Bradken®
Bradken Limited (ABN 33 108 693 009)
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BRADKEN

7 August 2007

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

Dear Sir

Please find attached the Company's announcement of it's results for the 2006/07 year, for immediate release to the market.

Included in this announcement is a Appendix 4E and the Full Financial Report for the period to 30 June 2007.

Yours faithfully

Bruce Arnott
Company Secretary
Encl:

BRADKEN LIMITED

Appendix 4E

Full Year Report Period Ended 30 June 2007

Results for Announcement to the Market

	Percentage Change		$'000
Revenues from ordinary activities	17.0%	to	642,199
Profit (loss) from ordinary activities after tax attributable to members	44.8%	to	49,092
Net Profit (loss) for the period attributable to members	44.8%	to	49,092

Dividends

	Amount per Security	Percentage Franked
Current period:		
Final Dividend	17.0 cents	100%
Date the dividend is payable:	4th September 2007	
Record Date for determining entitlements to the dividend:	21st August 2007	
Interim Dividend	14.5 cents	100%
Prior corresponding period:		
Final Dividend	11.5 cents	100%
Interim Dividend	9.5 cents	100%

Net Tangible Assets per Security	
As at 30 June 2007	$0.97
As at 30 June 2006	$0.91

Bradken Limited

ABN 33 108 693 009

Full Financial Report - 30 June 2007

Contents

Directors	Nicholas F H Greiner, AC, B.Ec., MBA *Independent Non-Executive Chairman*
	Brian W Hodges, B.Chem.Eng. (Hons) *Managing Director and Chief Executive Officer*
	Phillip J Arnall, B.Com. *Independent Non Executive Director*
	Gregory R Laurie, B.Com. *Independent Non Executive Director*
	Vincent J O'Rourke, AM, B.Ec. *Independent Non Executive Director*
Secretary	Bruce D Arnott, B.Com.
Business unit general managers	**Industrial** Andrew J Allen
	Mining Enda P Sheridan
	Mineral Processing Bradley J Ward
	Rail Steven D Burraston
	Power and Cement Chris Burdon
Notice of annual general meeting	The annual general meeting of Bradken Limited **will be held at** Crowne Plaza Newcastle (Ballroom) **time** 2:30pm **Date** 31 October 2007
Principal registered office in Australia	2 Maud Street Mayfield West NSW 2304 Telephone: +61 2 4941 2600
Share registry	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Telephone: +61 2 8280 7519
Auditor	PricewaterhouseCoopers 26 Honeysuckle Drive Newcastle NSW 2300
Bankers	Westpac Banking Corporation Level 3 Westpac Place 275 Kent Street Sydney NSW 2000
Stock exchange listings	Bradken Limited shares are listed on the Australian Stock Exchange.
Web site address	www.bradken.com.au

Directors' report

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 2007.

The report has been divided into five sections as follows:

A. General information
B. Corporate governance
C. Review of operations
D. Remuneration report
E. Other information

A. General information

Principal activities

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

- supply and service of wear components for mining and earthmoving equipment
- supply of equipment and consumables to the mineral processing and quarrying markets
- supply of cast, machined and fabricated components
- manufacture and maintenance of freight rollingstock products

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

Directors

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

N F H Greiner
B W Hodges
P J Arnall
G R Laurie
V J O'Rourke

Information on directors

Nicholas F H Greiner, AC, B.Ec., MBA. *Independent Non-Executive Chairman.* Age 60.

Experience and expertise

Chairman for three years. Extensive experience in corporate roles. Formerly, Premier and Treasurer of New South Wales.

Other current directorships

Chairman of Bilfinger Berger Australia, Deputy Chairman of Stockland Trust and a Director of Blue Freeway, McGuigan Simeon Wines Limited and various private groups. Also Chairman of The Australian Subscription Television and Radio Association (ASTRA) and on the Committee for Economic Development of Australia's (CEDA's) Board of Governors.

Former directorships in the last three years

Director of QBE Insurance Limited and board member of South Sydney Rugby League Club.

Special responsibilities

Member of Remuneration Committee.

Interest in shares

256,814 ordinary shares in Bradken Limited.

Brian W Hodges, B.Chem.Eng. (Hons). *Managing Director.* Age 54.

Experience and expertise

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

Other current directorships

None.

A. General information (continued)

Former directorships in the last three years
None

Special responsibilities
Managing Director.

Interest in shares and rights
2,713,373 ordinary shares in Bradken Limited.
195,364 rights over ordinary shares in Bradken Limited.

Phillip J Arnall, B.Com. *Independent Non-Executive Director.* Age 62.

Experience and expertise
Director for three years. 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 Ludowici Limited and Chairman of Capral Aluminium Limited.

Former directorships in the last three years
Chairman of Kip McGrath Education Centres Limited.

Special responsibilities
Member of Audit Committee and member of Remuneration Committee.

Interest in shares
500,001 ordinary shares in Bradken Limited.

Gregory R Laurie, B.Com. *Independent Non-Executive Director.* Age 65.

Experience and expertise
Director for two years. 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 and various private groups.

Former directorships in the last three years
Director of Repco Corporation Limited.

Special responsibilities
Chairman of Audit Committee.

Interest in shares
16,325 ordinary shares in Bradken Limited.

Vincent J O'Rourke, AM, B.Ec. *Independent Non-Executive Director.* Age 71.

Experience and expertise
Director for three years. Extensive experience in the rail transport industry, 10 years as Chief Executive of Queensland Rail.

Other current directorships
Chairman of the Co-operative Research Centre for Rail Engineering and Technologies, the Great Australian Trunk Rail System and the Workplace Health and Safety Board of Queensland.

Former directorships in the last three years
Non-executive director of Linfox Pty Ltd.

Special responsibilities
Chairman of Remuneration Committee and member of Audit Committee.

Interest in shares
31,926 ordinary shares in Bradken Limited.

A. General information (continued)

Company Secretary

The Company Secretary is Mr B D Arnott, B.Com, CPA. Mr Arnott joined the Group in October 2005 as Chief Financial Officer (CFO) and is responsible for finance, treasury, taxation, supply, investor relations, investments, audit and insurance. Prior to joining Bradken Mr Arnott held various senior finance positions within OneSteel, BHP and Tubemakers.

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 2007, and the number of meetings attended by each director were:

Director	Full meetings of directors		Meetings of non-executive directors		Audit Committee meetings		Remuneration Committee meetings	
	A	B	A	B	A	B	A	B
N F H Greiner	9	9	1	1	-	-	3	3
B W Hodges	9	9	-	-	-	-	-	-
P J Arnall	9	9	1	1	2	3	3	3
V J O'Rourke	8	9	1	1	3	3	3	3
G R Laurie	9	9	1	1	3	3	-	-

A – Number of meetings attended

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

B. Corporate governance

The Company and the Board are committed to achieving and demonstrating the highest standards of corporate governance. This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003 unless otherwise stated.

The relationship between the Board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The board of directors

The Board operates in accordance with broad principles set out in its charter which is available from the corporate governance information section of the Company website at www.bradken.com.au. The charter details the Board's composition and responsibilities.

Board composition

The charter states:

- the Board comprise both executive and non-executive directors with a majority of non-executive directors, and one executive director being the Managing Director / Chief Executive Officer
- in recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman must be an independent non-executive director, the majority of the Board must be independent of management and all directors are required to bring independent judgement to bear in their Board decision making
- the Chairman is elected by the full Board and is required to meet regularly with the Managing Director
- the Company is to maintain a mix of directors from different backgrounds with complementary skills and experience both nationally and internationally with a majority of directors having knowledge of the Company or related industries and/or financial expertise
- the Board is required to undertake an annual board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

B. Corporate governance (continued)

Responsibilities

The responsibilities of the Board include:

- providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy
- reviewing and approving the business plans, the annual budget and financial plans including available resources and capital expenditure initiatives
- overseeing and monitoring:
  - organisational performance and the achievement of the Group's strategic goals and objectives
  - compliance with the Company's Code of Conduct (see page 9)
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors
- appointment, performance assessment and, if necessary, removal of the Managing Director
- ratifying the appointment and/or removal and contributing to the performance assessment of the members of the senior management team including the CFO / Company Secretary
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the Group
- overseeing the operation of the Group's system for compliance and risk management.

Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the directors' report under the heading "Information on directors". As at the date of this report the Board of the Company comprises four non-executive directors, all of whom are considered independent under the principles set out below, and the Managing Director.

The Board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective
- the size of the Board is conducive to effective discussion and efficient decision-making.

Directors' independence

An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than 5% of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than 5% of the voting shares of the Company
- has not within the last three years been employed in an executive capacity by the Company or another Group member
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member
- is not a material supplier to or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer
- has no material contractual relationship with the Company or another Group member other than as a director of the Company
- has not served on the Board of the Company for a period which could materially interfere with the Director's ability to act in the best interests of the Company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the Company.

The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

Non-executive directors

The four non-executive directors met once during the year, in a scheduled session without the presence of the executive director, to discuss the operation of the Board and a range of other matters.

Term of office

The Company's Constitution specifies that each non-executive director may have:

- a maximum period of 12 years service as a director, subject to re-elections every year by rotation such that 1/3 of the directors are subject to re-election each year
- the tenure of the Managing Director is limited to that of his Executive Office.

B. Corporate governance (continued)

Commitment

The Board has established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds nine scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman, Managing Director and Company Secretary. Standing items include the Managing Director's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

To assist in the execution of its responsibilities, the Board has established a Remuneration Committee and an Audit Committee. These Committees have written mandates and operating procedures, which are reviewed on a regular basis.

The commitments of non-executive directors are considered by the Board prior to the directors' appointment to the Board of the Company and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time to discharge their responsibilities to the Company.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group.

Where the Board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

There were no director related entity transactions with the Group.

Independent professional advice

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice from a suitably qualified adviser at the Company's expense. Prior written approval from the Chairman is required, but this will not be unreasonably withheld.

Performance assessment

The Board undertakes an annual self assessment of its collective performance, the performance of the Chairman and of its committees. Management are invited to contribute to this appraisal process. The results and any action plans are documented. The last assessment was undertaken in June 2007.

The Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment.

Corporate reporting

The Managing Director and the CFO have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Remuneration Committee and the Audit Committee. Each is comprised entirely of non-executive directors. The committee structure and membership is reviewed on an annual basis.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the Company website. All matters determined by the committees are submitted to the full board as recommendations for board decisions.

Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

B. Corporate governance (continued)

Remuneration Committee

The Remuneration Committee consists of the following non-executive directors:

V J O'Rourke (Chairman)

N F H Greiner

P J Arnall

Details of these directors attendance at Remuneration Committee meetings are set out in the directors' report on page 4.

The Remuneration Committee operates in accordance with its charter which is available on the Company website. The Remuneration Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for the executive directors, other senior executives and non-executive directors.

The Remuneration Committee's terms of reference include:

- reviewing and approving remuneration policies including proposed short and long term incentives, superannuation, recruitment, redundancy/termination and other major personnel practices that will attract, motivate and retain high quality employees
- recommending to the Board the total employment cost of the Managing Director and approving the total employment cost of senior executives reporting to that position. The total cost being base pay, short and long term incentives (including shares and options), superannuation and other benefits
- recommending to the Board the entitlements under incentive plans for the Managing Director, including linkages to specific goals and objectives. Approve entitlements for senior executives reporting to that position
- recommending to the Board any service contracts for the Managing Director and approve service contracts for senior executives reporting to that position
- reviewing the personal development plans for senior executives to maintain a pool of capable senior management
- reviewing the development of management succession planning to ensure ongoing professional management of the Company and the development of the individuals
- reviewing the Company's development of human resource plans, training, workplace safety and environment systems designed to enhance corporate and individual performance
- overseeing the planning and development of business continuity, crisis management and quality and safety management systems
- undertaking any special projects delegated by the Board or deemed necessary by the Committee

Further information on directors' and executive remuneration is set out in the directors' report under the heading "Remuneration Report".

Audit Committee

The Audit Committee consists of the following non-executive directors:

G R Laurie (Chairman)

P J Arnall

V J O'Rourke

Details of these directors attendance at Audit Committee meetings are set out in the directors' report on page 4.

The Audit Committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the businesses and markets in which the Group operates.

The Audit Committee operates in accordance with a charter which is available on the Company website. The main responsibilities of the Audit Committee are to:

- review and assess the integrity of the financial statements of the Group
- assess the suitability of the Group's accounting policies and processes
- assess the adequacy and effectiveness of the Group's internal control processes
- act as an interface between the Board and the external auditors
- liaise with the external auditors on the conduct of the external audit
- review reports on the Group's financial statements and other matters, prepared by the external auditors
- review any proposed provision of non-audit services by the external auditors
- ensure the independence of the external auditors
- consider the competence and assess the performance of the external auditors
- overview the effectiveness of the internal audit function
- ensure there is an appropriate process for the identification and management of business risks

B. Corporate governance (continued)

- ensure a process is in place to monitor the Group's compliance with relevant laws and regulations
- review and monitor related party transactions and assess their propriety
- report to the Board on matters relevant to the Committee's role and responsibilities.

The Audit Committee meets with the external auditors on a regular basis. It reviews its performance and effectiveness periodically and reviews its charter and makes recommendations to the Board on its charter annually.

In fulfilling its responsibilities, the Audit Committee:

- receives regular reports from management and the external auditors
- assesses the suitability of the Company's financial accounting policies, practices and procedures and the compliance with regulatory requirements
- reviews the processes the CEO and the CFO have in place to support their certifications to the Board
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- meets separately with the external auditors at least twice a year without the presence of management
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The Company policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually. PricewaterhouseCoopers was appointed as the external auditor in 2005. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 29 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Risk assessment and management

Bradken is committed to managing risk to protect our people, the environment, company assets, the community and our reputation. This risk-based system helps the Group operate effectively and efficiently, achieve business objectives, ensure reliable reporting and comply with applicable laws and regulations.

The Board implements this policy by overseeing the establishment and implementation of the risk management system, reviewing the effectiveness of the company's implementation of that system and ensuring appropriate communication with shareholders. Further information on the Bradken Risk Policy can be found under the corporate governance information section of the Company website at www.bradken.com.au.

Not all aspects of risk management can be formalised and Bradken places considerable reliance on the skill, experience and judgement of its people to make risk based decisions within the policy framework, and to communicate openly on all risk related matters.

The environment, health and safety management system (EHSMS)

The Group recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the EHSMS was established to facilitate the systematic identification of environmental and OH&S issues and to ensure they are managed in a structured way. This system has been operating for a number of years and allows the Company to:

- implement a corporate environmental management system that is independently certified to international standards ISO 14001.
- implement the Bradken 21 Step Safety plan at all sites
- monitor its systems compliance with all relevant OH&S and environmental legislation
- continually assess and improve the impact of its operations on the environment
- encourage employees to actively participate in the management of environmental and OH&S issues
- work with trade associations representing the Group's businesses to raise standards
- use energy and other resources as efficiently as practicable, and
- encourage the adoption of similar standards by the Group's principal suppliers and contractors.

