services. Bradken Mining derives around 80% of it's sales from the following sectors: iron ore mining, coal mining, copper mining, gold mining, and construction.

During the 6 months ended 31st December 2004 the Mining Business has experienced sales revenue 8% above the prospectus forecast, with in particular the ground engaging market performing strongly at around 12% above Prospectus forecasts. Resultant margins from the Mining Business are above the Prospectus forecast however have been impacted by input cost increases particularly for scrap and alloys. Strategies have been put in place to counteract these input cost issues including Bradken pricing reviews and product metallurgical composition reviews. We expect above forecast volumes to continue in the go-forward.

As foreshadowed in the Prospectus, in December 2004 Bradken Mining opened its Mackay facility for the refurbishment and maintenance of Mining equipment (such as buckets). Whilst not having any material financial impact in the December 2004 period this facility has already grown strongly to the levels envisaged in the Prospectus and hence should favourably impact ensuing periods.

Review of operations (continued)

Mineral Processing

Bradken's Mineral processing Business designs and manufactures mill liners, crusher liners and engineered products. These products are generally consumable and are used within capital equipment in the mining industry to mill and crush ore to allow further processing and liberation of precious and base metals. In the quarrying industry crusher liners are used to for the production of construction materials for use as road base or rail ballast.

During the 6 month period ended 31st December 2004 the market for Mineral Processing products remains buoyant and at the levels forecast in the prospectus, the Mineral Processing business sales revenue is 3% above the prospectus forecast. Margins in this business are suffering from the increases in some of the input costs, in particular the cost of some of the alloys used in the metallurgy of these hard-wearing products. Whilst Bradken's price increases were not able to counter the rapidly increasing input costs during the period strategies are now in place through reviews of pricing and product metallurgy to regain product margins.

Rail

Bradken's Rail Business designs, manufactures and supplies rail freight rolling stock, including wagons, bogies, drawgear, cast and general spares, and also provides maintenance and refurbishment services.

During the 6 month period ended 31st December 2004 the sales for Rail are below the Prospectus forecast however the majority of this shortfall is due to timing and has been pushed into the second ½ of 2004/05. During the period the Rail business was able to achieve orders to enable attainment of Prospectus volumes.

Rail margins are slightly below the Prospectus Forecast levels as a result of supplier delays in sourcing components from Asia, work is currently underway in Australia to address this situation.

Industrial

Bradken's Industrial Business manufactures and supplies cast and fabricated products, mainly consumables, directly to end users for use in their process plants or manufacturing processes. Industrial also undertakes contract manufacturing such as wear parts for OEM's equipment.

During the six month period ended 31st December 2004 the Industrial Business sales are in excess of the Prospectus forecast levels by 12%, with products such as Balls and Rings performing strongly. The Industrial business has also seen some margin squeeze during the period due to the input costs however Industrial has implemented strategies similar to the other Businesses to regain margins in ensuing periods.

Outlook

We continue to experience ongoing growth and demand in excess of Prospectus forecast levels for our consumable parts business as demand from China and the rest of the world continues to drive Australian mining volumes. We believe the necessary strategies have been implemented to address the rising input costs issue, however due to time lags involved there will still be some impact in the 2nd half. Not withstanding this it is the expectation that the Prospectus forecast will be met for the full year ended 30th June 2005.

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

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the period ended 31 December 2004

Rounding off

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and director's report for the period ended 31 December 2004 have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this twenty fourth day of February 2005.

Signed in accordance with a resolution of directors.

NICK GREINER
Chairman

BRIAN HODGES
Managing Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Bradken Limited

To: The Directors of Bradken Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the period ended 31 December 2004 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

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

KPMG

KPMG

D A Turner

D A Turner
Partner

Newcastle
24 February 2005

Directors' declaration

In the opinion of the directors of Bradken Limited ("the company"):

1 the financial statements and notes set ot on pages 7 to 18, are in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the period ended on that date; and

(b) complying with Australian Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

2 there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this twenty fourth day of February 2005.

Signed in accordance with a resolution of directors.

NICK GREINER
Chairman

BRIAN HODGES
Managing Director

KPMG

Independent review report to the members of Bradken Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 5 and 7 to 18 for the Bradken Limited Consolidated Entity ("the consolidated entity"), for the period ended 31 December 2004. The consolidated entity comprises Bradken Limited ("the company") and the entities it controlled during that period.

