

**Bradken®**

Bradken Limited (ABN 33 108 693 009)

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6 August 2009

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 2008/09 year, for immediate release to the market.

Included in this announcement is Appendix 4E and the Full Financial Report for the period to 30 June 2009.

Yours faithfully

Bruce Arnott  
Company Secretary  
Encl:

## Results for Announcement to the Market

	<u>Percentage Change</u>			<u>\$'000</u>
Revenues from ordinary activities	Up	60.4%	to	1,223,571
Profit (loss) from ordinary activities after tax attributable to members	Up	10.8%	to	64,268
Net Profit (loss) for the period attributable to members	Up	10.8%	to	64,268

<b>Dividends</b>		
	<u>Amount per Security</u>	<u>Percentage Franked</u>
<b>Current period:</b>		
Final Dividend	13.0 cents	100%
Date the dividend is payable:	7 September 2009	
Record Date for determining entitlements to the dividend:	17 August 2009	
Interim Dividend	10.0 cents	100%
<b>Prior corresponding period:</b>		
Final Dividend	22.0 cents	100%
Interim Dividend	15.0 cents	100%

Net Tangible Assets per Security	
As at 30 June 2009	\$1.31
As at 30 June 2008	\$1.20

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**Bradken Limited**

ABN 33 108 693 009

**Full Financial Report - 30 June 2009**

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## **Contents**

	Page
Corporate directory	1
Directors' report	2
Financial Report	24
Directors' declaration	86
Independent audit report to members	87
Shareholder information	89

<b>Directors</b>	Nicholas Greiner, AC, B.Ec., MBA <i>Independent Non-Executive Chairman</i>
	Brian Hodges, B.Chem.Eng. (Hons) <i>Managing Director and Chief Executive Officer</i>
	Phil Arnall, B.Com. <i>Independent Non Executive Director</i>
	Greg Laurie, B.Com. <i>Independent Non Executive Director</i>
	Vince O'Rourke, AM, B.Ec. <i>Independent Non Executive Director</i>
	Peter Richards, B.Com. - appointed 11 February 2009 <i>Independent Non Executive Director</i>
<b>Secretary</b>	Bruce Arnott, B.Com.
<b>Business unit general managers</b>	<b>Industrial</b> Andrew Allen
	<b>Mining Products</b> Enda Sheridan
	<b>Rail</b> David Brown (left company 12 June 2009) Andrew Allen (appointed 17 June 2009)
	<b>Power and Cement</b> Greg Dalziel
	<b>Engineered Products</b> Tom Armstrong
<b>Notice of annual general meeting</b>	The annual general meeting of Bradken Limited <b>will be held at</b> Crown Plaza Newcastle (Boardroom) <b>time</b> 2:30pm <b>Date</b> 28 October 2009
<b>Principal registered office in Australia</b>	2 Maud Street Mayfield West NSW 2304 Telephone: +61 2 4941 2600
<b>Share registry</b>	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Telephone: +61 2 8280 7519
<b>Auditor</b>	PricewaterhouseCoopers 26 Honeysuckle Drive Newcastle NSW 2300
<b>Bankers</b>	Westpac Banking Corporation Level 3 Westpac Place 275 Kent Street Sydney NSW 2000
<b>Stock exchange listings</b>	Bradken Limited shares are listed on the Australian Stock Exchange. The home exchange is Sydney.
<b>Web site address</b>	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 2009.

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, quarrying and power markets
- supply of cast, machined and fabricated components and highly engineered steel castings to the energy, industrial and rail transport industries
- manufacture and maintenance of freight rollingstock products
- supply of foundry consumables to the foundry and steelmaking industries

The major change in the nature of the activities of the Group during the period was the expansion of the business into the USA through the acquisition of 100% of the issued shares of Americast Technologies Inc. which now operates as the Engineered Products Division.

#### Directors

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

Nick Greiner	Greg Laurie
Brian Hodges	Vince O'Rourke
Phil Arnall	Peter Richards - appointed 11 February 2009

#### Information on directors

**Nick Greiner, AC, B.Ec., MBA.** *Independent Non-Executive Chairman.* Age 62.

##### **Experience and expertise**

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

##### **Other current directorships**

Chairman of Bilfinger Berger Australia, Chairman of Citigroup Australia, Deputy Chairman of Stockland and a Director of various private groups. On the Committee for Economic Development of Australia's (CEDA's) Board of Governors and Trustee Sydney Theatre Company Foundation.

##### **Former directorships in the last three years**

Director of QBE Insurance Limited, Australian Vintage Limited, Blue Freeway Limited and a board member of South Sydney Rugby League Club.

##### **Special responsibilities**

Member of Human Resource (formerly Remuneration) Committee.

##### **Interest in shares**

407,274 ordinary shares in Bradken Limited.

**Brian Hodges, B.Chem.Eng. (Hons).** *Managing Director.* Age 56.

##### **Experience and expertise**

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

**A. General information (continued)**

**Other current directorships**

None.

**Former directorships in the last three years**

None

**Special responsibilities**

Managing Director.

**Interest in shares and rights**

2,745,307 ordinary shares in Bradken Limited.