B. Corporate governance (continued)

Recently acquired operations are currently implementing environmental management systems. The Group continues to implement projects that improve the Company's environmental performance and to address any community concerns in the vicinity of manufacturing sites. Information on compliance with significant environmental regulations is set out in section E of this report on page 21.

Code of conduct

All directors, managers and employees are expected to act with the utmost integrity, objectivity and in compliance with the letter and spirit of the law and Company policies, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

The Group has advised each director, manager and employee that they must comply with the Company's Whistleblower Policy. The Policy may be viewed on the Company's website, and it covers the following:

- encouraging employees to report any behaviour that may be dishonest, fraudulent, corrupt, illegal, in breach of Commonwealth or State Legislation, unethical, improper, unsafe or any other behaviour that may cause financial or non-financial loss to the Group or would be otherwise detrimental to the interests of the Group
- ensuring that the Company complies with its obligations to protect the reporter of any such behaviour.

The Company also has a Securities Trading Policy (available on the Company's website) which details the insider trading provisions of the Corporations Act 2001. In summary, trading of the Company's shares is restricted to 30 days after the release of the Company's half-year and annual results to the Australian Stock Exchange (ASX) and the Annual General Meeting of the Company.

Continuous disclosure and shareholder communication

The Board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters, that a reasonable person would expect, that may have a material effect on the price of the Company's securities, notifying each matter to the ASX, posting them on the Company's website, and issuing media releases. Full details of the policy are available on the Company's website.

In summary, the Continuous Disclosure Policy operates as follows:

- the Chairman, the Managing Director and the Company Secretary comprise the Disclosure Committee. The responsibilities of the Disclosure Committee include:
  - ensuring the Company complies with its disclosure obligations
  - determining and authorising what information can or should be disclosed to the market
  - liaising with the Board where necessary
- the Company Secretary is responsible for all communications with the ASX. Such continuous disclosure matters are advised to the ASX on the day they are discovered, and all senior executives must follow a 'Continuous Disclosure Discovery' process, which involves monitoring all areas of the Group's internal and external environment
- all announcements made to the market, and related information including information provided to analysts or the media during briefings, are placed on the Company's website after they are released to the ASX
- the full text of notices of meetings and associated explanatory material are placed on the Company's website.

All shareholders receive a copy of the Company's annual report. In addition the Company seeks to provide opportunities for shareholders to participate through electronic means. All Company announcements, media briefings, details of Company meetings and press releases are available on the Company's website. All of the above information is made available on the Company's website within one day of public release, and is emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses with the Company is available on the Company's website.

C. Review of operations

(i) Financial Overview

	FY07	FY06	Variance
	$m	$m	%
Sales	**639.7**	**547.8**	**17**
EBITDA	**102.6**	**77.4**	**32**
NPAT	**49.1**	**33.9**	**45**
Earnings per share* (cents)	**46.3**	**32.0**	**45**
Dividend per share (cents)	**31.5**	**21.0**	**50**
**Cashflow ** **	**-0.3**	**62.9**	
Cashflow***	**-28.7**	**44.4**	
ROFE (EBITA)	**28.8%**	**25.7%**	
ROE	**33.5%**	**27.8%**	
Net Debt / EBITDA (ratio)	**1.88**	**1.49**	
Interest cover (times)	**6.6**	**5.2**	

* EPS is based on the number of shares at the end of the period

** Net operating and investing cash flows before borrowing costs & income tax

*** Net operating and investing cash flow

(ii) Financial Highlights

- Sales revenue of $639.7m, up 16.8% on FY06
- EBITDA of $102.6m, up 32.6%
- NPAT of $49.1m, up 44.8%
- Net operating and investing cash outflow of $28.7m
- Gearing (net debt/EBITDA) of 1.88 times
- Final dividend of 17.0 cents per share fully franked, payable on 4 September 2007

Sales revenue for the twelve months to June 2007 of $639.7m was $91.9m or 17% higher than for the twelve months to June 2006. Rail showed the strongest revenue growth increasing 15% from FY06, continued increases in tonnes mined saw Mining increase 12%, Industrial (excluding acquisitions) was up 2% while Mineral Processing was down 11% on FY06 sales levels. Trading for the Wundowie acquisition (November 2006), the Firth Rixson Castings acquisition (December 2006) and the Boogan Implements acquisition (April 2007) accounted for $52m of the revenue growth.

EBITDA of $102.6m was achieved, $25.2m or 32% higher than the corresponding period. Growth in EBITDA was achieved via higher volumes of tonnes mined, the expansion of the EBITDA margin and the impact of acquisitions during 2007. The EBITDA to sales margin of 16.0% was well up on the corresponding period of 14.1%.

Net profit after tax attributable to ordinary equity holders (NPAT) of $49.1m was $15.2m or 45% ahead of the corresponding period, resulting in earnings per share of 46.3 cents (based on number of shares at 30 June 2007).

The Directors have declared a final, fully franked, dividend of 17.0 cents, compared to 11.5 cents in the corresponding period last year, payable on the 4th September 2007 with a record date of 21st August 2007. This brings the dividend for the full year to 31.5 cents per share, a payout ratio of 68%. The directors have suspended the dividend reinvestment plan.

Strong operating cash flow helped fund increased capital expenditure, acquisitions and higher dividend levels. Net debt increased by $78.0m to $192.4m mainly due to a total outlay on acquisitions of $76m and capital expenditure of $41.6m. Gearing remains sound at 2 times EBITDA and Net Debt to Net Debt plus Equity of 55%.

(iii) Business Summary

- **Mining - sales revenue of $237.9m, up $25.8m or 12% on FY06**

Continued growth in mining production volumes particularly for iron ore and coal underpinned growth in mining consumables, with crawler shoes the standout performer on the back of a world wide increase in demand for mining consumables and equipment.

- **Mineral Processing - sales revenue of $94.0m, down $11.9m or 11% on FY06**

Copper and gold production volumes in Australia were lower in 2007 and this combined with the rundown of inventories and consignment stock at some mines saw revenue levels reduce in 2007. Gross margin % continued to improve, largely offsetting the impact of lower volumes.

C. Review of operations (continued)

(iii) Business Summary (continued)

- **Rail - sales revenue of $190.4m, up $24.3m or 15% on FY06**

Strong sales of iron ore wagons to Rio Tinto along with higher refurbishment and parts sales, offset lower volume of bogies and general freight work, resulting in a strong increase in revenue in 2007.

- **Industrial - sales revenue of $87.6m, up $23.9m or 38% on FY06**

The acquisition of Wundowie (Nov-06) and Boogan Implement business (April-07) boosted the Industrial result, providing $22.4m of the revenue increase. On a like for like business basis (excluding these acquisitions) sales of $65.2 were $1.5m or 2% higher than FY06.

- **Power and Cement - sales revenue of $29.8m**

The new segment of Power & Cement represents the Firth Rixson Castings business in the UK that was acquired in December 2006. The sales of $29.8m in FY07 represents the trading from the 11 December 2006 to the 30 June 2007.

(iv) Outlook

Bradken is confident of continued growth in China and longer term strength in the resource cycle and believes it is well placed to continue to benefit from the growth in these mining related markets. At the same time the market for rail wagons remains at high levels as mine capacities continue to increase and general rail freight expands.

The Company continues to invest capital for additional capacity and cost reductions, and to look for bolt on or larger acquisitions to further complement the current product offering and to improve the overall quality of earnings.

We are confident that Bradken's main drivers of growth, being mining volumes and rail demand, expansion of EBITDA margin, and acquisitions, will continue to provide a platform for sustainable long-term earnings growth.

Dividends

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

	2007	2006
	$'000	$'000
Final dividend for the year ended 30 June 2006 of 11.5 cents (2005: 9.2 cents) per fully paid share paid on 13 October 2006 (2005: 12 October 2005)	**12,198**	9,457
Interim dividend for the year ended 30 June 2007 of 14.5 cents (2006: 9.5 cents) per fully paid share paid 13 March 2007 (2006: 30 March 2006)	**15,381**	9,936
	27,579	19,393

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a fully franked final dividend of $18,032,000 (17.0 cents per fully paid ordinary share) to be paid on 4 September 2007 out of retained profits at 30 June 2007.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were the:

(a) acquisition of Wundowie Foundry Pty Ltd on 14 November 2006

(b) acquisition of Firth Rixson Castings Ltd on 11 December 2006

(c) acquisition of the assets of Boogan Implements Company on 30 March 2007

	2007
	$'000
(d) increase in contributed equity of $347,000 (from $83,337,000 to $83,684,000) as a result of:	
■ issue of 255,007 fully paid ordinary shares between $1.41 and $2.35 on exercise of rights under the Performance Rights Plan.	**347**
	347

Matters subsequent to the end of the financial year

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.

Likely developments and expected results of operations

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.

D. Remuneration report

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

(a) Principles used to determine the nature and amount of remuneration
(b) Details of remuneration
(c) Service agreements
(d) Share-based compensation
(e) Additional information - unaudited

The information provided under headings (a) to (d) 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. The disclosures in section (e) below are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

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

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate 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.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

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 program 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.

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.

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 2006. Total aggregate remuneration for all non-executive directors, last voted upon by shareholders in April 2004, is not to exceed $600,000 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 $96,000 per annum. The Chairman receives up to twice the base fee, currently $192,000 per annum. Non-executive directors do not receive performance related remuneration. Directors’ fees cover all main board activities and membership of any board committee.

D. Remuneration report (continued)

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

(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 plan is voluntary.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits including superannuation
- short-term performance incentives
- long-term incentives through participation in the Performance Rights Plan.

The combination of these comprises the executive's 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 and 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. An executive's pay is also reviewed on promotion.

(ii) Short-term incentives

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 and 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.

The financial performance objectives are "Net profit after tax" and "EBITDA" compared to previous year results. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and environmental performance, customer satisfaction and staff development.

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 bonus is awarded depending on performance. No bonus is awarded where performance falls below the minimum growth target set for the financial year.

The Remuneration Committee recommends the bonus incentive to be paid to the Managing Director for approval by the Board. For other senior executives the Managing Director recommends the bonus incentive to be paid, and seeks approval from the Remuneration 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 16.

(b) *Details of remuneration (audited)*

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 Bradken Limited Group are set out in the following tables:

The key management personnel of Bradken Limited and the Group are the directors of Bradken Limited (see page 2 above), the Chief Financial Officer and the General Managers of the Bradken business units who report directly to the Managing Director. This includes the 5 Group executives who received the highest remuneration for the year ended 30 June 2007. The executives are:

- A J Allen - *General Manager Industrial*
- B D Arnott - *CFO and Company Secretary*
- C Burdon - *General Manager Power & Cement* (from 11 December 2006)
- S D Burraston - *General Manager Rail*
- E P Sheridan - *General Manager Mining*
- B J Ward - *General Manager Mineral Processing*

The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed Short-term incentives above, and the Performance Rights (long term incentives) are not granted unless the conditions set out in Note 39 38 are satisfied. All other elements of remuneration are not directly related to performance.

D. Remuneration report (continued)

(b) *Details of remuneration (audited) (continued)*

Key management personnel of Bradken Limited and of the Group

2007	Short-term employee benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Shares / Rights $	Total $
Non-executive directors							
N F H Greiner - *Chairman*	139,650	-	-	-	-	46,550	186,200
P J Arnall	94,419	-	-	-	-	-	94,419
G R Laurie	4,799	-	-	72,094	-	17,526	94,419
V J O'Rourke	-	-	-	70,814	-	23,605	94,419
Sub-total non-executive directors	238,868	-	-	142,908	-	87,681	469,457
Executive directors							
B W Hodges	599,706	750,000	-	102,076	-	247,800	1,699,582
Other key management							
A J Allen	168,535	81,112	29,622	76,919	-	59,978	416,166
B D Arnott	235,452	207,537	-	97,490	-	62,735	603,214
C Burdon From 11.12.06 to 30.6.07	143,321	81,407	-	1,531	-	18,802	245,061
S D Burraston	172,469	100,000	27,403	29,581	-	61,016	390,469
E P Sheridan	256,396	214,233	1,228	45,532	-	64,201	581,590
B J Ward	179,529	71,575	10,088	37,900	-	51,312	350,404
Totals	1,994,276	1,505,864	68,341	533,937	-	653,525	4,755,943

2006	Short-term employee benefits			Post-employment benefits		Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Shares / Rights $	Total $
Non-executive directors							
N F H Greiner - *Chairman*	124,950	-	-	-	-	41,650	166,600
P J Arnall	88,506	-	-	-	-	-	88,506
G R Laurie	56,840	-	-	5,116	-	26,550	88,506
V J O'Rourke	66,380	-	-	-	-	22,126	88,506
Sub-total non-executive directors	336,676	-	-	5,116	-	90,326	432,118
Executive directors							
B W Hodges	345,445	350,000	15,777	185,079	-	115,038	1,011,339
Other key management							
A J Allen	139,256	100,000	34,968	43,603	-	29,075	346,902
B D Arnott * (from 26/10/2005 - 30/6/2006)	137,720	105,000	-	66,895	-	24,144	333,759
S D Burraston	142,816	80,000	61,806	26,274	-	30,671	341,567
A J Poole * (from 1/7/2005 - 11/11/2005)	82,588	-	-	17,512	110,324	-	210,424
E P Sheridan	159,834	100,000	17,666	47,237	-	29,881	354,618
B J Ward	148,315	100,000	15,271	28,427	-	24,541	316,554
Totals	1,492,650	835,000	145,488	420,143	110,324	343,676	3,347,281

* A J Poole resigned during the year as CFO and Company Secretary and left the Company on 11 November 2005. B D Arnott replaced Mr Poole and commenced employment with the Company on 26 October 2005.

D. Remuneration report (continued)

(c) *Service agreements (audited)*

Remuneration and other terms of employment for the Managing Director and the other key management personnel 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.

B W Hodges, *Managing Director*

- Contract of employment with Bradken Resources Pty Ltd dated 2nd July 2004 with no prescribed duration.
- The contract can be terminated either by either party providing six months written notice, or immediately in the case of gross misconduct. If Bradken Resources Pty Ltd terminates employment, other than for misconduct, then a severance payment will be made in accordance with Bradken's redundancy policy in place immediately before termination.

A J Allen, *General Manager Industrial*

- Contract of employment with Bradken Resources Pty Ltd dated 7 July 2006 with no prescribed duration.
- The contract can be terminated on three months notice by either party, or immediately in the case of gross misconduct.

B D Arnott, *Chief Financial Officer and Company Secretary*

- Contract of employment with Bradken Resources Pty Ltd dated 3rd July 2006 with no prescribed duration.
- The contract can be terminated by either party providing three months written notice, or immediately in the case of gross misconduct.

C Burdon, *General Manager Power & Cement*

- Contract of employment with Bradken UK Pty Ltd dated 30 November 2006 with no prescribed duration.
- The contract can be terminated on twelve months notice by the company, six months notice by the exececutive, or immediately in the case of gross misconduct.