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

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

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

a) the Corporations Act 2001, including:

 i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the period ended on that date; and

 ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001;

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

D A Turner

D A Turner
Partner

Newcastle
24 February 2005

Bradken Limited and it's Controlled Entities

Statement of Financial Performance

for the period ended 31 December 2004

	Note	Consolidated 13 April 2004 to 31 December 2004 $'000
Sales revenue		159,262
Cost of sales		(135,941)
Gross Profit		23,321
Other revenue from ordinary activities		4,311
Selling and Technical expenses		(7,365)
Administration expenses		(9,975)
Borrowing costs		(4,136)
Profit from ordinary activities before related income tax expense	3	6,156
Income tax expense relating to ordinary activities		(1,711)
Profit from ordinary activities after related income tax expense		4,445
Net Profit attributable to members of the parent entity	6	4,445
Non-owner transaction changes in equity		
Increase/(decrease) in foreign currency translation reserve arising on translation of self-sustaining foreign operations		(75)
Total changes in equity from non-owner related transactions attributable to members of the parent entity		4,370
Basic earnings per ordinary share (cents per share)		$ 0.085
Diluted earnings per ordinary share (cents per share)		$ 0.084

The statement of financial performance is to be read in conjunction with the notes to the period financial statements set out on pages 10 to 18.

Bradken Limited and it's Controlled Entities

Statement of Financial Position

as at 31 December 2004

	Note	Consolidated December 2004 $'000
Current Assets		
Cash assets		14
Receivables		50,750
Inventories		61,110
Other financial assets		1,286
Total Current Assets		113,160
Non-Current Assets		
Receivables		4
Other financial assets		4,494
Property, plant and equipment		132,047
Intangible assets		165,259
Deferred tax assets		9,482
Total Non-Current Assets		311,286
Total Assets		424,446
Current Liabilities		
Payables		47,235
Interest-bearing liabilities		11,463
Current tax liabilities		1,616
Provisions		14,510
Total Current Liabilities		74,824
Non-Current Liabilities		
Interest-bearing liabilities		105,709
Deferred tax liabilities		1,815
Provisions		6,200
Total Non-Current Liabilities		113,724
Total Liabilities		188,548
Net Assets		235,898
Equity		
Contributed equity	5	231,528
Reserves		(75)
Retained profits	6	4,445
Total Equity	8	235,898

The statement of financial position is to be read in conjunction with the notes to the period financial statements set out on pages 10 to 18.

Bradken Limited and it's Controlled Entities

Statement of Cashflows

for the period ended 31 December 2004

	Consolidated Inflows / (Outflows) 13 April 2004 to 31 December 2004 $'000
Cash flows from operating activities	
Cash receipts in the course of operations	202,603
Cash payments in the course of operations	(172,475)
Interest received	45
Borrowing costs paid	(6,185)
Income taxes paid	(6,688)
Net cash provided by / (used in) operating activities	17,300
Cash flows from investing activities	
Proceeds on disposal of non-current assets	1,524
Payment for controlled entities (net of cash acquired)	(145,381)
Payment for property, plant and equipment	(3,560)
Net cash provided by / (used in) investing activities	(147,417)
Cash flows from financing activities	
Proceeds from issues of shares	204,637
Transaction costs from issue of shares	(11,327)
Repayment of borrowings	(68,000)
Net cash used provided by / (used in) financing activities	125,310
Net increase (decrease) in cash held	(4,807)
Cash at the beginning of the financial period	-
Cash at the end of the financial period	(4,807)

The statement of cash flows is to be read in conjunction with the notes to the period financial statements set out on pages 10 to 18.

1 Statement of significant accounting policies

Basis of preparation of financial report

The consolidated financial report for the period ended 31 December 2004 is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 - "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report is to be read in conjunction with any public announcements made by Bradken Limited and it's controlled entities during the period, in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-curent assets.

These accounting policies have been consistently applied by each entity in the consolidated entity.

The report does not include full note disclosures of the type normally included in an annual financial report.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The accounting policies have been consistently applied by each entity in the consolidated entity. The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 9 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Revenue Recognition

Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

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.

Profit recognition does not normally commence until a contract is at least 20% complete. Stage of completion is measured by reference to an assessment of total labour hours and other costs incurred to date as a percentage of costs for each contract.

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. An expected loss is recognised immediately as an expense.