180,421 rights over ordinary shares in Bradken Limited.

**Phil Arnall, B.Com.** *Independent Non-Executive Director.* Age 64.

**Experience and expertise**

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

**Other current directorships**

Chairman of Ludowici Limited and Chairman of Capral Limited.

**Former directorships in the last three years**

None.

**Special responsibilities**

Member of Audit and Risk (formerly Audit) Committee and member of Human Resource (formerly Remuneration) Committee.

**Interest in shares**

600,622 ordinary shares in Bradken Limited.

**Greg Laurie, B.Com.** *Independent Non-Executive Director.* Age 67.

**Experience and expertise**

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

**Other current directorships**

Independent non-executive director of Nick Scali Limited and various private groups.

**Former directorships in the last three years**

Chairman of Repco Corporation Limited.

**Special responsibilities**

Chairman of Audit and Risk (formerly Audit) Committee.

**Interest in shares**

57,922 ordinary shares in Bradken Limited.

**Vince O'Rourke, AM, B.Ec.** *Independent Non-Executive Director.* Age 73.

**Experience and expertise**

Director of Bradken Limited since 2004. Extensive experience in the rail transport industry, 10 years as Chief Executive of Queensland Rail.

**Other current directorships**

Director of Felix Resources Limited. Chairman of the Workplace Health and Safety Board of Queensland, Rail Innovation Australia Pty Ltd and a board member of Mater Health Services Brisbane Limited.

**Former directorships in the last three years**

Chairman of the Co-operative Research Centre for Rail Engineering and Technologies,

**Special responsibilities**

Chairman of Human Resource (formerly Remuneration) Committee and member of Audit and Risk (formerly Audit) Committee.

**Interest in shares**

69,347 ordinary shares in Bradken Limited.

## A. General information (continued)

**Peter Richards, B.Com.** *Independent Non-Executive Director.* Age 50.

### **Experience and expertise**

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

### **Other current directorships**

None.

### **Former directorships in the last three years**

Dyno Nobel Limited.

### **Special responsibilities**

Member of Audit and Risk (formerly Audit) Committee.

### **Interest in shares**

20,000 ordinary shares in Bradken Limited.

### **Company Secretary**

The Company Secretary is Mr Bruce Arnott, B.Com, CPA. Mr Arnott joined the Group in 2005 as Chief Financial Officer (CFO) and is responsible for accounting, finance, treasury, taxation, supply, investor relations, investments, audit, risk 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 2009, and the number of meetings attended by each director were:

Director	Full meetings of directors *		Audit and Risk Committee meetings		Human Resource Committee meetings	
	A	B	A	B	A	B
Nick Greiner	13	13	**	**	2	2
Brian Hodges	13	13	**	**	**	**
Phil Arnall	12	13	6	6	2	2
Greg Laurie	13	13	6	6	**	**
Vince O'Rourke	13	13	6	6	2	2
Peter Richards	4	4	2	2	**	**

**A** Number of meetings attended

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

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

\*\* = Not a member of the relevant committee

## 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 2007 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 and on the company's web site. 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](http://www.bradken.com.au). The charter details the Board's composition and responsibilities.

## **B. Corporate governance (continued)**

### ***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.

### ***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 five 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
- 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.



## **B. Corporate governance (continued)**

### ***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.

### ***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 Human Resource (formerly Remuneration) Committee and an Audit and Risk (formerly 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 most recent assessment was undertaken in August 2009.

The Chairman meets privately with each director to discuss this assessment and their individual situation.

### ***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 Human Resource (formerly Remuneration) Committee and the Audit and Risk (formerly 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.

## **B. Corporate governance (continued)**

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

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

- Board appointments and performance;
- Directors' induction program;
- Committee membership;
- Executive management succession planning, appointments and terminations; and
- Other relevant matters.

The full Board undertakes the functions of a Nominations Committee as described in the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

### **Human Resource (formerly Remuneration) Committee**

The Human Resource Committee consists of the following non-executive directors:

Vince O'Rourke (Chairman)

Nick Greiner

Phil Arnall

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

The Human Resource Committee operates in accordance with its charter which is available on the Company website. The Human Resource 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 Human Resource 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 and Risk (formerly Audit) Committee**

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

Greg Laurie (Chairman)

Phil Arnall

Vince O'Rourke

Peter Richards

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

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

## B. Corporate governance (continued)

- 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
- 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 and Risk 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 and Risk 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 and Risk Committee or the Chairman of the Board.

The Audit and Risk 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 25 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](http://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

## **B. Corporate governance (continued)**

- 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.