S D Burraston, *General Manager Rail*

- Contract of employment with Bradken Resources Pty Ltd dated 6th June 1995 with no prescribed duration.
- The contract can be terminated on three months notice by either party, or immediately in the case of gross misconduct.

E P Sheridan, *General Manager Mining*

- Contract of employment with Bradken Resources Pty Ltd dated 7th January 2000 with no prescribed duration.
- The contract can be terminated on three months notice by either party, or immediately in the case of gross misconduct.

B J Ward, *General Manager Mineral Processing*

- Contract of employment with Bradken Resources Pty Ltd dated 22nd September 2004 with no prescribed duration.
- The contract can be terminated on three months notice by either party, or immediately in the case of gross misconduct.

(d) *Share-based compensation (audited)*

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.

During the financial period shares issued under the plan were purchased on market.

D. Remuneration report (continued)

(d) *Share-based compensation (audited) (continued)*

The appropriate number of shares are purchased on a semi-annual basis. If for legal or other reasons shares are not issued, each non-executive director is provided with an equivalent cash amount.

Name	Dates of share issues	Number of shares purchased during the year		Weighted average price of shares purchased	
		2007	2006	**2007**	2006
Directors of Bradken Limited					
N F H Greiner	19 September 2006	**3,936**	-	**$5.85**	-
N F H Greiner	20 February 2007	**2,125**	-	**$9.68**	-
N F H Greiner	24 August 2005	**-**	6,851	-	$2.92
N F H Greiner	23 February 2006	**-**	4,516	-	$4.43
G R Laurie	19 September 2006	**2,510**	-	**$5.85**	-
G R Laurie	20 February 2007	**937**	-	**$9.68**	-
G R Laurie	23 February 2006	**-**	2,878	-	$4.43
V J O'Rourke	19 September 2006	**2,091**	-	**$5.85**	-
V J O'Rourke	20 February 2007	**1,090**	-	**$9.68**	-
V J O'Rourke	24 August 2005	**-**	3,639	-	$2.92
V J O'Rourke	23 February 2006	**-**	2,399	-	$4.43

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 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. If the exercise conditions are satisfied, the Performance Rights may be exercised and the shares issued and delivered to the executive. 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 Listing Rules.

The performance conditions are based on the relative total shareholder return ("TSR") of the Company measured against other companies in the ASX Small Cap 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.

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% (2% increase for each higher ranking)
The Company's TSR ranked in fourth quartile of companies in ASX Small Cap	100

In assessing whether the performance hurdles have been met, the Remuneration Committee receives independent data from an investment bank which provides both the Company's TSR from previous financial years and that of the ASX Small Cap companies. The Company's performance against the hurdle is then determined with each Company in the ASX Small Cap companies and Bradken being ranked in order of TSR in results from previous financial years. The Company's percentile ranking is determined by aggregating the weighting within the ASX Small Cap companies (based on market capitalisation) of each company ranked below Bradken. The method of assessment was chosen as it provides the Committee with an objective means of measuring the Company's performance against its peer group. Once vested the performance rights remain exercisable for a period of ten years.

Dividends, changes in share price, and return of capital are included in the TSR calculation which is the only performance criteria assessed for the LTI scheme.

The terms and conditions of each grant of Rights affecting remuneration in the previous, this or future reporting periods are as follows:

D. Remuneration report (continued)

(d) *Share-based compensation (audited) (continued)*

Grant Date	Expiry Date	Exercise price	Fair value per Right	Performance Period	Test Date (date vested and exercisable)
18 August 2004	10 years from Test Date	$0.00	$1.57	18 Aug 04 to 30 Jun 05, 1 Jul 05 to 30 Jun 06, 1 Jul 06 to 30 Jun 07	24 August 2005, 24 August 2006, 7 August 2007
30 June 2005	10 years from Test Date	$0.00	$1.41	18 Aug 04 to 30 Jun 05, 1 Jul 05 to 30 Jun 06, 1 Jul 06 to 30 Jun 07	24 August 2005, 24 August 2006, 7 August 2007
18 November 2005	10 years from Test Date	$0.00	$2.35	1 Jul 05 to 30 Jun 06, 1 Jul 06 to 30 Jun 07, 1 Jul 07 to 30 Jun 08	24 August 2006, 7 August 2007, Result announcement y/e 08
30/10/2006 *	10 years from Test Date	$0.00	$2.80	1 Jul 06 to 30 Jun 07, 1 Jul 07 to 30 Jun 08	7 August 2007, Result announcement y/e 08
30/10/2006 *	10 years from Test Date	$0.00	$3.44	1 Jul 06 to 30 Jun 09	Result announcement y/e 09
30/03/2007 *	10 years from Test Date	$0.00	$4.70	1 Jul 06 to 30 Jun 09	Result announcement y/e 09

** Changes to the Performance Rights Plan*

Changes to the Performance Rights Plan have been made since 1 July 2006. For issues before 1 July 2006 a maximum one third may become exercisable for each of the three financial years on which the performance conditions were tested. For grants made from 1 July 2006 no retesting will be allowed and testing will take place in respect of a 3 year performance period and can only vest after the end of the 3 year performance period.

To ensure no material disadvantage to the existing scheme participants and to achieve Bradken's key objective of retaining valuable employees, there is a transition to the new vesting rules for grants made from 1 July 2006.

Rights granted under the PRP carry no dividend or voting rights.

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 39 to the financial statements.

Number of Rights granted and vested during the year

Name	**Number of Rights granted during the year**		**Number of Rights vested during the year ***	
	2007	2006	**2007**	2006
Directors of Bradken Limited				
B W Hodges	**107,731**	85,616	**65,206**	24,444
Other key management personnel of Bradken Limited and of the Group				
A J Allen	**25,118**	22,417	**17,272**	6,533
B D Arnott	**31,135**	30,822	**10,274**	-
C Burdon	**12,001**	-	**-**	-
S D Burraston	**24,493**	24,102	**18,069**	6,690
E P Sheridan	**28,012**	23,452	**17,614**	6,530
B J Ward	**21,731**	19,757	**14,302**	5,143

* For the year end 30 June 2006 the number of rights shown as vested was adjusted as the rights previously shown as having vested in that period did not actually vest until after the test date of 24 August 2006. The number of rights that actually vested in the year end 30 June 2006 has been restated.

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 Black Scholes option 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.

D. Remuneration report (continued)

(d) *Share-based compensation (audited) (continued)*

The following factors and assumptions have been used in determining the fair value of Rights for the issues granted:

Grant Date	Expiry Date	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
18 August 2004	30/06/2007	$0.00	$2.66	90%	5.44%	0.00%
30 June 2005	30/06/2007	$0.00	$2.80	90%	5.17%	0.00%
18 November 2005	30/06/2008	$0.00	$4.15	90%	5.35%	0.00%
30 October 2006	30/06/2008	$0.00	$6.00	90%	5.73%	0.00%
30 October 2006	30/06/2009	$0.00	$6.00	90%	5.73%	0.00%
30 March 2007	30/06/2009	$0.00	$8.81	90%	6.02%	0.00%

Shares provided on exercise of Performance Rights

Details of 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 of the Group are set out below.

Name	**Date of exercise of Rights**	**Number of ordinary shares issued on exercise of Rights during the year**	
		2007	2006
Directors of Bradken Limited			
B W Hodges	5 September 2006	**65,206**	24,444
Other key management personnel of Bradken Limited and of the Group			
A J Allen	5 September 2006	**17,272**	6,533
B D Arnott	5 September 2006	**10,274**	-
S D Burraston	5 September 2006	**24,759**	-
A J Poole		**-**	7,088
E P Sheridan	5 September 2006	**17,614**	6,530
B J Ward	5 September 2006	**14,302**	5,143

No amounts were payable on the exercise of Rights during the period.

D. Remuneration report (continued)

(e) *Additional information - unaudited*

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 cash remuneration: cash bonuses and Rights

For each cash bonus and grant of Rights included in the tables on page 14, pages 16 to 18 and page 20, the percentage of the available bonus or 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 16 above). No part of cash bonuses forfeited are payable in future years.

	Cash bonus	Rights						
Name	**Paid / Forfeited %**	**Financial year granted**	**Vested in prior years % ***	**Vested in current year % ***	**Forfeited (A) %**	**Financial years in which Rights may vest**	**Minimum total value of grant yet to vest (B) $**	**Maximum total value of grant yet to vest (C) $**
A J Allen	78 / Nil	2007	-	-		30/06/2008	-	268,763
						30/06/2009		
						30/06/2010		
		2006	-	33	-	30/06/2008	-	159,912
						30/06/2009		
		2005	26	41	-	30/06/2008	-	87,376
B D Arnott	200 / Nil	2007	-	-		30/06/2008	-	333,145
						30/06/2009		
						30/06/2010		
		2006	-	33	-	30/06/2008	-	219,864
						30/06/2009		
C Burdon	148 / Nil	2007	-	-		30/06/2009	-	128,411
S D Burraston	165 / Nil	2007	-	-		30/06/2008	-	262,075
						30/06/2009		
						30/06/2010		
		2006	-	33	-	30/06/2008	-	171,928
						30/06/2009		
		2005	26	41	-	30/06/2008	-	89,473
B W Hodges	200 / Nil	2007	-	-		30/06/2008	-	1,152,722
						30/06/2009		
						30/06/2010		
		2006	-	33	-	30/06/2008	-	610,724
						30/06/2009		
		2005	26	41	-	30/06/2008	-	326,949
E P Sheridan	158 / Nil	2007	-	-		30/06/2008	-	299,728
						30/06/2009		
						30/06/2010		
		2006	-	33	-	30/06/2008	-	167,295
						30/06/2009		
		2005	26	41	-	30/06/2008	-	87,344
B J Ward	78 / Nil	2007	-	-		30/06/2008	-	232,522
						30/06/2009		
						30/06/2010		
		2006	-	33	-	30/06/2008	-	140,930
						30/06/2009		
		2005	26	41	-	30/06/2008	-	68,790

* For the year end 30 June 2006 the percentage of rights shown as vested was incorrect and have been restated, refer note (d) above.

A= The % forfeited in the year is nil as the Rights that failed to vest in this period may vest in future periods if performance criteria are met.

B= The minimum value of Rights yet to vest is nil as the performance criteria may not be met and consequently the Right may not vest.

C= The maximum value of rights yet to vest is not determinable as it depends on the market price of shares of Bradken Limited on the Australian Stock Exchange at the date the right is exercised. The maximum values presented above are based on the closing share price at 30 June 2007 of $10.70.

D. Remuneration report (continued)

(e) *Additional information - unaudited (continued)*

Details of cash remuneration: cash bonuses and Rights (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 $	E Total of columns B to D $
A J Allen	14.4%	86,406	31,377	-	117,783
B D Arnott	10.4%	107,104	24,144	-	131,248
C Burdon	7.7%	56,405	-	-	56,405
S D Burraston	15.6%	84,256	42,462	-	126,718
B W Hodges	14.6%	370,595	124,634	-	495,229
E P Sheridan	11.0%	96,361	32,184	-	128,545
B J Ward	14.6%	74,755	26,357	-	101,112

A= The percentage of the value of remuneration consisting of Rights, based on the value at grant date set out in column B.

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 August 2004	Ten years from Test Date	Nil	30,556
30 June 2005	Ten years from Test Date	Nil	49,388
18 November 2005	Ten years from Test Date	Nil	296,045
30 October 2006	Ten years from Test Date	Nil	206,875
30 October 2006	Ten years from Test Date	Nil	360,838
30 March 2007	Ten years from Test Date	Nil	19,202

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.

Shares issued on exercise of Rights
The following ordinary shares of Bradken Limited were issued during the year ended 30 June 2007 on exercise of Rights granted under the Performance Rights Plan No further shares have been issued since that date.

Date Rights granted	Issue price of shares	Number of shares issued
18 August 2004	0.00	36,667
30 June 2005	0.00	70,317
18 November 2005	0.00	148,023
30 October 2006	0.00	0
30 March 2007	0.00	0

E. Other information

Environmental regulation

The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation governing, amongst other things, noise, air emissions, the use, handling, and disposal of hazardous substances and waste. The Group has devoted and will continue to devote resources to environmental compliance and management in each of the jurisdictions in which it operates.

A Group wide environmental management system is in place which complies with the international standard ISO14001. It is Group policy to be environmentally proactive and to adopt practices that minimise adverse environmental impacts and to communicate and provide appropriate feedback on the Group's environmental performance. In accordance with the Group's environmental policy, procedures and goals have been established aimed at ensuring:

- all manufacturing and engineering sites have developed, implemented, and maintain environmental management systems meeting the requirements of ISO14001
- the environmental management systems are integrated with the existing business systems
- zero notifiable incidents and zero justified neighbourhood complaints
- continuing reduction of industrial waste disposal costs by continual improvement of working practices, such as cleaner production and improved recycling

Based upon the results of inquiries made, the Board is not aware of any significant breaches during the period covered by this report nor does it consider the Group is subject to any presently known material environmental liabilities.

Insurance of officers

During the year, the Group 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 otherwise, 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.

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.

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.

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and, in accordance with advice received from the Audit 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 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.