Royalties

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

Interest

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

Sale of Non-Current Assets

The gross proceeds of non-current asset sales are included as revenue 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.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses when realisation is virtually certain.

1 Summary of Accounting Policies (continued)

(c) Foreign Currency

All foreign currency transactions are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

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

i - exchange differences which relate to assets under construction for future productive use are included in the cost of those assets;

ii - exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

Financial statements of self-sustaining foreign controlled entities and branches are translated at reporting date using the current rate method and exchange differences are taken directly to the foreign currency translation reserve.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i - where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii - for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statements of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Investments

Investments in controlled entities are recorded at the lower of cost and recoverable amount. Other investments are recorded at cost. Interest revenue is recognised on an accrual basis. Dividends from controlled entities are recognised when they are declared.

(f) Acquisition of Assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are recorded at their cost of acquisition, being the fair value of the consideration determined as at the date of acquisition plus costs incidental to the acquisition. Where subsequent to acquisition it becomes known that assets existed at balance date but were not recognised an adjustment is made to recognise the asset and to adjust goodwill on acquisition.

The costs of assets constructed or internally generated by the consolidated entity other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the consolidated entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Research and development costs are recognised as an expense when incurred.

(g) Receivables

Trade receivables, which are normally collected within 60 days, and other receivables are recorded at amounts due. The collectability is assessed at reporting date and specific provision is made for any doubtful accounts.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, 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 average basis. Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

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, allocated between amounts due from customers and amounts due to customers.

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, and borrowing costs where contracts are classified as qualifying assets are also included.

1 Summary of Accounting Policies (continued)

(i) Leased Assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance Leases

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred

Operating Leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives are recognised as liabilities. Lease rental payments are allocated between rental expense and reduction of the liability, on a straight line basis over the period of the incentive.

(j) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised over a period of 20 years.

(k) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

(l) Depreciation

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 or other revalued amount 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. The following estimated useful lives are used in the calculation of depreciation:

	Period ended 31 December 2004
- Buildings	66 years
- Plant and equipment	1 – 20 years
- Patterns	1 – 40 years

(m) Interest-Bearing Liabilities

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis. Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the shorter of the period of the loan or 5 years.

(n) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, rostered days off and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, rostered days off and sick leave expected to be settled within 12 months, are measured at remuneration rates expected at the time payment.

Provisions made in respect of other employee entitlements such as annual leave and long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

The consolidated entity contributes to several accumulation superannuation plans. Contributions are recognised as an expense as they are made.

A liability is recognised for bonuses payable to employees for achievement of specific targets.

1 **Summary of Accounting Policies (continued)**

(o) Provisions

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.

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 consolidated entity. Provision for warranty claims are made for claims received and claims expected to be received in relation to sales made prior to reporting date, based on historical claim rates, adjusted for specific information arising from internal quality assurance processes. Significant uncertainties relate to estimates for construction provisions as these depend on circumstances particular to each site.

(p) Licences

Licences are recorded at cost and amortised on a straight line basis over the period which the expected benefits will arise.

(q) Derivative Financial Instruments

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including forward foreign exchange contracts, forward interest rate contracts and interest rate swaps.

Foreign Exchange Contracts

Exchange differences on forward foreign exchange contracts to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale when they are expected to reduce exposure to the risks being hedged.

The net amounts receivable or payable under forward foreign exchange contracts and the associated deferred gains or losses are recorded on the statement of financial position from the date of inception of the hedge transaction. When recognised, the net receivables or payables are revalued using the foreign currency exchange rate current at reporting date.

In the event of the early termination of a foreign currency hedge of an anticipated purchase or sale of goods and services, the deferred gains and losses that arose on the foreign exchange contract prior to its termination are:

- deferred and included in the measurement of the purchase or sale when it takes place, where the anticipated transaction is still expected to occur; or
- recognised in the net profit or loss at the date of termination, if the anticipated transaction is no longer expected to occur.

Interest Rate Swaps

Gains and losses on interest rate swaps are included in the determination of interest expense.

(r) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs in connection with arrangement of borrowings, foreign exchange differences net of hedged amounts on borrowings, including trade creditors and lease finance charges.

(s) Income Tax

The Consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses when realisation is virtually certain.

(t) Accounts Payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Trade accounts payable are normally settled within 60 days.