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 can elect to 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**

	FY09	FY08	Variance
	\$m	\$m	%
<b>Sales</b>	<b>1,209.2</b>	<b>760.3</b>	<b>59</b>
<b>EBITDA</b>	<b>169.1</b>	<b>127.2</b>	<b>33</b>
<b>NPAT and minorities</b>	<b>64.3</b>	<b>58.0</b>	<b>11</b>
<b>Earnings per share (cents) based on shares at the end of the period</b>	<b>50.6</b>	<b>54.7</b>	<b>-7</b>
<b>Dividend per share (cents)</b>	<b>23.0</b>	<b>37.0</b>	<b>-38</b>
<b>Cashflow *</b>	<b>110.0</b>	<b>48.6</b>	<b>126</b>
<b>Cashflow**</b>	<b>-77.1</b>	<b>-14.8</b>	
<b>ROFE (EBITA)</b>	<b>23.0%</b>	<b>27.3%</b>	
<b>ROE</b>	<b>24.3%</b>	<b>33.9%</b>	
<b>Net Debt / EBITDA (ratio)</b>	<b>2.36</b>	<b>1.96</b>	
<b>Interest cover (times)</b>	<b>3.9</b>	<b>5.3</b>	

\* Net operating cash flow

\*\* Net operating and investing cash flow

**(ii) Financial Highlights**

Sales revenue for the twelve months to June 2009 of \$1,209.2m was \$448.9m or 59% higher than for the twelve months to June 2008. The impact of the acquisition of AmeriCast and CMS represented \$371.3m of this increase. Rail showed the strongest sales growth increasing 19% from FY08, Mining increased by 14%, Industrial (including acquisitions) was up 3%, while Power & Cement sales were 6% below last year.

EBITDA of \$169.1m was achieved, \$41.9m or 33% higher than the corresponding period. The EBITDA to sales margin of 14.0% was down on the corresponding period of 16.7%. Net profit after tax attributable to ordinary equity holders (NPAT) of \$64.3m was \$6.3m or 11% ahead of the corresponding period, resulting in earnings per share of 50.6 cents (based on number of shares at 30 June 2009).

The Directors have declared a final, fully franked, dividend of 13.0 cents per share, an 41% decrease compared to 22 cents paid in the corresponding period last year. The dividend is payable on the 7 September 2009 with a record date of the 17 August 2009. This brings the dividend for the full year to 23.0 cents per share a 38% decrease on FY08. The dividend reinvestment plan will be in operation for the final dividend [with a discount of 2.5%].

Operating cash flow in FY09 of \$110m was more than double that of the previous period due to higher profitability and a reduction in working capital. While in dollar terms working capital increased by \$77m, \$80m of this related to the Engineered Products Divisions acquisition. Receivables reduced by \$30m due to lower sales levels, inventory increased marginally by \$2m, while creditors reduced by \$21m linked to activity levels. Investing cash flow was an outflow of \$187m, reflecting capital expenditure of \$81m, a \$13.8m investment in 12.6% of the shares in Austin Engineering and the Engineered Products acquisition. Other cash flow and balance sheet impacts flowed mainly from the acquisition of Engineered Products in August 2008, which included the placement of 17.5 million shares and the absorption of the existing US business's debt.

Net debt at June 2009 of \$398.5m reflected the addition of the net borrowings from the Engineered Products Division in the USA. Net Debt was down by \$28m from the December 2008 level of \$426m, and \$82m down from the peak in February 2009. The Company's gearing remains sound with Net Debt to Net Debt plus Equity improving from 57% to 53% and Net Debt at 2.36 times EBITDA.

**(iii) Business Summary**

■ **Mining Products - Sales revenue of \$410.0m, up \$49.6m or 14% on FY08**

Following a change in management structure, the Mineral Processing Division has been incorporated into the Mining Products Division. Sales revenue for the Mining Products Division increased by 14% on FY08, with growth in all product groups, particularly the Mineral Processing business. After a strong start to the year, volumes in the second half were impacted by customer destocking due to the global economic conditions and the lack of expansion projects affecting the Plate and Block Business. Gross margins held up, influenced by reduced costs.

■ **Rail - Sales revenue of \$272.1m, up \$43.8m or 19% on FY08**

The Rail Division delivered sales growth of 19% in FY09 compared to FY08 due to strong market demand for freight wagons. As forecast, gross margins reduced with the start up build of new coal and iron ore wagons. Margins were also adversely affected by the exchange rate on the costs from China. The ramping up of production at the new Xuzhou facility to firstly 20 iron ore wagon bodies per week and then onto their first coal wagon build is a significant achievement for the Rail Division.

■ **Industrial - Sales revenue of \$114.4m, up \$3.5m or 3% on FY08**

The Industrial Division achieved a full year sales revenue increase of 3% compared to FY08, reflecting a full year of trading for the CMS business. The underlying industrial business was down 13% reflecting the slow down across a broad range of industrial market sectors, most significantly in large structural fabrication. Year on year the gross margin percentage improved slightly to 32.1%.

### C. Review of operations (continued)

#### ■ Power & Cement - Sales revenue of \$56.9m, down \$3.8m or 6% on FY08

Revenue in the Power & Cement Division was down by 6%. First half sales were impacted by an external non-recurring quality problem, which reduced the quantity of products available for sale. Second half sales returned to more normal levels, increasing 25% on the first half result. Gross margins continued to improve due to sales of power station consumables, growth in sales to Poland and South Africa, new product development initiatives and favourable exchange rates.

#### ■ Engineered Products - Sales revenue of \$355.8m

The Engineered Products Division in the USA was acquired in August 2008 and the result thus represents eleven months trading, with sales of AUD\$355.8m for the period. The second half sales were significantly impacted by the global downturn and required swift action to address both variable and fixed costs in the business. This action, along with targeted sales initiatives, allowed gross margins to increase in the second half and record a full year margin result of 28.6%. The business has been fully integrated into Bradken and realigned into three market based businesses, namely, Industrial Products, Bradken-Atlas and Consumable Products.