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:

E. Other information (continued)

	Consolidated 2007 $	2006 $
Assurance services		
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under *Corporations Act 2001*	**222,750**	188,000
Related practices of PricewaterhouseCoopers Australian firm	**70,721**	-
Non-PricewaterhouseCoopers audit firm (Deloittes NZ)	**18,966**	17,563
Total remuneration for audit services	**312,437**	205,563
2. Other assurance services		
PricewaterhouseCoopers Australian firm:		
IFRS accounting services	**12,000**	30,000
Total remuneration for other assurance services	**12,000**	30,000
Total remuneration for assurance services	**324,437**	235,563
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of Company income tax returns	**22,870**	81,765
International tax consulting and advice	**43,327**	61,761
Non-PricewaterhouseCoopers audit firm (Deloittes NZ)	**4,653**	5,616
Total remuneration for taxation services	**70,850**	149,142

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

PricewatehouseCoopers 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:

BW Hodges
Managing Director

Sydney
6 August 2007

PricewaterhouseCoopers
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Auditors Independence Declaration

As lead auditor for the audit of Bradken Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

D A Turner

D A Turner
Partner
PricewaterhouseCoopers

Sydney
6 August 2007

Contents

This financial report covers both Bradken Limited as an individual entity and 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:

2 Maud Street

Mayfield West NSW 2304

A description of the nature of the consolidated entity's principal activities and a review of operations is included on page 2 and pages 10 to 11 of the directors' report, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 6 August 2007. 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		Parent entity	
		2007	2006	**2007**	2006
	Notes	**$'000**	$'000	**$'000**	$'000
Revenue from continuing operations	5	**642,199**	549,110	**35,000**	34,457
Cost of sales		**(501,038)**	(441,905)	**-**	-
Gross profit		**141,161**	107,205	**35,000**	34,457
Other income	6	**1,518**	-	**-**	-
Selling and technical expenses		**(29,731)**	(24,136)	**-**	-
Administration expenses		**(29,685)**	(22,751)	**-**	-
Finance costs	7	**(13,174)**	(11,939)	**-**	-
Profit before income tax		**70,089**	48,379	**35,000**	34,457
Income tax (expense) / benefit	8	**(20,997)**	(14,482)	**-**	-
Profit for the year		**49,092**	33,897	**35,000**	34,457
Profit attributable to members of Bradken Limited		**49,092**	33,897	**35,000**	34,457
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per ordinary share: (cents per share)	38	**46.3**	32.5		
Diluted earnings per ordinary share: (cents per share)	38	**45.8**	32.3		

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

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Current assets					
Cash and cash equivalents	9	**15,747**	20,166	**-**	-
Trade and other receivables	10	**86,745**	58,493	**111,876**	102,479
Inventories	11	**91,451**	75,201	**-**	-
Derivative financial instruments	12	**854**	204	**-**	-
Total current assets		**194,797**	154,064	**111,876**	102,479
Non-current assets					
Receivables	13	**3,155**	4,235	**-**	-
Other financial assets	14	**-**	-	**172,292**	172,292
Property, plant and equipment	15	**206,927**	151,546	**-**	-
Deferred tax assets	16	**14,540**	16,429	**-**	-
Intangible Assets	17	**55,158**	39,139	**-**	-
Available for sale financial assets	18	**10,845**	-	**-**	-
Total non-current assets		**290,625**	211,349	**172,292**	172,292
Total assets		**485,422**	365,413	**284,168**	274,771
Current liabilities					
Trade and other payables	19	**74,114**	53,509	**-**	-
Borrowings	20	**5,579**	4,242	**-**	-
Current tax liabilities		**10,500**	10,374	**11,151**	10,386
Provisions	21	**31,597**	28,502	**-**	-
Derivative financial instruments	12	**150**	192	**-**	-
Total Current Liabilities		**121,940**	96,819	**11,151**	10,386
Non-current liabilities					
Borrowings	22	**202,532**	130,233	**-**	-
Deferred tax liabilities	23	**-**	-	**-**	-
Provisions	24	**3,242**	3,159	**-**	-
Total non-current liabilities		**205,774**	133,392	**-**	-
Total liabilities		**327,714**	230,211	**11,151**	10,386
Net assets		**157,708**	135,202	**273,017**	264,385
Equity					
Contributed equity	25	**83,684**	83,337	**249,306**	248,959
Reserves	26(a)	**691**	45	**1,226**	362
Retained profits	26(b)	**73,333**	51,820	**22,485**	15,064
Total equity		**157,708**	135,202	**273,017**	264,385

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

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Total equity at the beginning of the financial year		**135,202**	108,839	**264,385**	237,583
Adjustment on adoption of AASB132 and AASB139, net of tax, to:					
Reserves	26	**-**	(610)	**-**	-
Restated total equity at the beginning of the financial year		**135,202**	108,229	**264,385**	237,583
Changes in the fair value of cash flow hedges, net of tax	26	**455**	761	**-**	-
Exchange differences on translation of foreign operations	26	**(673)**	(30)	**-**	-
Net income recognised directly in equity		**(218)**	731	**-**	-
Profit for the year		**49,092**	33,897	**35,000**	34,457
Total recognised income and expense for the year		**48,874**	34,628	**35,000**	34,457
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	25	**-**	11,167	**-**	11,167
Dividends provided for or paid	27	**(27,579)**	(19,393)	**(27,579)**	(19,393)
Non Executive Director Share Acquisition Plan	25	**-**	74	**-**	74
Performance Rights Plan	26	**1,211**	479	**1,211**	479
Employee Share Scheme	25	**-**	18	**-**	18
		(26,368)	(7,655)	**(26,368)**	(7,655)
Total equity at the end of the financial year		**157,708**	135,202	**273,017**	264,385
Total recognised income and expense for the year is attributable to:					
Members of Bradken Limited		**48,874**	34,628	**35,000**	34,457
		48,874	34,628	**35,000**	34,457

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

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent entity 2007 $'000	Parent entity 2006 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**690,786**	607,330	**-**	-
Payments to suppliers and employees (inclusive of goods and services tax)		**(597,140)**	(521,080)	**-**	-
		93,646	86,250	**-**	-
Interest received		**674**	440	**-**	-
Interest paid		**(11,944)**	(10,780)	**-**	-
Income taxes paid		**(17,128)**	(8,225)	**-**	-
Net cash (outflow) inflow from operating activities	36	**65,248**	67,685	**-**	-
Cash flows from investing activities					
Payment for property, plant and equipment		**(41,622)**	(20,679)	**-**	-
Payment for purchase of subsidiary, net of cash acquired	33	**(26,209)**	(2,935)	**-**	-
Payment for businesses	33	**(15,298)**	-	**-**	-
Payment for available for sale financial assets	18	**(10,844)**	-	**-**	-
Proceeds from sale of property, plant and equipment		**58**	352	**-**	-
Net cash (outflow) inflow from investing activities		**(93,915)**	(23,262)	**-**	-
Cash flows from financing activities					
Payment of finance lease liabilities		**(7,836)**	(4,129)	**-**	-
Repayment of borrowings		**(23,973)**	(15,238)	**-**	-
Proceeds from borrowings		**83,713**	3,697	**-**	-
Dividends paid to company's shareholders	27	**(27,579)**	(9,725)	**-**	-
Net cash (outflow) inflow from financing activities		**24,325**	(25,395)	**-**	-
Net increase / (decrease) in cash and cash equivalents		**(4,342)**	19,028	**-**	-
Cash and cash equivalents at the beginning of the year		**20,166**	1,157	**-**	-
Effects of exchange rate changes on cash and cash equivalents		**(77)**	(19)	**-**	-
Cash and cash equivalents at the end of the year	9	**15,747**	20,166	**-**	-
Financing arrangements	22				
Non-cash financing and investing activities	37				

The above cash flow statements should be read in conjunction with the accompanying notes.

Contents to the notes to the financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Bradken Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Presentation and Disclosure.

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS 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 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Bradken Limited (''company'' or ''parent entity'') as at 30 June 2007 and the results of all subsidiaries for the year then ended. Bradken Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(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.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Bradken Limited.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(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.

1 Summary of significant accounting policies (continued)

(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.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(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 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 as a separate component of equity.

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 taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investments are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity 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 and disposal of other assets 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 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. 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.

(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.

1 Summary of significant accounting policies (continued)

(v) Royalties

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

(vi) Dividends

Dividend revenue is recognised net of any franking credits.

Revenue from distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

(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 national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about tax funding agreements are disclosed in note 8.

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.

(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 15). 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.

1 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 31). 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.

(h) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(q)). If the cost of acquisition is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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.

(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) Trade 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.

Collectibility 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.

1 Summary of significant accounting policies (continued)

(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 which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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 (notes 10 and 13).

(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.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Regular purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. 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.

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within other income or other expenses in the period in which they arise. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classifies as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in the profit or loss and other changes in the carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

1 Summary of significant accounting policies (continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gain and losses from investment securities.

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 each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(n) Derivatives

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 12. Movements in the hedging reserve in shareholders' equity are shown in note 26.

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.

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.

1 Summary of significant accounting policies (continued)

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) Fair value estimation

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

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 balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask

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 each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. 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 balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(p) 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	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 1(i)).

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

1 Summary of significant accounting policies (continued)

(q) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill 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.

(ii) Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of the licences over their estimated useful lives, which varies according to the period over which the expected benefits will arise. The remaining useful lives of licences varies between two and five years.

(iii) 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.

(r) Trade and other 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.

(s) 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 the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the shorter of the term of the facility or 5 years.

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 balance sheet date.

(t) Borrowing costs

Borrowing costs are expensed as incurred. 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.

(u) 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.

1 Summary of significant accounting policies (continued)

(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. Significant uncertainties relate to estimates for construction provisions as these depend on circumstances particular to each site.

(v) 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.

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 Black & Scholes Pricing 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) Superannuation plan

The Group contributes to several accumulation superannuation plans. Contributions are recognised as an expense as they are payable.

(w) 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.

1 Summary of significant accounting policies (continued)

(x) 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.

(y) 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.

(z) 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.

(aa) 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.

(ab) Amended accounting standards and UIG interpretations

Certain amended accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these amended standards and interpretations is set out below.

(i) *AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* was issued in April 2007. This standard reinstates some of the options that exist in the international board's pure IFRS which were removed by the AASB when it promulgated Australian equivalents (AIFRS) in Australia. It also removes some of the additional disclosure requirements added to AIFRS by the AASB. The significant options reinstated are the option to use the indirect method of presenting cash flow statements and the option to use proportionate consolidation for accounting for investments in joint venture entities.

(ii) *AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8* was issued in February 2007 and applies to annual reporting periods beginning on or after 1 January 2009. Early adoption is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 January 2009, provided AASB 8 is also adopted early for the same period. This standard applies when AASB 8 Operating Segments is applied. AASB 8 necessitates consequential amendments to AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038.

(iii) *AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11* was issued in February 2007 and applies to annual reporting periods beginning on or after 1 March 2007. Early adoption is permitted for annual reporting periods beginning on or after 1 January 2005 where AASB Interpretation 11 Group and Treasury Share Transactions (the equivalent of IFRIC 11) is applied to the period. The transitional provisions in IFRIC 11 state that the interpretation applies retrospectively, subject to the transitional provisions of IFRS 2 Share-based Payment. As AASB 2, the Australian equivalent of IFRS 2, does not include corresponding transitional provisions, this standard amends AASB 2 to insert those provisions. This gives AASB Interpretation 11 the same transitional provisions as IFRIC 11.

The Group has not adopted any of the standards early. Application of the standards and interpretations will not affect any of the amounts recognised in the financial statements, but may in future impact the type of information disclosed in relation to the Group's segments.

2 Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate 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.

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to various currencies. 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.

(ii) Price risk

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

(iii) Fair value interest rate risk

Refer to (d) below.

(b) 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.

(c) 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.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, 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.

The Group manages its cash flow interest-rate-risk by using floating-to-fixed interest rate swaps. Such interest rate swaps 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 that are lower than those available if the Group borrowed at fixed rates directly. 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.

3 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 goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(q). 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 it's major contracts monthly including assessing costs to be incurred to complete the project in accordance with the accounting policy stated in note 1(e) and note 1(l). These assessments require an estimate of the remaining labour and material costs for the projects.

4 Segment information

(a) Primary reporting format - business segments

For management purposes, the Group is organised into five major operating divisions – Industrial, Mining, Mineral Processing, Rail and Power and Cement. These divisions are the basis on which the Group reports its primary segment information. The principal products and services of each of these divisions are as follows:

Industrial

Supplier of cast, machined and fabricated components manufactured to customer specifications or purpose designed to suit customer needs into industries such as Smelters and Refineries, Steel Manufacturers, Power Generation Providers and Sugar Production.

Mining

Design, supply and service of wear components for all types of earth moving equipment in the Mining and Quarry industries.

Mineral Processing

Supplier of equipment, servicing and consumables to the mineral processing and quarrying industries.

Rail

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.

Power and Cement (commenced 11 December 2006)

Supplier of large white iron wear parts for the power and cement industries.

2007	Notes	Industrial $'000	Mining $'000	Mineral Processing $'000	Rail $'000	Power and Cement $'000	Intersegment eliminations/ unallocated $'000	Consolidated $'000
Sales to external customers		87,622	237,903	93,987	190,376	29,791	-	639,679
Intersegment sales	(ii)	-	-	12,452	-		(12,452)	-
Total sales revenue		87,622	237,903	106,439	190,376	29,791	(12,452)	639,679
Other revenue/income								4,038
Total segment revenue/income								643,717
Segment result	(ii)	27,951	80,862	29,886	45,048	7,916	-	191,663
Unallocated revenue less unallocated expenses								(121,574)
Profit before income tax								70,089
Income tax expense								(20,997)
Net profit for the year								49,092
Segment assets		85,843	146,224	66,988	87,533	41,938	-	428,526
Unallocated assets								56,896
Total assets								485,422
Segment liabilities	(ii)	24,065	25,455	14,990	29,424	9,864	-	103,798
Unallocated liabilities								223,916
Total liabilities								327,714
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets		15,479	14,210	5,382	12,628	24,470	480	72,649
Depreciation and amortisation expense		1,811	7,897	2,621	2,568	1,305	3,758	19,960
Impairment of inventories	Note 11	86	423	41	(102)	-	-	448
Impairment of trade receivables	Note 10	(108)	-	-	-	-	-	(108)
Other non cash expenses / (revenue)		852	359	438	373	6	3,259	5,287

4 Segment information (continued)

2006	Notes	Industrial $'000	Mining $'000	Mineral Processing $'000	Rail $'000	Power and Cement $'000	Intersegment eliminations/ unallocated $'000	Consolidated $'000
Sales to external customers		63,696	212,111	105,896	166,118	-	-	547,821
Intersegment sales	(ii)	-	-	1,420	-	-	(1,420)	-
Total sales revenue		63,696	212,111	107,316	166,118	-	(1,420)	547,821
Other revenue/income								1,289
Total segment revenue/income								549,110
Segment result	(ii)	19,786	68,910	30,014	36,812	-	-	155,522
Unallocated revenue less unallocated expenses								(107,143)
Profit before income tax								48,379
Income tax expense								(14,482)
Net profit for the year								33,897
Segment assets		57,031	127,416	66,980	73,035	-	-	324,462
Unallocated assets								40,951
Total assets								365,413
Segment liabilities	(ii)	18,280	22,528	14,748	30,112	-	-	85,668
Unallocated liabilities								144,543
Total liabilities								230,211
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets		5,869	6,609	7,742	5,632	-	263	26,115
Depreciation and amortisation expense		1,596	8,174	2,288	2,212	-	3,300	17,570
Impairment of inventories	Note 11	(14)	191	86	83	-	-	346
Impairment of trade receivables	Note 10	-	(305)	-	-	-	-	(305)
Other non cash expenses		743	(892)	354	195	-	(774)	(374)

(b) Secondary reporting format - geographical segments

The Group's divisions are managed on a global basis and operate in three main geographical areas, Australia, the home country of the parent entity, the UK and Other countries. The majority of revenue classified as "Other" relates to the USA, Indonesia and various European countries.

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located.

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Australia	**506,458**	453,349	**378,655**	321,693	**47,434**	26,030
UK	**8,185**	-	**41,938**	-	**24,470**	-
Other countries	**125,036**	94,472	**7,933**	2,769	**745**	85
	639,679	547,821	**428,526**	324,462	**72,649**	26,115
Unallocated assets			**56,896**	40,951		
Total assets			**485,422**	365,413		

4 Segment information (continued)

(c) Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114 *Segment Reporting*.

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.

(ii) Inter segment transfers

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.