2 Reporting period and comparatives

The company has obtained relief from the Australian Securities and Investments Commission under section 340 of the Corporations Act 2001 to allow the company's first reporting period to be 13 April 2004 to 31 December 2004.

The company was incorporated on 13 April 2004 and as such no comparative numbers are disclosed in this financial report.

3 Individually significant items

During the period Bradken realised a pre tax foreign exchange gain of $3,850,576 on particular forward exchange contracts.

4 Segment reporting

Segment Revenues ($'000)	Industrial	Mining	Mineral Processing	Rail	Total
2004					
External Sales	21,087	60,892	16,435	60,848	159,262
Total	21,087	60,892	16,435	60,848	159,262
Unallocated Revenue					4,311
Eliminations					-
Consolidated					163,573

(i) Inter-segment sales are recorded at amounts equating to fully manufactured cost.

Segment Results ($'000)	Dec 2004
Industrial	5,502
Mining	18,567
Mineral Processing	3,891
Rail	9,836
Total of all segments	37,796
Unallocated expenses	(31,715)
Profit from ordinary activities before income tax expense	6,081
Income tax expense relating to ordinary activities	(1,711)
Net profit	4,370

	Consolidated December 2004 $'000
5 Contributed Equity	
Issued and paid up capital	
102,350,403 fully paid ordinary shares	231,528
	231,528

On 14 April 2004 Bradken Limited issued 3 shares at a price of $1.00 per share on incorporation of the company.

On 20 August 2004 Bradken Limited issued 102,080,000 shares at a price of $2.40 per share in accordance with a prospectus dated 9 August 2004. Transaction costs of $13,464,260 were recognised as a reduction of the proceeds of issue.

On 29 October 2004 Bradken Limited issued 270,400 shares to eligible employees under the "Employee Gift Offer" outlined in the Australian Employee Gift Offer Booklet.

		Consolidated 2004 $'000
6	**Retained Profits**	
	Retained profits at 13 April 2004	-
	Net profit attributable to members of the parent entity	4,445
	Retained profits at the end of the period	4,445

7 Dividends

There have been no dividends paid or provided for in the period by Bradken Limited.

Subsequent events

Since the end of the period, the directors declared the following dividends:

	Cents per share	Total amount $000's	Franked / Unfranked	Date of payment
Interim - ordinary	5.1	5,220	Franked	23 March 2005
Total amount		5,220		

The financial effect of these dividends has not been brought to account in the consolidated entity financial statements for the period ended 31 December 2004 and will be recognised in subsequent financial reports.

		Consolidated 2004 $'000
8	**Total equity reconciliation**	
	Total equity at 13 April 2004	-
	Total changes in parent entity interest in equity recognised in statement of financial performance	4,370
	Transactions with owners as owners:	
	Net contributions of equity	231,528
	Total equity at end of the period	235,898

9 Acquisition / disposal of controlled entities

The following entities were acquired during the period:

Acquisitions 2004

Name	Date acquired	Consolidated entity's interest	Consideration	Contribution to consolidated net profit
		%	$'000	$'000
Bradken Resources Pty Ltd	20 August 2004	100	-	4,396
Bradken SPV Pty Ltd	20 August 2004	100	46,772	-
Bradken Finance Pty Ltd	20 August 2004	100	-	-
Bradken Mining SPV Pty Ltd	20 August 2004	100	-	-
Bradken Operations Pty Ltd	20 August 2004	100	-	-
Bradken Holdings Pty Ltd	20 August 2004	100	125,520	-
ANI Chile Ingenieria Limitada	20 August 2004	100	-	49
Total			172,292	4,445

10 Contingent liabilities and contingent assets

Details of contingent liabilities where the probability is not considered remote are set out below.

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

Product Warranty Claim

(i) A subsidiary of the consolidated entity is a party to a joint warranty claim pending relating to the supply of railway bogies in 2002 and 2003 to Queensland Rail; this claim was the subject of an ASX announcement, released dated 14/12/04. The Directors believe, based on legal advice, that the 31st December 2004 Financial Report adequately reflects the impact of known and anticipated costs in respect of the claim.
In the Director's opinion disclosure of any further information about the above matter would be prejudicial to the interests of the consolidated entity.

(ii) During the normal course of business, the consolidated entity incurs normal contractors' and product liability in relation to contracts which may include claims against the consolidated entity. The consolidated entity provides for all known claims. There are potential contractor or product liability claims that may arise in respect of contracts which, at the date of this report, are unknown and, as such, any outcome cannot be reliably determined.