#### Strategy and Outlook

The company's underlying business strategies remain unchanged with long term global expansion focused on its key strengths including design, manufacture and supply of Mill Liner, Crusher Liner, Crawler Shoes and Wear Plate & Block products for the mining market and power station products. The Company has established a consumable products business in the USA which is leveraging off the Engineered Products Division.

Ground Engaging Tools, a key consumable product is currently restricted by the ESCO licence to sales in Australia, Papua New Guinea and New Zealand. The licence expires on 30 June 2011 and is unlikely to be renewed in its current restrictive form. Greater geographical reach and product flexibility will enable growth rates compatible with those achieved by other Bradken consumable products.

In the short term, the company will focus on refinancing its Australia debt, which is expected to be completed in the next two to three months and debt reduction through lower capex, working capital reduction and the use of an underwritten DRP.

#### Dividends

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

	2009 \$'000	2008 \$'000
Final dividend for the year ended 30 June 2008 of 22.0 cents (2007: 17.0 cents) per fully paid share paid on 4 September 2008 (2007: 4 September 2007)	26,375	18,032
Interim dividend for the year ended 30 June 2009 of 10.0 cents (2008: 15.0 cents) per fully paid share paid 27 March 2009 (2008: 10 March 2008)	12,357	15,912
	<b>38,732</b>	<b>33,944</b>

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 \$16,499,000 (13.0 cents per fully paid ordinary share) to be paid on 7 September 2009 out of retained profits at 30 June 2009.

#### Significant changes in the state of affairs

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

	2009 \$'000
(a) Acquisition of the remaining shares in Americast Technology Inc.	
(b) increase in contributed equity of \$142,421,000 (from \$81,039,000 to \$223,460,000) as a result of:	
■ Equity raising in the period	138,735
■ Exercise of rights - shares acquired on market	(1,657)
■ Exercise of rights - transfer from reserve	875
■ Dividend reinvestment plan issues 3,344,541 shares @ \$1.34 each	4,468
	<b>142,421</b>

#### 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 | (d) Share-based compensation |
| (b) Details of remuneration  | (e) Additional information   |
| (c) Service agreements   |                              |

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.

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

The objective of the Group's executive reward framework is to ensure reward for performance 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 2008. Total aggregate remuneration for all non-executive directors, last voted upon by shareholders in October 2007, is not to exceed \$800,000 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 \$120,000 per annum. The Chairman receives up to twice the base fee, currently \$240,000 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 (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 Human Resource 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

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), the Chief Financial Officer and the General Managers and Chief Operating Officer 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 2009. The executives are:

- Andrew Allen - *General Manager Industrial* (appointed *General Manager Rail* on 17 June 2009)
- Tom Armstrong - *Chief Operating Officer Engineered Products*
- Bruce Arnott - *CFO and Company Secretary*
- David Brown - *General Manager Rail* (left company 12 June 2009)
- Greg Dalziel - *General Manager Power & Cement* (appointed 4 July 2008)
- Enda Sheridan - *General Manager Mining*

In addition, the following person must be disclosed under the *Corporations Act 2001* as he is among the 5 highest remunerated Group executives.

- Brad Ward - *President Bradken Products and Integration*



**D. Remuneration report (continued)**

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

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 35 are satisfied. All other elements of remuneration are not directly related to performance.

No cash bonuses have been earned for the period ended 30 June 2009 as the minimum growth targets were not achieved.

**Key management personnel of Bradken Limited and of the Group**

2009	Short-term employee benefits			Post-employment benefits		Share-based payment	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Shares / Rights	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive directors</i>							
Nick Greiner - <i>Chairman</i>	221,250	-	-	-	-	13,750	235,000
Phil Arnall	117,500	-	-	-	-	-	117,500
Greg Laurie	21,000	-	-	58,500	-	38,000	117,500
Vince O'Rourke	22,500	-	-	65,625	-	29,375	117,500
Peter Richards	31,881	-	-	2,869	-	11,583	46,333
<b>Sub-total non-executive directors</b>	<b>414,131</b>	<b>-</b>	<b>-</b>	<b>126,994</b>	<b>-</b>	<b>92,708</b>	<b>633,833</b>
<i>Executive directors</i>							
Brian Hodges	1,021,580	-	4,111	100,690	-	312,137	1,438,518
<i>Other key management</i>							
Andrew Allen	301,237	-	1,784	46,305	-	65,418	414,744
Tom Armstrong *	418,305	-	-	7,944	-	-	426,249
Bruce Arnott	461,424	-	2,891	52,208	-	87,102	603,625
David Brown *	420,985	-	-	25,580	-	-	446,565
Greg Dalziel *	216,001	-	-	11,664	-	22,288	249,953
Enda Sheridan	437,385	-	1,193	48,475	-	124,553	611,606
Brad Ward	494,953	-	-	9,172	-	72,036	576,161
<b>Totals</b>	<b>4,186,001</b>	<b>-</b>	<b>9,979</b>	<b>429,032</b>	<b>-</b>	<b>776,242</b>	<b>5,401,254</b>

\* Greg Dalziel was appointed General Manager Power & Cement on 4 July 2008 following Chris Burdon's resignation from that position on 4 July 2008. Tom Armstrong joined the Group from the Americast acquisition on 6 August 2008. David Brown left Bradken's employ on 12 June 2009.