5 Revenue

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
From continuing operations				
Sales revenue				
Sale of goods	**639,679**	547,821	**-**	-
	639,679	547,821	**-**	-
Other revenue				
Interest	**674**	440	**-**	-
Dividends	**-**	-	**35,000**	34,457
Rental income	**210**	201	**-**	-
Royalty income	**712**	150	**-**	-
Management fees	**399**	-	**-**	-
Other	**525**	498	**-**	-
	642,199	549,110	**35,000**	34,457

6 Other income

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Foreign exchange gains (net) (note (a))	**845**	-	**-**	-
Net gain on disposal of property, plant and equipment (note (b))	**673**	-	**-**	-
	1,518	-	**-**	-

(a) Net foreign exchange gains (net loss in 2006 - refer to note 7)

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Net foreign exchange gains included in other income for the year	**845**	-	**-**	-
Net foreign exchange gains recognised in profit before income tax for the year (as either other income or expense)	**845**	-	**-**	-

(b) Net gain on disposal of property, plant and equipment (net loss in 2006 - refer to note 7)

The consolidated net gain on disposal of property, plant and equipment in 2007 includes a gain of $709,000 on sale of freehold land.

7 Expenses

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	**559**	437	**-**	-
Plant & equipment	**12,136**	9,310	**-**	-
Leasehold improvements	**7**	8	**-**	-
Plant & equipment under finance leases	**3,580**	3,254	**-**	-
Total depreciation	**16,282**	13,009	**-**	-
Amortisation				
Licences	**3,678**	4,561	**-**	-
Total amortisation	**3,678**	4,561	**-**	-
Finance costs - net				
Interest and finance charges paid/payable	**12,826**	11,093	**-**	-
Borrowing costs amortisation	**778**	1,159	**-**	-
	13,604	12,252	**-**	-
Amount capitalised	**(430)**	(313)	**-**	-
Finance costs expensed	**13,174**	11,939	**-**	-
Net loss on disposal of property, plant and equipment	**-**	502	**-**	-
Rental expense relating to operating leases				
Minimum lease payments	**2,035**	1,947	**-**	-
Total rental expense relating to operating leases	**2,035**	1,947	**-**	-
Foreign exchange gains and losses (net gain in 2007 - see note 6)				
Net foreign exchange losses	**-**	62	**-**	-
Net foreign exchange losses recognised in profit before income tax for the year (as either other income or expense)	**-**	62	**-**	-
Research and development	**3,604**	4,113	**-**	-
Warranty	**1,705**	2,425	**-**	-
Stock Obsolescence	**448**	346	**-**	-
Net bad and doubtful debts expense (revenue) including movements in doubtful debts provision	**(108)**	(305)	**-**	-
Employee benefits expense	**192,888**	162,286	**-**	-

8 Income tax expense

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Income tax expense				
Current tax	**18,322**	12,343	**-**	-
Deferred tax	**3,278**	2,604	**-**	-
Under (over) provided in prior years	**(603)**	(465)	**-**	-
	20,997	14,482	**-**	-
Income tax expense is attributable to:				
Profit from continuing operations	**20,997**	14,482	**-**	-
Aggregate income tax expense	**20,997**	14,482	**-**	-
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 16)	**2,600**	2,392	**-**	-
(Decrease) increase in deferred tax liabilities (note 23)	**678**	212	**-**	-
	3,278	2,604	**-**	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	**70,089**	48,379	**35,000**	34,457
	70,089	48,379	**35,000**	34,457
Tax at the Australian tax rate of 30% (2005: 30%)	**21,027**	14,514	**10,500**	10,337
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Entertainment	**95**	73	**-**	-
Research and development	**(231)**	(231)	**-**	-
Share based payments	**363**	-	**-**	-
De-recognition of leased assets	**-**	122	**-**	-
Tax offset for franked dividends	**-**	-	**(10,500)**	(10,337)
Sundry items	**195**	162	**-**	-
	21,449	14,640	**-**	-
Difference in overseas tax rates	**111**	3	**-**	-
Under (over) provision in prior years	**(603)**	(161)	**-**	-
Deferred tax assets restated for reduction in overseas tax rate	**40**			
Income tax expense	**20,997**	14,482	**-**	-
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax - debited (credited) directly to equity (notes 16 and 23)	**195**	61	**-**	-
	195	61	**-**	-

(d) 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 1(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.

8 Income tax expense (continued)

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 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 under the tax funding agreement 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. The funding amounts are recognised as current intercompany receivables or payables (see note 32(e)).

9 Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**15,747**	20,166	**-**	-
	15,747	20,166	**-**	-

(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:

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Balances as above	**15,747**	20,166	**-**	-
Balances per statement of cash flows	**15,747**	20,166	**-**	-

(b) Cash at bank and on hand

These are interest bearing at a rate between 0% and 7.50% (2006: 0% and 5.70%).

10 Current assets - Trade and other receivables

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Trade receivables	**82,514**	55,657	**-**	-
Provision for doubtful receivables	**(142)**	(148)	**-**	-
	82,372	55,509	**-**	-
Other receivables	**1,998**	1,144	**-**	-
Prepaid borrowing and loan set up costs	**1,119**	1,075	**-**	-
Prepayments	**1,256**	765	**-**	-
Inter-group loans	**-**	-	**111,876**	102,479
	86,745	58,493	**111,876**	102,479

(a) Bad and doubtful trade receivables

The Group has recognised a gain of $108,000 (2006: gain of $305,000) in respect of bad and doubtful trade receivables during the year ended 30 June 2007. The amounts have been included in 'administration expenses' in the income statement.

(b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

(c) Prepaid borrowing and loan set up costs

Fees paid on the establishment of loan facilities, which are not incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

(d) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non current receivables is set out in the non-current receivables note (note 13).

11 Current assets – Inventories

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Raw materials and stores - at cost	**14,488**	11,214	**-**	-
Work in progress - at cost	**28,710**	21,841	**-**	-
Finished goods				
- at cost	**47,331**	39,222	**-**	-
	47,331	39,222	**-**	-
Construction work in progress:				
Contract costs incurred and recognised profits less recognised losses	**148,435**	**215,136**	**-**	-
Progress billing	**(147,513)**	**(212,212)**	**-**	-
	922	2,924	**-**	-
	91,451	75,201	**-**	-

(a) Inventory expense

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2007 amounted to $448,000 (2006: $346,000). The expense has been included in 'cost of sales' in the income statement.

12 Derivative financial instruments

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Current assets				
Interest rate swap and cap contracts - cash flow hedges ((b)(i))	**854**	204	**-**	-
Total current derivative financial instrument assets	**854**	204	**-**	-
Current liabilities				
Forward foreign exchange contracts ((b)(ii))	**150**	192	**-**	-
Total current derivative financial instrument liabilities	**150**	192	**-**	-
	704	12	**-**	-

(a) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005. For further information please refer to our Financial Report for the year ended 30 June 2006.

(b) 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 2).

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

Bank loans of the Group currently bear an average variable interest rate of 7.2%. 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 and caps currently in place cover approximately 39% (2006: 42%) of the bank loan principal outstanding and are timed to expire as each loan repayment falls due. The average fixed interest for the swaps and cap is 6.420% (2006: 6.026%).

At 30 June 2007, the notional principal amounts and periods of expiry of the interest rate swap and cap contracts are as follows:

12 Derivative financial instruments (continued)

	2007 $'000	2006 $'000
Interest rate swap contracts		
Less than 1 year	**2,000**	4,000
1 - 2 years	**36,250**	2,000
2 - 3 years	**8,750**	36,250
3 - 4 years	**-**	8,750
	47,000	51,000
Interest rate cap contract		
2 - 3 years	**30,000**	-
	30,000	-

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.

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 assets with fair value of $854,000 (2006: $204,000 asset). In the year ended 30 June 2007 there was a gain from the change in fair value of $650,000 (2006: $204,000 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 other than those effectively covered within the natural hedging pool.

The following table details the forward foreign currency contracts outstanding as at reporting date:

	Sell Australian Dollars		Average exchange rate	
	2007 $'000	2006 $'000	2007	2006
Buy Great British Pounds				
Maturity				
0 to 3 months	**-**	50	**-**	0.4026
Buy US Dollars				
Maturity				
0 to 3 months	**2,506**	-	**0.7981**	-
Buy Euros				
Maturity				
3 to 6 months	**223**	-	**0.6063**	-
6 to 12 months	**25**	-	**0.6032**	-
Buy Japanese Yen				
Maturity				
3 to 6 months	**377**	-	**98.1000**	-
6 to 12 months	**776**	-	**90.5500**	-
Buy South African Rands				
Maturity				
0 to 3 months	**-**	192	**-**	5.0741

12 Derivative financial instruments (continued)

	Buy Australian Dollars		Average exchange rate	
	2007	2006	**2007**	2006
	$'000	$'000		
Sell Great British Pounds				
Maturity				
0 to 3 months	**553**	-	**0.4045**	-
Sell US Dollars				
Maturity				
0 to 3 months	**935**	-	**0.7679**	-
3 to 6 months	**142**	-	**0.7787**	-
6 to 12 months	**36**	-	**0.7765**	-
Sell Japanese Yen				
Maturity				
0 to 3 months	**-**	1,123	**-**	73.0000
6 to 12 months	**-**	877	**-**	77.5200
Sell South African Rands				
Maturity				
0 to 3 months	**211**	-	**5.8533**	-

	Buy Great British Pounds		Average exchange rate	
	2007	2006	**2007**	2006
	$'000	$'000		
Sell US Dollars				
Maturity				
0 to 3 months	**902**	-	**1.9959**	-
Sell Euros				
Maturity				
0 to 3 months	**2,034**	-	**1.4752**	-

Amounts disclosed above represent currency bought and sold measured at the contracted rate.
The Group has not classified any of these hedging instruments to be effective hedges.

Group

At balance date these contracts were liabilities of $150,000 (2006: liability of $192,000).
In the year ended 30 June 2007 there was a gain from the change in fair value of the liability of $42,000 (2006: loss of $228,000)

(c) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises with amounts receivable from unrealised gains on derivative financial instruments.

The Group manages it's exposure by dealing with major financial institutions.

(d) Interest rate risk exposures

Refer to note 22 for the Group's exposure to interest rate risk on interest rate swaps.

13 Non current assets – Receivables

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Prepaid borrowing and loan set up costs	**1,700**	2,092	**-**	-
Other receivables *	**1,455**	2,143	**-**	-
	3,155	4,235	**-**	-

(a) Fair values

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

	2007		2006	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Prepaid loan set up costs	**1,700**	1,700	**2,092**	2,092
Other receivables *	**1,455**	1,455	**2,143**	2,143
	3,155	3,155	**4,235**	4,235

* Refer to note 10 for the current portions of these receivables.

(b) Interest rate risk

There is no significant concentration of interest rate risk. Of the other non current receivables amount, $1,413,000 is subject to an implied interest rate of 6.57% with the balance interest free.

(c) 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 2 for more information on the risk management policy of the Group.

14 Non current assets – Other financial assets

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Shares in subsidiaries (note 34)	**-**	-	**172,292**	172,292
	-	-	**172,292**	172,292

15 Non current assets - Property, plant and equipment

Consolidated	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 2005							
Cost or fair value	10,343	29,069	340	114,342	10,643	4,279	169,016
Accumulated depreciation	-	(1,397)	(27)	(24,790)	(4,116)	-	(30,330)
Net book amount	10,343	27,672	313	89,552	6,527	4,279	138,686
Year ended 30 June 2006							
Opening net book amount	10,343	27,672	313	89,552	6,527	4,279	138,686
Exchange differences	-	-	(30)	(30)	-	-	(60)
Additions	1,192	575	-	-	5,436	18,912	26,115
Acquisition through entity acquired	-	-	-	668	-	-	668
Transfer (to)/from capital work in progress	-	-	-	17,784	-	(17,784)	-
Disposals	-	-	-	(854)	-	-	(854)
Depreciation charge	-	(437)	(8)	(9,310)	(3,254)	-	(13,009)
Closing net book amount	11,535	27,810	275	97,810	8,709	5,407	151,546
At 30 June 2006							
Cost or fair value	11,535	29,643	305	131,858	14,437	5,407	193,185
Accumulated depreciation	-	(1,833)	(30)	(34,048)	(5,728)	-	(41,639)
Net book amount	11,535	27,810	275	97,810	8,709	5,407	151,546
Year ended 30 June 2007							
Opening net book amount	11,535	27,810	275	97,810	8,709	5,407	151,546
Exchange differences	-	(244)	29	(565)	-	-	(780)
Additions	3,773	7,393	-	1,104	2,403	30,160	44,833
Acquisition through entity acquired	1,409	7,825	-	18,582	-	-	27,816
Transfer (to)/from capital work in progress	-	-	-	21,036	-	(21,036)	-
Disposals	(111)	-	-	(95)		-	(206)
Depreciation charge	-	(559)	(7)	(12,136)	(3,580)	-	(16,282)
Closing net book amount	16,606	42,225	297	125,736	7,532	14,531	206,927
At 30 June 2007							
Cost or fair value	16,606	45,336	337	189,531	16,803	14,531	283,144
Accumulated depreciation	-	(3,111)	(40)	(63,795)	(9,271)	-	(76,217)
Net book amount	16,606	42,225	297	125,736	7,532	14,531	206,927

Parent entity

There were no property, plant and equipment assets in the parent entity during the period 1 July 2005 to 30 June 2007.

(a) Non current assets pledged as security

Refer to note 22 for information on non-current assets pledged as security by the parent entity and its controlled entities.

16 Non current assets - Deferred tax assets

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts	**43**	43	**-**	-
Employee benefits	**8,274**	7,329	**-**	-
Pension contributions subject to spreading (UK)	**1,221**	-	**-**	-
Licences	**3,559**	5,221	**-**	-
Other provisions	**3,335**	3,570	**-**	-
Share issue expenses	**1,618**	2,427	**-**	-
Unrealised foreign exchange differences	**-**	54	**-**	-
Other accruals	**493**	280	**-**	-
	18,543	18,924	**-**	-
Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 23)				
Net deferred tax assets	**(4,003)**	(2,495)	**-**	-
	14,540	16,429	**-**	-
Movements:				
Opening balance at 1 July	**18,924**	21,310	**-**	-
Credited/(charged) to the income statement (note 8)	**(2,600)**	(2,392)	**-**	-
Acquisition of subsidiary (note 33)	**2,219**	6	**-**	-
Closing balance at 30 June	**18,543**	18,924	**-**	-
Deferred tax asset to be recovered after more than 12 months	**7,366**	6,354	**-**	-
Deferred tax asset to be recovered within 12 months	**11,177**	12,570	**-**	-
	18,543	18,924	**-**	-

17 Non current assets - Intangible assets

Consolidated	**Goodwill**	**Licences**	**Total**
	$'000	$'000	$'000
At 1 July 2005			
Cost	18,030	37,973	56,003
Accumulated amortisation and impairment	-	(15,964)	(15,964)
Net book amount	18,030	22,009	40,039
Year ended 30 June 2006			
Opening net book amount	18,030	22,009	40,039
Additions	79	-	79
Acquisition of subsidiary	3,582	-	3,582
Amortisation charge	-	(4,561)	(4,561)
Closing net book amount	21,691	17,448	39,139
At 30 June 2006			
Cost	21,691	37,973	59,664
Accumulated amortisation and impairment	-	(20,525)	(20,525)
Net book amount	21,691	17,448	39,139

17 Non current assets - Intangible assets (continued)

	Goodwill $'000	Licences $'000	Total $'000
Year ended 30 June 2007			
Opening net book amount	21,691	17,448	39,139
Additions	13,046	-	13,046
Acquisition of subsidiary	6,651	-	6,651
Amortisation charge	-	(3,678)	(3,678)
Closing net book amount	41,388	13,770	55,158
At 30 June 2007			
Cost	41,388	37,973	79,361
Accumulated amortisation and impairment	-	(24,203)	(24,203)
Net book amount	41,388	13,770	55,158

(a) Impairment tests for goodwill

Due to the level of integration and cross production in the plants and business units, goodwill has been allocated to the UK operations and the balance of the Group, and the impairment testing has been performed on the two cash generating units (CGU) being the UK operations and the balance of the Group.