Other than set out above there were no material changes in contingent liabilities or contingent assets since 31 December 2004.

11 Events subsequent to reporting date

Acquisition of assets

On 19 January 2005 Bradken announced that an in principle agreement had been reached to acquire the assets of Roche Castings for $28m. The acquisition is being fully funded by debt and is subject to standard conditions. The acquisition is expected to be completed at the end of first quarter 2005 and is subject to regulatory approvals.

Administrator appointed to trade debtor.

Since 31st December 2004 Administrators have been appointed to Henry Walker Eltin Contracting (HWEC) Pty Limited. At the date of the appointment of the administrators the consolidated entity had debts owing of $712944. The Directors are pursuing the Administrator in order to recover the debts owed including recovery of the products supplied to HWEC under retention of title clauses. The Directors do not believe that there will be a material impact to the consolidated entity's financial results.

12 Impact of adopting AASB Equivalents to IASB Standards

For reporting periods beginning on or after 1 January 2005, Bradken Limited must comply with International Financial Reporting Standards (IFRS) as issued by the AASB. The first Annual Financial Report to be completed under IFRS will be for the year ended 30 June 2006.

Bradken Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of IFRS ("AIFRS"). The company has allocated internal resources to conduct impact assessments to isolate key areas that will be impacted by the transition to AIFRS. As Bradken Limited has a 30 June year end priority has been given to considering the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004. This will form the basis of accounting for AIFRS in the future, and is required when Bradken Limited prepares it's first fully AIFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Bradken Limited. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Business combinations

Under AASB 3 Business Combinations goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy, which amortises the booked goodwill over it's useful life of 20 years. Under the new policy, amortisation will no longer be charged on future goodwill, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Impairment of assets

Assets (tangible and intangible) must be recognised at the lower of carrying value and recoverable amount. The difference is referred to as an impairment. Impairments of assets will be determined by comparing the carrying value of the group of assets identified as relating to each respective cash generating unit ("CGU") to the recoverable amount of the CGU. Recoverable amount will be assessed using fair value or value in use (based on a discounted cash flow basis). There is a risk of potential impairment of assets at transition due to the effect of discounting in assessing recoverable amounts for the first time. There is a risk of future earnings volatility from future impairments.

Taxation

Income tax will be calculated on the "balance sheet" approach replacing the current approach adopted in Australia. The balance sheet method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base, which may result in more deferred tax assets and liabilities being recognised. New tax assets and liabilities recognised at transition (against retained earnings) and on an ongoing basis (against income tax expense). The net impact (directional or value) at transition and in the future is not capable of being determined until all IFRS adjustments are finalised.

Hedge accounting

Under AASB 139 Financial Instruments: Recognition and Measurement in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identify the type of hedge - fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

The entity's foreign exchange contracts relating to the purchase of product components are hedges and are expected to be qualifying hedges under these criteria.

Classification of financial instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be recognised in the Balance Sheet. The financial instruments must also be classified into one of five categories. The financial instruments are to be carried at either fair value or amortised cost depending on their classification. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on the balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

12 Impact of adopting AASB Equivalents to IASB Standards (continued)

Financial assets and liabilities

IFRS introduces new guidance on the definition of financial assets and new measurement and recognition requirements of financial assets. Certain financial assets may be restated to fair value. IFRS also introduces additional guidance on identifying whether a financial asset, including receivables, are impaired including the requirement to consider the effect of discounting. At transition, certain assets classified as financial assets may be revalued to fair value against reserves. It is not yet clear whether any existing assets will be impacted at transition or on an ongoing basis.

Share based payments

Under IFRS the group will recognise an expense for all share based payments (including options) over the relevant vesting periods with a corresponding entry to equity. The expense is based on the fair value of each share or option granted at the grant date multiplied by the number of shares / options expected to vest. The requirements apply only to share based payments made after 7 November 2002 that have not vested at the transition date. There may be an adjustment to reduce retained earnings at transition for the proportion of vesting period that has expired up to that date. Employee share based expenses will reduce earnings on an ongoing basis.

Leases

Under IFRS the criteria for classification of lease transactions between finance lease and operating leases change. This will result in a change of the policy for recognition of lease assets and liabilities on the balance sheet. This may result in lease assets or liabilities being recognised/derecognised at transition.