2008	Short-term employee benefits			Post-employment benefits		Share-based payment	Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Shares / Rights	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive directors</i>							
Nick Greiner - <i>Chairman</i>	159,750	-	-	-	-	53,250	213,000
Phil Arnall	106,500	-	-	-	-	-	106,500
Greg Laurie	-	-	-	69,900	-	36,600	106,500
Vince O'Rourke	-	-	-	79,875	-	26,625	106,500
<b>Sub-total non-executive directors</b>	<b>266,250</b>	<b>-</b>	<b>-</b>	<b>149,775</b>	<b>-</b>	<b>116,475</b>	<b>532,500</b>
<i>Executive directors</i>							
Brian Hodges	759,258	495,000	-	98,819	-	395,330	1,748,407
<i>Other key management</i>							
Andrew Allen	198,132	175,527	14,749	81,078	-	89,908	559,394
Bruce Arnott	371,676	141,075	-	33,451	-	118,456	664,658
David Brown	265,738	159,674	7,708	24,148	-	54,009	511,277
Chris Burdon	329,080	-	-	3,580	-	40,772	373,432
Steve Burraston	73,009	-	2,929	67	-	-	76,005
Enda Sheridan	340,249	198,000	-	52,641	-	142,292	733,182
Brad Ward	232,406	153,295	9,320	24,208	-	92,698	511,927
<b>Totals</b>	<b>2,835,798</b>	<b>1,322,571</b>	<b>34,706</b>	<b>467,767</b>	<b>-</b>	<b>1,049,940</b>	<b>5,710,782</b>

## D. Remuneration report (continued)

### (c) Service agreements

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.

Brian 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.

Andrew Allen, *General Manager Industrial* (appointed *General Manager Rail* on 17 June 2009)

- 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.

Bruce 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.

Tom Armstrong, *Chief Operating Officer Engineered Products*

- Contract of employment with Bradken Holdings USA Inc. dated 25th October 2006 for a three year term renewable for successive twelve monthly periods unless either party gives ninety days written notice of their intent not to extend the term
- The contract can be terminated by the company at any time for any reason without prior notice, the executive can terminate on thirty days notice for any reason.

Andrew G Dalziel, *General Manager Power & Cement* (appointed 4 July 2008)

- Contract of employment with Bradken UK Pty Ltd dated 31 March 2008 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.

Enda Sheridan, *General Manager Mining Products*

- 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.

Brad Ward, *President Bradken Products and Integration*

- Contract of employment with Bradken Resources Pty Ltd dated 3rd September 2008 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

*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 (continued)**

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

Name	Dates of share purchase	Number of shares purchased during the year	Weighted average price of shares purchased
<b>Directors of Bradken Limited</b>			
Nick Greiner	14 August 2008	<b>2,827</b>	<b>\$9.75</b>
Greg Laurie	14 August 2008	<b>2,261</b>	<b>\$9.75</b>
Vince O'Rourke	14 August 2008	<b>1,414</b>	<b>\$9.75</b>
Greg Laurie	17 February 2009	<b>13,334</b>	<b>\$1.50</b>
Vince O'Rourke	17 February 2009	<b>9,584</b>	<b>\$1.50</b>

*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%
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 Human Resource 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.

**D. Remuneration report (continued)**

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

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:

Grant Date	Expiry Date	Exercise price	Fair value per Right	Performance Period	Test Date (date vested and exercisable)
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 October 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 October 2006 *	10 years from Test Date	\$0.00	\$3.44	1 Jul 06 to 30 Jun 09	Result announcement y/e 09
30 March 2007 *	10 years from Test Date	\$0.00	\$4.70	1 Jul 06 to 30 Jun 09	Result announcement y/e 09
31 October 2007 *	10 years from Test Date	\$0.00	\$4.44	1 Jul 07 to 30 Jun 08	Result announcement y/e 08
31 October 2007 *	10 years from Test Date	\$0.00	\$6.87	1 Jul 07 to 30 Jun 09	Result announcement y/e 09
31 October 2007 *	10 years from Test Date	\$0.00	\$8.45	1 Jul 07 to 30 Jun 10	Result announcement y/e 10
17 October 2008 *	10 years from Test Date	\$0.00	\$2.84	1 Jul 08 to 30 Jun 09	Result announcement y/e 09
17 October 2008 *	10 years from Test Date	\$0.00	\$4.11	1 Jul 08 to 30 Jun 10	Result announcement y/e 10
17 October 2008 *	10 years from Test Date	\$0.00	\$4.82	1 Jul 08 to 30 Jun 11	Result announcement y/e 11

*\* 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. New entrants to the scheme are provided with a transition to the 3 year plan.

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 34 to the financial statements.