The recoverable amount on the CGU is determined based on a value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a perpetual growth rate of 1.5% pa.

The carrying amounts of goodwill as disclosed in the balance sheet are $34,737,000 for the Australian CGU and $6,651,000 for the UK CGU.

(b) Key assumptions used for value in use calculations

Management determined assumptions on revenue growth, gross margin, overhead level, working capital and capital expenditure have been determined based on past performance and expectations for the future. The weighted average 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. The post tax discount rate used is an estimated WACC of 10.3%, which would translate into a pre tax discount rate of 14.7%. Similar discount rates were used in 2005 and 2006.

(c) Impact of possible changes in key assumptions

The impairment testing highlights a reasonable buffer between the value-in-use amount and the net book value of assets of the CGU. Significant changes in the major assumptions, which are not considered to be reasonably possible, would be required to generate an impairment charge.

18 Non current assets - Available for sale financial assets

	Consolidated		Parent entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
At beginning of year	**-**	-	**-**	-
Additions	**10,845**	-	**-**	-
At end of year	**10,845**	-	**-**	-
Unlisted securities (note (a))				
Equity securities	**10,845**	-	**-**	-
	10,845	-	**-**	-

(a) Unlisted securities

The amount shown as unlisted equity securities represents an initial investment of $7,625,000 in US Foundry group Americast in November 2006, as well as additional equity of $3,220,000 in April 2007 for their acquisition of the Atlas Foundry group. The investment is carried at fair value, which at 30 June 2007 is equal to the initial cost of the investment.

19 Current liabilities - Trade and other payables

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Trade payables	**64,947**	48,617	**-**	-
Other payables	**9,167**	4,892	**-**	-
	74,114	53,509	**-**	-

20 Current liabilities - Borrowings

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Secured				
Lease liabilities (note 31)	**3,387**	3,241	**-**	-
Hire purchase liabilities (note 31)	**1,010**	1,001	**-**	-
Total secured current borrowings	**4,397**	4,242	**-**	-
Unsecured				
Other loans	**1,182**	-	**-**	-
Total unsecured current borrowings	**1,182**	-	**-**	-
Total current borrowings	**5,579**	4,242	**-**	-

(a) Other loans

Other loans are repayable within twelve months. The current interest rate on this loan is 6.15%.

(b) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on interest bearing liabilities are set out in note 22.

(c) Fair value disclosures

Details of the fair value of interest bearing liabilities for the Group are set out in note 22.

(d) Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 22.

21 Current liabilities – Provisions

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Employee benefits	**27,818**	23,454	**-**	-
Warranty	**3,779**	5,048	**-**	-
	31,597	28,502	**-**	-

(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) Movements in provisions

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

Consolidated - 2007	**Warranty**
Current	**$'000**
Carrying amount at start of year	5,048
Additional provisions recognised	1,705
Amounts used	(2,974)
Carrying amount at end of year	3,779

22 Non current liabilities - Borrowings

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Secured				
Bank loans	**196,266**	122,000	**-**	-
Lease liabilities (note 31)	**4,003**	5,278	**-**	-
Hire purchase liabilities (note 31)	**2,263**	2,955	**-**	-
Total secured non-current interest bearing borrowings	**202,532**	130,233	**-**	-

(a) Total secured liabilities

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Bank loans	**196,266**	122,000	**-**	-
Lease liabilities	**7,390**	8,519	**-**	-
Hire purchase liabilities	**3,273**	3,956	**-**	-
Total secured liabilities	**206,929**	134,475	**-**	-

(b) Assets pledged as security

In accordance with the security arrangements for the parent entity and subsidiaries bank loans, fixed and floating charges secure all the assets and undertakings of the Group together with mortgages over all the Group's interest in real property.

Bank loans are denominated in either Australian dollars or Great British Pounds.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. Hire purchase liabilities are effectively secured as the rights to the hire purchased assets recognised in the financial statements under plant and equipment revert to the hirer in the event of default.

The carrying amounts of assets pledged as security for current and non current liabilities are as disclosed in the balance sheet less net book value amounts for finance lease assets $7,532,000 (2006: $8,709,000) and net book value amounts for hire purchase assets $525,000 (2006: $556,000).

(c) Financing arrangements

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

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Credit standby arrangements				
Total facilities				
Bank overdrafts	**20,000**	20,000	**-**	-
Standby letters of credit and bank guarantees	**40,000**	40,000	**-**	-
	60,000	60,000	**-**	-
Used at balance date				
Bank overdrafts	**-**	-	**-**	-
Standby letters of credit and bank guarantees	**15,531**	16,390	**-**	-
	15,531	16,390	**-**	-
Unused at balance date				
Bank overdrafts	**20,000**	20,000	**-**	-
Standby letters of credit and bank guarantees	**24,469**	23,610	**-**	-
	44,469	43,610	**-**	-
Bank loan facilities				
Total facilities	**212,933**	170,500	**-**	-
Used at balance date	**196,266**	122,000	**-**	-
Unused at balance date	**16,667**	48,500	**-**	-
	16,667	48,500	**-**	-

The standby letter of credit and bank guarantee facility is a bullet revolving working capital facility incorporating a bank overdraft set-off component and a bank guarantee and letter of credit sub-component. The facility provides access to a line of credit up to a limit of $60,000,000. The bank facility can be drawn at any time and has two tranches, one in Australian dollars and the other in Great British Pounds, and has a maturity date of December 2009.

The current interest rates are 7.2% on the bank loans (2006: 6.0%).

22 Non current liabilities - Borrowings (continued)

(d) Interest rate risk exposures

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures arise predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

2007	Floating interest rate	Fixed interest rate						Total
		1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank overdrafts and loans (notes 20 and 22)	196,266	-	-	-	-	-	-	196,266
Other loans (notes 20)	-	1,182	-	-	-	-	-	1,182
Lease liabilities (notes 20, 22 and 31)	-	3,387	2,584	1,297	120	2	-	7,390
Hire purchase liabilities (notes 20, 22 and 31)	-	829	838	836	770	-	-	3,273
Interest rate swaps (note 12)	(47,000)	2,000	36,250	8,750	-	-	-	-
Interest rate cap (note 12)	(30,000)	-	-	30,000	-	-	-	-
	119,266	7,398	39,672	40,883	890	2	-	208,111
Weighted average interest rate	7%	7%	6%	7%	7%	9%		

2006	Floating interest rate	Fixed interest rate						Total
		1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank overdrafts and loans (notes 20 and 22)	122,000	-	-	-	-	-	-	122,000
Lease liabilities (notes 20, 22 and 31)	-	3,241	2,615	1,861	797	5	-	8,519
Hire purchase liabilities (notes 20, 22 and 31)	-	866	875	883	882	450	-	3,956
Interest rate swaps (note 12)	(51,000)	4,000	2,000	36,250	8,750	-	-	-
	71,000	8,107	5,490	38,994	10,429	455	-	134,475
Weighted average interest rate	6%	7%	7%	6%	6%	7%		

(e) Fair value

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

	2007		2006	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
On balance sheet				
Non traded financial liabilities				
Bank overdrafts				
Bank loans	**196,266**	**196,266**	122,000	122,000
Other loans	**1,182**	**1,182**	-	-
Lease liabilities	**7,390**	**7,390**	8,519	8,519
Hire purchase liabilities	**3,273**	**3,273**	3,956	3,956
	208,111	**208,111**	134,475	134,475

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.

22 Non current liabilities - Borrowings (continued)

(ii) Off balance sheet

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 30. As explained in those notes, no material losses are anticipated in respect of any of those contingencies.

23 Non current liabilities - Deferred tax liabilities

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Unrealised foreign exchange differences	**276**	-	**-**	-
Leased assets	**68**	73	**-**	-
Depreciation	**3,403**	2,361	**-**	-
	3,747	2,434	**-**	-
Amounts recognised directly in equity				
Cash flow hedges	**256**	61	**-**	-
	256	61	**-**	-
	4,003	2,495	**-**	-
Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 16)	**(4,003)**	(2,495)	**-**	-
Net deferred tax liabilities	**-**	-	**-**	-
Movements:				
Opening balance at 1 July	**2,495**	2,222	**-**	-
Charged/(credited) to the income statement (note 8)	**678**	212	**-**	-
Charged/(credited) to equity (notes 25 and 26)	**195**	61	**-**	-
Acquisition of subsidiary (note 33)	**635**	-	**-**	-
Closing balance at 30 June	**4,003**	2,495	**-**	-
Deferred tax liabilities to be settled after more than 12 months	**2,698**	2,228	**-**	-
Deferred tax liabilities to be settled within 12 months	**1,305**	267	**-**	-
	4,003	2,495	**-**	-

24 Non current liabilities - Provisions

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Employee benefits	**2,627**	2,544	**-**	-
Warranty	**615**	615	**-**	-
	3,242	3,159	**-**	-

Consolidated - 2007	**Warranty**	**Total**
Non current	**$'000**	**$'000**
Carrying amount at start of year	615	615
Carrying amount at end of year	615	615

25 Contributed equity

	Notes	Parent entity 2007 Shares	Parent entity 2006 Shares	Parent entity 2007 $'000	Parent entity 2006 $'000
(a) Share capital					
Ordinary shares	(b),(c)				
Fully paid		**106,072,655**	105,817,648	**249,306**	248,959
Total contributed equity				**249,306**	248,959

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue price	Parent entity $'000
1 July 2005	**Opening balance**		**102,766,699**		**237,453**
3 August 2005	Employee gift offer (New Zealand)	(e)	6,448	$2.82	18
10 October 2005	Non-exec. director share acquisition plan issues	(g)	10,490	$2.92	31
24 October 2005	Dividend reinvestment plan issues	(d)	1,740,216	$3.17	5,518
25 November 2005	Exercise of Rights - transfer from Share Based Payments Reserve	(f)	23,089		94
12 December 2005	Exercise of Rights - transfer from Share Based Payments Reserve	(f)	33,198		135
9 March 2006	Exercise of Rights - transfer from Share Based Payments Reserve	(f)	3,706		18
23 March 2006	Non-exec. director share acquisition plan issues	(g)	9,793	$4.43	43
31 March 2006	Issue of shares as part of the purchase consideration for GW Brown Pty Ltd		318,167	$4.71	1,500
4 April 2006	Dividend reinvestment plan issues	(d)	905,842	$4.58	4,149
30 June 2006	**Balance**		**105,817,648**		**248,959**
4 September 2006	Exercise of Rights - transfer from Share Based Payments Reserve	(f)	250,306		336
30 October 2006	Exercise of Rights - transfer from Share Based Payments Reserve	(f)	4,701		11
30 June 2007	**Balance**		**106,072,655**		**249,306**

(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. Shares have been issued under the plan at a 2.5% discount to the market price. The plan has been suspended effective from the final dividend payable in respect to the year ended 30 June 2006.

(e) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 39.

(f) Performance Rights Plan

Information relating to the Performance Rights Plan, including details of shares issued under the plan, is set out in note 39.

(g) 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 39.

26 Reserves and retained profits

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Reserves				
Hedging reserve - cash flow hedges	**598**	143	**-**	-
Share based payments reserve	**1,226**	362	**1,226**	362
Foreign currency translation reserve	**(1,133)**	(460)	**-**	-
	691	45	**1,226**	362
Movements:				
Hedging reserve - cash flow hedges				
Balance 1 July	**143**	-	**-**	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax (note 12)	**-**	(610)	**-**	-
Revaluation-gross (note 12)	**650**	1,076	**-**	-
Deferred tax (note 23)	**(195)**	(323)	**-**	-
Balance 30 June	**598**	143	**-**	-
Share-based payments reserve				
Balance 1 July	**362**	130	**362**	130
Rights expense	**1,211**	479	**1,211**	479
Transfer to share capital (Rights exercised)	**(347)**	(247)	**(347)**	(247)
Balance 30 June	**1,226**	362	**1,226**	362
Foreign currency translation reserve				
Balance 1 July	**(460)**	(430)	**-**	-
Currency translation differences arising during the year	**(673)**	(30)	**-**	-
Balance 30 June	**(1,133)**	(460)	**-**	-

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(b) Retained profits				
Balance 1 July	**51,820**	37,307	**15,064**	-
Net profit for the year	**49,092**	33,897	**35,000**	34,457
Dividends	**(27,579)**	(19,384)	**(27,579)**	(19,393)
Balance 30 June	**73,333**	51,820	**22,485**	15,064

(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 1(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 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

27 Dividends

	Parent entity	
	2007	2006
	$'000	$'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2006 of 11.5 cents (2005: 9.2 cents) per fully paid share paid on 13 October 2006 (2005: 12 October 2005)		
Fully franked based on tax paid @ 30%	**12,198**	9,457
Interim dividend for the year ended 30 June 2007 of 14.5 cents (2006: 9.5 cents) per fully paid share paid 13 March 2007 (2006: 30 March 2006)		
Fully franked based on tax paid @ 30% (2005: fully franked @ 30%)	**15,381**	9,936
Total dividends provided for or paid	**27,579**	19,393
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2006 and 30 June 2007 were as follows:		
Paid in cash	**27,579**	9,725
Satisfied by issue of shares	**-**	9,668
	27,579	19,393
(b) Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 17.0 cents per fully paid ordinary share, (2006: 11.5 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 4 September 2007 out of retained profits at 30 June 2007, but not recognised as a liability at year end, is	**18,032**	12,169

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2007 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2008.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2006: 30%)	**22,938**	16,456	**22,938**	16,456

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $7,728,000 (2006: $5,215,000).

28 Key management personnel disclosures

(a) Directors

The following persons were directors of Bradken Limited during the financial year:

(i) Chairman - non-executive

N F H Greiner

(ii) Executive director

B W Hodges, Managing Director

(iii) Non executive directors

P J Arnall
V J O'Rourke
G R Laurie

(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*
A J Allen	General Manager - Industrial	Bradken Resources Pty Ltd
B D Arnott	Chief Financial Officer	Bradken Resources Pty Ltd
C Burdon	General Manager - Power & Cement	Bradken UK Limited
S D Burraston	General Manager - Rail	Bradken Resources Pty Ltd
E P Sheridan	General Manager - Mining	Bradken Resources Pty Ltd
B J Ward	General Manager - Mineral Processing	Bradken Resources Pty Ltd

All of the above persons were also key management persons during the year ended 30 June 2006 except for C Burdon who commenced with Bradken on 11 December 2006 following the acquisition of Firth Rixson Castings Limited, now Bradken UK Limited.

(c) Key management personnel compensation

	Consolidated		**Parent entity**	
	2007	2006	**2007**	2006
Short-term employee benefits	**3,568,481**	2,473,138	**-**	-
Post-employment benefits	**533,937**	530,467	**-**	-
Share-based payments	**653,525**	343,676	**-**	-
	4,755,943	3,347,281	**-**	-

The company has taken advantage of the relief provided by *Corporations Regulation* 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections (a) to (d) of the remuneration report on pages 12 to 18.

(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 (d) of the remuneration report on pages 15 to 18.

28 Key management personnel disclosures (continued)

(ii) 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.

2007 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						
B W Hodges	152,839	107,731	(65,206)	-	195,364	-
Other key management personnel of the Group						
A J Allen	40,383	25,118	(17,272)	-	48,229	-
B D Arnott	30,822	31,135	(10,274)	-	51,683	-
C Burdon	-	12,001	-	-	12,001	-
S D Burraston	49,189	24,493	(24,759)	-	48,923	-
E P Sheridan	41,412	28,012	(17,614)	-	51,810	-
B J Ward	33,902	21,731	(14,302)	-	41,331	-

2006 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						
B W Hodges	91,667	85,616	(24,444)	-	152,839	-
Other key management personnel of the Group						
A J Allen	24,499	22,417	(6,533)	-	40,383	-
B D Arnott	-	30,822	-		30,822	-
S D Burraston	25,087	24,102	-	-	49,189	-
A J Poole	26,583	-	(7,088)	(19,495)	-	-
E P Sheridan	24,490	23,452	(6,530)	-	41,412	-
B J Ward	19,288	19,757	(5,143)	-	33,902	-

* For year end 30 June 2006 a number of rights were shown as vested and exercisable at the end of the year. These have been adjusted as the testing date to determine the actual number to vest did not occur until 24 August 2006. The table above has been amended to reflect the correct position at 30 June 2006. Vesting for the performance period to 30 June 2007 will occur following the test date on 7 August 2007.

(iii) 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.

2007 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					
N F H Greiner	250,753	6,061	-	-	256,814
B W Hodges	2,648,167	-	65,206	-	2,713,373
P J Arnall	690,135	-	-	(190,134)	500,001
G R Laurie	12,878	3,447	-	-	16,325
V J O'Rourke	28,754	3,181	-	(9)	31,926
Other key management personnel of the Group					
A J Allen	298,675	-	17,272	(41,546)	274,401
B D Arnott	5,103	-	10,274	9,323	24,700
S D Burraston	158,333	-	24,759	(13,806)	169,286
E P Sheridan	424,887	-	17,614	15,174	457,675
B J Ward	16,629	-	14,302	7,483	38,414

28 Key management personnel disclosures (continued)

(iii) Share holdings (continued)

2006 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					
N F H Greiner	227,491	11,367	-	11,895	250,753
B W Hodges	2,623,723	-	24,444	-	2,648,167
P J Arnall	690,135	-	-	-	690,135
G R Laurie	-	2,878	-	10,000	12,878
V J O'Rourke	12,500	6,038	-	10,216	28,754
Other key management personnel of the Group					
A J Allen	292,142	-	6,533	-	298,675
B D Arnott	-	-	-	5,103	5,103
S D Burraston	208,333	-	-	(50,000)	158,333
A J Poole	1,263,402	-	7,088	(1,270,490)	-
E P Sheridan	418,357	-	6,530	-	424,887
B J Ward	10,416	-	5,143	1,070	16,629

29 Remuneration of auditors

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:

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
(a) Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under *Corporations Act 2001*	**222,750**	188,000	**-**	-
Related practices of PricewaterhouseCoopers Australian firm	**70,721**	-	**-**	-
Non-PricewaterhouseCoopers audit firm (Deloittes NZ)	**18,966**	17,563	**-**	-
Total remuneration for audit services	**312,437**	205,563	**-**	-
Other assurance services				
PricewaterhouseCoopers Australian firm:				
IFRS accounting services	**12,000**	30,000	**-**	-
Total remuneration for other assurance services	**12,000**	30,000	**-**	-
Total remuneration for assurance services	**324,437**	235,563	**-**	-
(b) Taxation services				
PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of company income tax returns	**22,870**	81,765	**-**	-
International tax consulting and tax advice on mergers and acquisitions	**43,327**	61,761	**-**	-
Non-PricewaterhouseCoopers audit firm (Deloittes NZ)	**4,653**	5,616	**-**	-
Total remuneration for taxation services	**70,850**	149,142	**-**	-

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

30 Contingencies

(a) Contingent Liabilities

The parent entity and Group had contingent liabilities at 30 June 2007 in respect of:

Claims

A subsidiary of the Company is party to a joint warranty claim relating to the supply of railway bogies in 2002 and 2003 to Queensland Rail. An agreement was reached between all parties to the dispute and the rectification work is substantially complete. The Directors believe that the 30 June 2007 Financial Report adequately reflects the impact of known and anticipated remaining costs in respect of the claim.

The Bradken Group has been involved from time to time 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. It is not practical to estimate the potential effect of these claims but legal advice obtained indicates that any liability that may arise in the unlikely event these claims are successful will not be significant.

In addition, the parent entity had contingent liabilities at 30 June 2007 and 2006 in respect of:

Guarantees and letters of credit

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Bank guarantees for contract performance	**12,212**	14,118	**-**	-
Letters of credit	**3,319**	2,272	**-**	-
Total estimated contingent liabilities	**15,531**	16,390	**-**	-

Cross guarantees given by Bradken Limited, Bradken Holdings Limited, Bradken SPV Pty Limited, Bradken Operations Pty Limited, Bradken Resources Pty Limited are described in note 35. No deficiencies of assets exist in any of these companies.

These guarantees may give rise to liabilities in the parent entity if the subsidiaries do not meet their obligations under the terms of their liabilities subject to the guarantees.

No material losses are anticipated in respect of any of the above contingent liabilities.

31 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Land & buildings				
Payable:				
Within one year	**3,132**	-	**-**	-
	3,132	-	**-**	-
Property, plant and equipment				
Payable:				
Within one year	**10,332**	4,570	**-**	-
	10,332	4,570	**-**	-

(b) Lease and hire purchase commitments

Commitments in relation to leases and hire purchases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**2,104**	2,639	**-**	-
Later than one year but not later than five years	**2,462**	3,884	**-**	-
Later than five years	**73**	1,594	**-**	-
	4,639	8,117	**-**	-
Representing:				
Non cancellable operating leases	**3,608**	6,683	**-**	-
Future finance charges on finance leases	**821**	1,143	**-**	-
Future finance charges on hire purchases	**210**	291	**-**	-
	4,639	8,117	**-**	-

31 Commitments (continued)

(i) Operating leases

Operating leases relate to factories and plant and equipment with lease terms generally between 1 to 5 years with a small amount being payable over greater than 5 years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:				
Within one year	**1,539**	1,959	**-**	-
Later than one year but not later than five years	**1,996**	3,130	**-**	-
Later than five years	**73**	1,594	**-**	-
	3,608	6,683	**-**	-

(ii) Finance leases

The Group leases various plant and equipment with a carrying amount of $7,532,000 (2006: $8,709,000) 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.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Commitments in relation to finance leases are payable as follows:				
Within one year	**3,882**	3,842	**-**	-
Later than one year but not later than five years	**4,329**	5,820	**-**	-
Minimum lease payments	**8,211**	9,662	**-**	-
Future finance charges	**(821)**	(1,143)	**-**	**-**
Total lease liabilities	**7,390**	8,519	**-**	-
Representing lease liabilities:				
Current (note 20)	**3,387**	3,241	**-**	-
Non current (note 22)	**4,003**	5,278	**-**	-
	7,390	8,519	**-**	-

The weighted average interest rate implicit in the leases is 8.50% (2006: 8.50%).

(iii) Hire purchase payment commitments

The Group has acquired some production plant and equipment under hire purchase arrangements with a final payment in May 2010.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Commitments in relation to hire purchases are payable as follows:				
Within one year	**899**	899	**-**	-
Later than one year but not later than five years	**2,584**	3,348	**-**	-
Minimum lease payments	**3,483**	4,247	**-**	-
Future finance charges	**(210)**	(291)	**-**	-
Total lease liabilities	**3,273**	3,956	**-**	-
Representing lease liabilities:				
Current (note 20)	**1,010**	1,001	**-**	-
Non current (note 22)	**2,263**	2,955	**-**	-
	3,273	3,956	**-**	-

The weighted average interest rate implicit in the agreement is 6.67% (2006: 6.67%).

32 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is Bradken Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 34.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 28.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidated entities	**-**	-	**11,150,819**	10,385,891
Dividend revenue				
Subsidiaries	**-**	-	**35,000,000**	34,456,097

(e) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Current receivables (tax funding agreement)				
Wholly-owned tax consolidated entities	**-**	-	**11,150,819**	10,385,891

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(f) Loans to/from related parties

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Loans to subsidiaries				
Beginning of the year	**-**	-	**102,477,957**	71,851,427
Loans received	**-**	-	**9,397,396**	30,626,530
End of year	**-**	-	**111,875,353**	102,477,957

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(g) 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(d).

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 and are repayable at call in cash.

33 Business combination

(a) Summary of acquisitions and assets and liabilities acquired

(i) Wundowie Foundry Pty Ltd

On 14 November 2006 Bradken Operations Pty Ltd (a 100% subsidiary of Bradken Limited) acquired all of the issued shares in Wundowie Foundry Pty Ltd, a manufacturer of cast products, for cash consideration of $6,398,000.

Disclosure of the revenue and the profit and loss as if the acquisition had occurred on 1 July 2006 has not been included as it is impractical to do so.

Details of net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	**6,398**
Direct costs relating to the acquisition	**575**
Total purchase consideration	**6,973**
Fair value of net identifiable assets acquired (refer below)	**5,939**
Goodwill	**1,034**

The goodwill is attributable to the profitability of the acquired business and synergies expected to arise after the company's acquisition of the new subsidiary. The fair value plant & equipment is based on an independent valuation. The fair value of other assets and liabilities are based on current book values. No acquisition provisions were created.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash and cash equivalents	642	642
Property, plant and equipment	1,447	4,447
Other current assets	273	273
Inventories	2,657	2,657
Receivables	3,517	3,517
Payables	(3,698)	(3,698)
Current tax liabilities	52	52
Employee benefit liabilities, including superannuation	(362)	(362)
Borrowings	(2,000)	(2,000)
Net deferred tax assets	411	411
Net identifiable assets acquired	**2,939**	**5,939**

Following the transfer of all it's assets to Bradken Resources Pty Ltd, Wundowie Foundry Pty Ltd was sold on 31 January 2007.

(ii) Firth Rixson Castings Limited

On 11 December 2006 Bradken Operations Pty Ltd (a 100% subsidiary of Bradken Limited) acquired all of the issued shares in Firth Rixson Castings Limited, a manufacturer of cast products, for cash consideration of $19,776,000.

Disclosure of the revenue and the profit and loss as if the acquisition had occurred on 1 July 2006 has not been included as it is impractical to do so.

Details of provisional net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	**19,776**
Direct costs relating to the acquisition	**791**
Total purchase consideration	**20,567**
Provisional fair value of net identifiable assets acquired (refer below)	**13,916**
Provisional goodwill	**6,651**

33 Business combination (continued)

The provisional goodwill is attributable to the profitability of the acquired business and synergies expected to arise after the company's acquisition of the new subsidiary. The provisional fair value plant & equipment is based on an independent valuation. The provisional fair value of other assets and liabilities are based on current book values. No acquisition provisions were created.

The values have not been finalised as there are a small amount of costs outstanding. The provisional fair value will be finalised and any adjustments disclosed in the Group's financial statements for the year ended 30 June 2008.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Provisional fair value $'000
Property, plant and equipment	16,407	23,314
Inventories	10,182	10,182
Receivables	11,626	11,626
Cash on hand	5	5
Payables	(9,945)	(9,945)
Provisions	(211)	(211)
Employee benefit liabilities, including superannuation	(117)	(117)
Bank overdraft	(516)	(516)
Borrowings	(21,973)	(21,973)
Current tax liability	448	448
Net deferred tax assets	1,738	1,738
Deferred tax liabilities	(635)	(635)
Net identifiable assets acquired	**7,009**	**13,916**

(iii) Boogan Implement Company

On 30 March 2007 Bradken Resources Pty Ltd (a 100% subsidiary of Bradken Limited) acquired the assets of the Boogan Implement Company, a manufacturer of consumable and engineered products, for cash consideration of $16,892,000.

Details of provisional net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Cash paid	**16,892**
Direct costs relating to the acquisition	**872**
Total purchase consideration	**17,764**
Provisional fair value of net identifiable assets acquired (refer below)	**5,667**
Provisional goodwill	**12,097**

The provisional goodwill is attributable to the profitability of the acquired business and synergies expected to arise after the company's acquisition of the assets of the business. The provisional fair value plant & equipment is based on an independent valuation. The provisional fair value of other assets and liabilities are based on current book values and are in the process of being finalised. No acquisition provisions were created. The provisional fair value will be finalised and any adjustments disclosed in the Group's financial statements for the year ended 30 June 2008.

33 Business combination (continued)

The assets and liabilities arising from the acquisition are as follows:

	Provisional fair value $'000
Property, plant and equipment	3,210
Inventories	1,853
Receivables	2,155
Payables	(1,387)
Employee benefit liabilities, including superannuation	(234)
Net deferred tax assets	70
Net identifiable assets acquired	**5,667**

The acquiree's carrying values of assets and liabilities has not been disclosed as it is impractical to do so.

(b) Purchase consideration

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	**41,638**	2,822	**-**	-
Less: Balances acquired				
Cash	**647**	-	**-**	-
Bank overdraft	**(516)**	(113)	**-**	-
	131	(113)	**-**	-
Outflow of cash	**41,507**	2,935	**-**	-

At the date of this financial report additional amounts were payable of $1,200,000 in respect to the acquisition of Wundowie Foundry Pty Ltd and $2,466,000 in respect to the acquisition of the Boogan Implement Company. These payments have been brought to account in the calculation of the goodwill values disclosed in (i) and (iii) above.

34 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2007	2006
			%	%
Bradken Holdings Limited *	Australia	Ordinary	**100**	100
Bradken SPV Pty Limited *	Australia	Ordinary	**100**	100
Bradken Operations Pty Limited *	Australia	Ordinary	**100**	100
Bradken Resources Pty Limited *	Australia	Ordinary	**100**	100
Bradken Finance Pty Limited *	Australia	Ordinary	**100**	100
Bradken Mining SPV Pty Limited *	Australia	Ordinary	**100**	100
G W Brown and Co Pty Limited *	Australia	Ordinary	**100**	100
ANI Chile Ingenieria Limitada	Chile	Ordinary	**100**	100
Bradken UK Limited (formerly Firth Rixson Castings Limited)	UK	Ordinary	**100**	0
Bradken (Xuzhou) Metal Equipment Manufacturing Company Limited	China	Ordinary	**100**	0

Following the transfer of all it's assets to Bradken Resources Pty Ltd, Wundowie Foundry Pty Ltd which was purchased on 14 November 2006, was sold on 31 January 2007.