*Number of Rights granted and vested during the year*

Name	Number of Rights granted during the year ended 30 June 2009	Number of Rights vested during the year ended 30 June 2009
<b>Directors of Bradken Limited</b>		
Brian Hodges	63,627	61,924
<b>Other key management personnel of Bradken Limited and of the Group</b>		
Andrew Allen	11,800	14,835
Bruce Arnott	17,399	20,300
David Brown	NIL	3,308
Greg Dalziel	11,471	NIL
Enda Sheridan	27,165	19,107
Brad Ward	13,960	14,155

**D. Remuneration report (continued)**

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

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.

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 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%
31 October 2007	30/06/2008	\$0.00	\$14.68	90%	6.18%	0.00%
31 October 2007	30/06/2009	\$0.00	\$14.68	90%	6.18%	0.00%
31 October 2007	30/06/2010	\$0.00	\$14.68	90%	6.18%	0.00%
17 October 2008	30/06/2009	\$0.00	\$6.30	139.5%	5.19%	0.00%
17 October 2008	30/06/2010	\$0.00	\$6.30	139.5%	5.19%	0.00%
17 October 2008	30/06/2011	\$0.00	\$6.30	139.5%	5.19%	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	Number of ordinary shares issued on exercise of Rights during the year
<b>Directors of Bradken Limited</b>	
Brian Hodges	<b>61,924</b>
<b>Other key management personnel of Bradken Limited and of the Group</b>	
Andrew Allen	<b>14,835</b>
Bruce Arnott	<b>20,300</b>
David Brown	<b>3,308</b>
Enda Sheridan	<b>19,107</b>
Brad Ward	<b>14,155</b>

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

**(e) Additional information**

*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). No part of cash bonuses forfeited are payable in future years.

**D. Remuneration report (continued)**

**(e) Additional information (continued)**

Name	Cash bonus	Rights						
	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) \$
Andrew Allen	Nil / Nil	2009	-	-	-	30/06/2012	-	50,858
		2008	-	25	-	30/06/2009	-	41,574
		2007	17	17	-	30/06/2010 30/06/2011 30/06/2008	-	72,503
		2006	67	33	-	30/06/2009 30/06/2010 30/06/2008 30/06/2009	-	-
Bruce Arnott	Nil / Nil	2009	-	-	-	30/06/2012	-	74,990
		2008	-	25	-	30/06/2009	-	55,892
		2007	18	18	-	30/06/2010 30/06/2011 30/06/2008	-	85,028
		2006	67	33	-	30/06/2009 30/06/2010 30/06/2008 30/06/2009	-	-
David Brown	Nil / Nil	2009	-	-	-	30/06/2012	-	-
		2008	100	-	-	30/06/2009 30/06/2010 30/06/2011	-	-
Greg Dalziel	Nil / Nil	2009	-	-	-	30/06/2010 30/06/2011 30/06/2012	-	49,440
Brian Hodges	Nil / Nil	2009	-	-	-	30/06/2012	-	274,232
		2008	-	25	-	30/06/2009	-	196,109
		2007	17	17	-	30/06/2010 30/06/2011 30/06/2008	-	307,273
		2006	67	33	-	30/06/2009 30/06/2010 30/06/2008 30/06/2009	-	-
Enda Sheridan	Nil / Nil	2009	-	-	-	30/06/2012	-	117,081
		2008	-	25	-	30/06/2009	-	89,881
		2007	15	15	-	30/06/2010 30/06/2011 30/06/2008	-	83,325
		2006	67	33	-	30/06/2009 30/06/2010 30/06/2008 30/06/2009	-	-
Brad Ward	Nil / Nil	2009	-	-	-	30/06/2012	-	60,168
		2008	-	25	-	30/06/2009	-	50,608
		2007	17	17	-	30/06/2010 30/06/2011 30/06/2008	-	62,146
		2006	67	33	-	30/06/2009 30/06/2010 30/06/2008 30/06/2009	-	-

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 2009 of \$4.31.

**D. Remuneration report (continued)**

**(e) Additional information (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 \$
Andrew Allen	15.8%	56,876	43,448	-
Bruce Arnott	14.4%	83,863	59,306	-
David Brown	0.0%	-	14,688	-
Greg Dalziel	8.9%	49,119	-	-
Brian Hodges	21.7%	306,682	185,418	-
Enda Sheridan	20.4%	130,935	61,381	-
Brad Ward	12.5%	67,287	43,090	-

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 November 2005	Ten years from Test Date	Nil	10,344
30 October 2006	Ten years from Test Date	Nil	19,092
30 October 2006	Ten years from Test Date	Nil	310,785
31 October 2007	Ten years from Test Date	Nil	9,569
31 October 2007	Ten years from Test Date	Nil	7,863
31 October 2007	Ten years from Test Date	Nil	222,436
17 October 2008	Ten years from Test Date	Nil	25,025
17 October 2008	Ten years from Test Date	Nil	15,621
17 October 2008	Ten years from Test Date	Nil	323,537

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 purchased on exercise of Rights**

The following ordinary shares of Bradken Limited were bought on market during the year ended 30 June 2009 on exercise of Rights granted under the Performance Rights Plan. No further shares have been bought since that date.