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 35.

** The proportion of ownership interest is equal to the proportion of voting power held.

35 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 Holdings Limited
- Bradken SPV Pty Limited
- Bradken Operations Pty Limited
- Bradken Resources Pty Limited
- Bradken Finance Pty Limited
- Bradken Mining SPV Pty Limited

The companies above, with the exception of Bradken Finance Pty Ltd and Bradken Mining SPV Pty Ltd, became a party to the Deed on 12 May 2005. Bradken Finance Pty Ltd and Bradken Mining SPV Pty Ltd, became a party to the Deed on 10 November 2005.

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'.

The following entities, wholly owned and controlled by Bradken Limited, are not a party to the Deed of Cross Guarantee:

- G W Brown and Co Pty Limited
- ANI Chile Ingenieria Limitada
- Bradken UK Limited (formerly Firth Rixson Castings Limited)
- Bradken (Xuzhou) Metal Equipment Manufacturing Company Limited

(a) Consolidated income statement and a summary of movements in consolidated retained profits

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2007 of the Closed Group outlined above.

	2007 $'000	2006 $'000
Income statement		
Revenue from continuing operations	**612,854**	548,664
Cost of sales	**(476,336)**	(441,815)
Gross profit	**136,518**	106,849
Other income	**1,514**	-
Selling and technical expenses	**(29,342)**	(24,104)
Administration expenses	**(27,137)**	(22,738)
Borrowing costs	**(12,315)**	(11,930)
Profit before income tax	**69,238**	48,077
Income tax expense	**(20,564)**	(14,388)
Profit for the year	**48,674**	33,689
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	**52,189**	37,884
Profit for the year	**48,674**	33,689
Dividends provided for or paid	**(27,579)**	(19,384)
Retained profits at the end of the financial year	**73,284**	52,189

35 Deed of cross guarantee (continued)

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2007 for the Closed Group outlined above.

	2007 $'000	2006 $'000
Current assets		
Cash and cash equivalents	**11,719**	19,948
Trade and other receivables	**99,767**	58,240
Inventories	**80,183**	74,505
Derivative financial instruments	**854**	204
Total current assets	**192,523**	152,897
Non-current assets		
Receivables	**3,155**	4,173
Available for sale financial assets	**10,845**	-
Property, plant and equipment	**181,609**	150,880
Intangible assets	**49,491**	38,005
Deferred tax assets	**14,031**	18,908
Other financial assets	**25,718**	-
Total non-current assets	**284,849**	211,966
Total assets	**477,372**	364,863
Current liabilities		
Trade and other payables	**64,822**	53,106
Borrowings	**5,579**	4,242
Current tax liabilities	**10,984**	10,094
Provisions	**31,224**	28,444
Derivative financial instruments	**150**	192
Total Current Liabilities	**112,759**	96,078
Non-current liabilities		
Borrowings	**202,532**	130,233
Deferred tax liabilities	**-**	2,495
Provisions	**3,242**	3,159
Total non-current liabilities	**205,774**	135,887
Total liabilities	**318,533**	231,965
Net assets	**158,839**	132,898
Equity		
Contributed equity	**83,685**	81,437
Reserves	**1,870**	433
Retained profits	**73,284**	51,028
Total equity	**158,839**	132,898

36 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Profit for the year	**49,092**	33,897	**35,000**	34,457
Depreciation and amortisation of licences	**19,960**	17,570	**-**	-
Amortisation of finance costs	**778**	1,159	**-**	-
Non-cash employee benefits expense - share-based payments	**1,211**	584	**1,211**	584
Net (gain) loss on sale of non-current assets	**(673)**	502	**-**	-
Net exchange differences	**(644)**	179	**-**	-
(Increase) / decrease in trade debtors and bills of exchange	**(10,380)**	8,019	**-**	-
(Increase) / decrease in inventories	**(1,558)**	506	**-**	-
(Increase) / decrease in other financial assets at fair value through profit or loss	**(650)**	(204)	**(36,211)**	(35,041)
(Increase) / decrease in deferred tax assets	**2,600**	2,392	**-**	-
Increase / (decrease) in trade creditors	**3,268**	(355)	**-**	-
Increase / (decrease) in other operating liabilities	**(42)**	192	**-**	-
Increase / (decrease) in provision for income taxes payable	**522**	3,655	**-**	-
Increase / (decrease) in provision for deferred income tax	**873**	274	**-**	-
Increase / (decrease) in other provisions	**891**	(685)	**-**	-
Net cash inflow from operating activities	**65,248**	67,685	**-**	-

37 Non cash investing and financing activities

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Acquisition of plant and equipment by means of finance leases	**2,403**	5,437	**-**	-
Acquisition of plant and equipment by means of hire purchase	**-**	4,217	**-**	-
	2,403	9,654	**-**	-

Dividends satisfied by the issue of shares under the dividend reinvestment plan are shown in note 27 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 39.

Ordinary shares issued for acquisition of entities for no cash consideration are shown in note 25.

38 Earnings per share

	Consolidated	
	2007	2006
	Cents	Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**46.3**	**32.5**
Profit attributable to the ordinary equity holders of the company	**46.3**	**32.5**
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**45.8**	**32.3**
Profit attributable to the ordinary equity holders of the company	**45.8**	**32.3**

(c) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	2007	2006
	$'000	$'000
Basic earnings per share		
Profit from continuing operations	**49,092**	33,897
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**49,092**	33,897
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**49,092**	33,897
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**49,092**	33,897
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**49,092**	33,897
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**49,092**	33,897

(d) Weighted average number of shares used as the denominator

	Consolidated	
	2007	2006
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**106,023,727**	104,306,583
Adjustments for calculation of diluted earnings per share:		
Rights	**1,075,394**	557,189
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**107,099,121**	104,863,772

(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 39.

39 Share based payments

(a) Employee Share Acquisition Plan

The Company has an Employee Share Acquisition Plan (ESAP) which was approved at a members meeting on 22 April 2004. The ESAP is a general employee share plan pursuant to which employees of the Company or any of its subsidiaries may participate, at the invitation of the Board, in the acquisition of shares on terms and conditions determined by the Board. Shares issued under ESAP rank equally with other fully paid ordinary shares. Employees may elect not to participate in the plan.

In accordance with current Australian Tax legislation in order to allow employees to make an election to seek an exemption from tax in relation to shares acquired under the ESAP, shares acquired under the ESAP must be held in the ESAP for a minimum of three years (or earlier cessation of relevant employment). During that time, the shares are subject to a disposal restriction such that the participant cannot deal in (i.e. sell or transfer) the shares.

Further, an employee participating in the ESAP cannot forfeit shares allocated by the Company in any circumstances. The Board has the discretion to determine the specific terms and conditions applying to each offer.

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
Shares issued under the plan to participating employees on 3 August 2005	**-**	6,448	**-**	6,448

There were no shares issued under this plan for 2007. The 2006 share issue was for employees based in New Zealand. The weighted average market price of shares issued in 2006 was $2.82. There were no other shares eligible for issuance under the scheme at 30 June 2007.

Solely at the discretion of the Board, similar allocations may be made in subsequent years, subject to the performance of the Company. Directors who participate in the Non-Executive Director Share Acquisition Plan or the Performance Rights Plan are not currently eligible to participate in offers under the ESAP.

(b) 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.

For the 2007 year shares were acquired on-market for an equivalent value to the percentage of Directors Fees nominated. In the 2006 year shares were issued as new shares and the number of shares allocated was determined based on the weighted average price of Shares on ASX on the five trading days up to and including the allocation date to satisfy the allocation.

Summary of share purchases (2006: issues) in the plan:

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
Shares purchased (2006: issued) under the plan to participating directors on 19 September 2006 (2006: 24 August 2005)	**8,537**	10,490	**8,537**	10,490
Shares purchased (2006: issued) under the plan to participating directors on 20 February 2007 (2006: 23 February 2006)	**4,152**	9,793	**4,152**	9,793
	12,689	20,283	**12,689**	20,283

At 30 June 2007 Directors participating in the plan have an entitlement to the value of $43,200 which is the relevant percentage of Directors Fees nominated to be taken as shares for the period 1 January 2007 to 30 June 2007. It is expected that shares to this value will be purchased on-market during August 2007. The exact number of shares to be purchased cannot be determined.

39 Share based payments (continued)

(c) 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 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. If the exercise conditions are satisfied, the Performance Rights may be exercised and the shares issued and delivered to the executive. 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.

Shares will immediately be allocated on exercise of a Performance Right. Performance Rights may only be exercised following satisfaction of performance conditions, unless the Board determines an event (such as a takeover bid) has occurred.

All grants of Performance Rights issued so far have been at no cost to participating executives. In relation to future grants, the Board may impose performance conditions that reflect the Company's business plans, targets, budgets and its performance relative to peer groups of companies.

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 would seek shareholder approval as required by the Listing Rules.

The performance conditions are based on the relative total shareholder return ("TSR") of the Company measured against other companies in the ASX Small Cap 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.

In assessing whether the performance hurdles have been met, the Remuneration Committee receives independent data from an independent investment bank which provides both Bradken's growth from previous financial years and that of the ASX Small Cap companies. The Company's performance against the hurdle is then determined with each company in the ASX Small Cap companies and Bradken being ranked in order of growth in results from previous financial years. The Company's percentile ranking is determined by aggregating the weighting within the ASX Small Cap companies (based on market capitalisation) of each company ranked below Bradken. The method of assessment was chosen 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 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% (2% increase for each higher ranking)
The Company's TSR ranked in fourth quartile of companies in ASX Small Cap	100

Changes to the Performance Rights Plan have been made since 1 July 2006. For issues before 1 July 2006 a maximum one third may become exercisable for each of the three financial years on which the performance conditions were tested. For grants made from 1 July 2006 no retesting will be allowed and testing will take place in respect of a 3 year performance period and can only vest after the end of the 3 year performance period.

To ensure no material disadvantage to the existing scheme participants and to achieve Bradken's key objective of retaining valuable employees, there is a transition to the new vesting rules for grants made from 1 July 2006.

Summary of Rights issues in the plan:

Grant date	Number of Rights	Fair value per Right	Financial periods in which Rights may vest
18 August 2004	91,667	1.57	30 June 2006 / 2007 / 2008
30 June 2005	174,749	1.41	30 June 2006 / 2007 / 2008
18 November 2005	444,068	2.35	30 June 2007 / 2008 / 2009
30 October 2006	206,875	2.80	30 June 2008 / 2009
30 October 2006	360,838	3.44	30 June 2010
30 March 2007	19,202	4.70	30 June 2010

There were no other Rights eligible for issuance under the scheme at 30 June 2007.

39 Share based payments (continued)

The movements in Rights issues in the plan are as follows:

Grant Date	Expiry date	Fair value at 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
Consolidated and parent entity - 2007								
18 August 2004	10 years from Test date	1.57	67,223	-	(36,667)	-	30,556	-
30 June 2005	10 years from Test date	1.41	119,705	-	(70,317)	-	49,388	-
18 November 2005	10 years from Test date	2.35	444,068	-	(148,023)	-	296,045	-
30 October 2006	10 years from Test date	2.80	-	206,875	-	-	206,875	-
30 October 2006	10 years from Test date	3.44	-	360,838	-	-	360,838	-
30 March 2007	10 years from Test date	4.70	-	19,202	-	-	19,202	-
Total			630,996	586,915	(255,007)	-	962,904	-
Weighted average price			2.09	3.26	1.98		2.83	

Vesting for the performance period to 30 June 2007 will occur following the test date on 7 August 2007.

Grant Date	Expiry date	Fair value at 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
Consolidated and parent entity - 2006								
18 August 2004	30 June 2007	1.57	91,667	-	(24,444)	-	67,223	-
30 June 2005	30 June 2007	1.41	174,749	-	(35,549)	(19,495)	119,705	-
18 November 2005	30 June 2008	2.35	-	444,068	-	-	444,068	-
Total			266,416	444,068	(59,993)	(19,495)	630,996	-
Weighted average price			1.47	2.35	1.48	1.41	2.09	

* For year end 30 June 2006 a number of rights were shown as vested and exercisable at the end of the year. These were incorrectly shown as the testing date to determine the actual number to vest did not occur until 24 August 2006. The table above has been amended to reflect the correct position at 30 June 2006. Vesting for the performance period to 30 June 2007 will occur following the test date on 7 August 2007.

The weighted average share price at the date of exercise of Rights exercised regularly during the year ended 30 June 2007 was $6.00 (2006: $3.98). The weighted average remaining contractual life of share Rights outstanding at the end of the period was 1.61 years (2006: 1.79 years).

Fair value of Rights granted

The assessed fair value at grant date of Rights granted during the year ended 30 June 2007 was between $2.80 and $4.70 per right (2006: $2.35). The fair value at grant date is determined using a Black Scholes option 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.

39 Share based payments (continued)

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
18/08/2004	Ten years from Test Date	1.57	-	2.66	90%	5.44%	0.00%
30/06/2005	Ten years from Test Date	1.41	-	2.80	90%	5.17%	0.00%
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%
30/03/2007	Ten years from Test Date	4.70	-	8.81	90%	6.02%	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.

(d) 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:

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Rights issued under Performance Rights Plan	**1,211**	478	**1,211**	478
Shares purchased under the Non-Executive Directors Share Acquisition Plan	**88**	88	**88**	88
Shares issued under the Employee Share Acquisition Plan	**-**	18	**-**	18
	1,299	584	**1,299**	584

40 Events occurring after balance sheet date

No material events have occurred that affect the operations of the Group from the end of the financial period ended 30 June 2007 to the date of issue of this report.

In the directors' opinion:

(a) the financial statements and notes set out on pages 24 to 78 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 company's and consolidated entity's financial position as at 30 June 2007 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, 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) the audited remuneration disclosures set out on pages 12 to 18 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 35 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 35.

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:

NFH Greiner
Chairman

BW Hodges
Managing Director

Sydney
6 August 2007

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Independent audit report to the members of Bradken Limited

Report on the financial report and the AASB 124 Remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Bradken Limited (the company) which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Bradken Limited and the Bradken Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 12 to 18 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 Remunerations disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website

http://www.pwc.com/au/financialstatementaudit.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of Bradken Limited (the company) for the financial year ended 30 June 2007 included on the Bradken Limited's web site. The company's directors are responsible for the integrity of the Bradken Limited's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report and remuneration disclosures identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or remuneration disclosures. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Bradken Limited is in accordance with the *Corporation Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*); and

(b) the consolidated financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on the AASB 124 Remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 12 to 18 of the directors' report comply with Accounting Standard AASB 124.

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PricewaterhouseCoopers

D A Turner

D A Turner
Partner

Sydney
6 August 2007