Date Rights granted	Exercise price of right	Number of shares purchased
18 November 2005	0.00	124,157
30 October 2006	0.00	82,105
31 October 2007	0.00	72,700

## **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 on the following page.

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

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

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)**

	<b>Consolidated</b>	
	2009	2008
	\$	\$
<b>Assurance services</b>		
<b>1. Audit services</b>		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under <i>Corporations Act 2001</i>	372,245	280,500
Related practices of PricewaterhouseCoopers Australian firm	206,836	102,081
Non-PricewaterhouseCoopers audit firm (Deloitte NZ)	29,603	16,565
Non-PricewaterhouseCoopers audit firm (KPMG US)	582,792	-
Non-PricewaterhouseCoopers audit firm (Hogg Lawson)	-	51,000
<b>Total remuneration for audit services</b>	<b>1,191,476</b>	<b>450,146</b>
<b>2. Other assurance services</b>		
Related practices of PricewaterhouseCoopers Australian firm		
Risk review services	96,675	-
Related practices of PricewaterhouseCoopers Australian firm		
Company secretarial services	-	1,552
Non-PricewaterhouseCoopers audit firm (Deloitte NZ)		
IFRS accounting services	-	14,663
<b>Total remuneration for other assurance services</b>	<b>96,675</b>	<b>16,215</b>
<b>Total remuneration for assurance services</b>	<b>1,288,151</b>	<b>466,361</b>
<b>Taxation services</b>		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of Company income tax returns	109,000	63,005
Related practices of PricewaterhouseCoopers Australian firm	18,144	56,387
Non-PricewaterhouseCoopers audit firm (Deloitte NZ)	8,818	6,857
Non-PricewaterhouseCoopers audit firm (KPMG US)	553,671	-
Non-PricewaterhouseCoopers audit firm (Ham Brothers Pty Ltd)	5,176	3,800
<b>Total remuneration for taxation services</b>	<b>694,809</b>	<b>130,049</b>

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

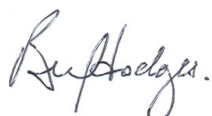
**Rounding of amounts**

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**

PricewaterhouseCoopers 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:



Brian Hodges  
Managing Director

Sydney  
6 August 2009

PricewaterhouseCoopers  
ABN 52 780 433 757

PricewaterhouseCoopers Centre  
26 Honeysuckle Drive  
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NEWCASTLE NSW 2300  
DX 77 Newcastle  
Australia  
[www.pwc.com/au](http://www.pwc.com/au)  
Telephone +61 2 4925 1100  
Facsimile +61 2 4925 1199

## Auditors Independence Declaration

As lead auditor for the audit of Bradken Limited for the year ended 30 June 2009, 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  
Partner  
PricewaterhouseCoopers

Sydney  
6 August 2009

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**Bradken Limited**

ABN 33 108 693 009

**Annual financial report - 30 June 2009**

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**Contents**

	Page
Financial report	
Income statements	25
Balance sheets	26
Statements of recognised income and expense	27
Cash flow statements	28
Notes to the financial statements	29
Directors' declaration	86
Independent audit report to the members	87

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 2009. 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](http://www.bradken.com.au).

**Income statements**  
For the year ended 30 June 2009

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Revenue from continuing operations</b>	5	<b>1,223,571</b>	762,956	<b>75,000</b>	40,000
Cost of sales		<b>(983,917)</b>	(589,460)	-	-
Gross profit		<b>239,654</b>	173,496	<b>75,000</b>	40,000
Other income	5	-	666	-	-
Selling and technical expenses		<b>(42,156)</b>	(33,930)	-	-
Administration expenses		<b>(69,114)</b>	(36,177)	-	-
Finance costs	5	<b>(35,476)</b>	(20,065)	-	-
<b>Profit before income tax</b>		<b>92,908</b>	83,990	<b>75,000</b>	40,000
Income tax (expense) / benefit	6	<b>(27,885)</b>	(25,493)	-	-
<b>Profit for the year</b>		<b>65,023</b>	58,497	<b>75,000</b>	40,000
<b>Profit is attributable to:</b>					
<b>Equity holders of Bradken Limited</b>		<b>64,268</b>	57,985	<b>75,000</b>	40,000
<b>Minority interest</b>		<b>755</b>	512	-	-
		<b>65,023</b>	58,497	<b>75,000</b>	40,000
		<b>Cents</b>	Cents		
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>					
<b>Basic earnings per ordinary share: (cents per share)</b>	34	<b>52.5</b>	54.7		
<b>Diluted earnings per ordinary share: (cents per share)</b>	34	<b>52.1</b>	54.2		

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

**Balance sheets**  
As at 30 June 2009

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current assets</b>					
Cash and cash equivalents	7	13,243	19,092	-	-
Receivables	8	162,593	123,989	285,432	114,216
Inventories	9	178,075	122,462	-	-
Derivative financial instruments	10	680	1,472	-	-
Total current assets		<b>354,591</b>	267,015	<b>285,432</b>	114,216
<b>Non-current assets</b>					
Receivables	8	5,644	2,659	-	-
Financial assets	11	-	-	172,292	172,292
Property, plant and equipment	12	391,330	238,674	-	-
Deferred tax assets	13	12,478	9,331	-	-
Intangible Assets	14	183,144	60,342	-	-
Available for sale financial assets	15	10,379	19,100	-	-
Total non-current assets		<b>602,975</b>	330,106	<b>172,292</b>	172,292
<b>Total assets</b>		<b>957,566</b>	597,121	<b>457,724</b>	286,508
<b>Current liabilities</b>					
Payables	16	116,147	96,085	-	-
Borrowings	18	47,929	5,589	-	-
Current tax liabilities		3,104	9,397	736	8,729
Provisions	17	37,639	32,555	-	-
Derivative financial instruments	10	-	383	-	-
Total Current Liabilities		<b>204,819</b>	144,009	<b>736</b>	8,729
<b>Non-current liabilities</b>					
Borrowings	18	363,840	262,337	-	-
Deferred tax liabilities	20	29,168	-	-	-
Provisions	17	10,084	3,187	-	-
Total non-current liabilities		<b>403,092</b>	265,524	-	-
<b>Total liabilities</b>		<b>607,911</b>	409,533	<b>736</b>	8,729
<b>Net assets</b>		<b>349,655</b>	187,588	<b>456,988</b>	277,779
<b>Equity</b>					
Contributed equity	21	223,460	81,039	389,082	246,661
Reserves	22(a)	5,977	7,147	3,097	2,577
Retained earnings	22(b)	117,442	97,365	64,809	28,541
Parent entity interest		346,879	185,551	456,988	277,779
Minority interest		2,776	2,037	-	-
<b>Total equity</b>		<b>349,655</b>	187,588	<b>456,988</b>	277,779

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

## Statements of recognised income and expense

For the year ended 30 June 2009

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Gain on revaluation of available-for-sale financial assets, net of tax	22	(2,405)	5,779	-	-
Reversal of assets held for resale reserve	22	(5,779)	-	-	-
Changes in the fair value of cash flow hedges, net of tax	22	(644)	434	-	-
US Defined benefits pension adjustment	22	(5,351)	-	-	-
Exchange differences on translation of foreign operations	22	7,138	(1,108)	-	-
<b>Net income recognised directly in equity</b>		<b>(7,041)</b>	<b>5,105</b>	<b>-</b>	<b>-</b>
Profit for the year		<b>65,023</b>	<b>58,497</b>	<b>75,000</b>	<b>40,000</b>
<b>Total recognised income and expense for the year</b>		<b>57,982</b>	<b>63,602</b>	<b>75,000</b>	<b>40,000</b>
Total recognised income and expense for the year is attributable to:					
Equity holders of Bradken Limited		<b>57,227</b>	63,090	<b>75,000</b>	40,000
Minority interest		<b>755</b>	512	-	-
		<b>57,982</b>	<b>63,602</b>	<b>75,000</b>	<b>40,000</b>
<b>Effect of change in accounting policy or correction of error:</b>					
Total equity at the beginning of the financial year		<b>185,551</b>	157,708	<b>277,779</b>	273,017
Adjustment on adoption of AASB132 and AASB139, net of tax, to:					
Retained profits	22	-	(9)	-	-
<b>Restated total equity at the beginning of the financial year</b>		<b>185,551</b>	<b>157,699</b>	<b>277,779</b>	<b>273,017</b>
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	21	<b>143,203</b>	-	<b>143,203</b>	-
Dividends provided for or paid	23	<b>(38,840)</b>	(33,944)	<b>(38,732)</b>	(33,944)
Performance Rights Plan	22	<b>(262)</b>	(1,294)	<b>(262)</b>	(1,294)
Minority interest		<b>(755)</b>	(512)	-	-
		<b>103,346</b>	<b>(35,750)</b>	<b>104,209</b>	<b>(35,238)</b>
<b>Total equity at the end of the financial year</b>		<b>346,879</b>	<b>185,551</b>	<b>456,988</b>	<b>277,779</b>

*The above statements of recognised income and expense should be read in conjunction with the accompanying notes.*

**Cash flow statements**  
For the year ended 30 June 2009

	Notes	Consolidated		Parent entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		1,402,210	826,487	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(1,224,886)	(736,173)	-	-
		177,324	90,314	-	-
Interest received		314	441	-	-
Interest paid		(35,056)	(17,987)	-	-
Income taxes paid		(32,524)	(23,962)	-	-
<b>Net cash (outflow) inflow from operating activities</b>	32	<b>110,058</b>	<b>48,806</b>	<b>-</b>	<b>-</b>
<b>Cash flows from investing activities</b>					
Payment for property, plant and equipment		(80,992)	(47,223)	-	-
Payment for purchase of subsidiary, net of cash acquired	29	(92,684)	(12,366)	-	-
Payment for businesses	29	(120)	(4,311)	-	-
Payment for available for sale financial assets	15	(13,825)	(157)	-	-
Proceeds from sale of property, plant and equipment		794	1,475	-	-
Payment for capitalised design costs		(312)	(1,010)	-	-
<b>Net cash (outflow) inflow from investing activities</b>		<b>(187,139)</b>	<b>(63,592)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		140,844	-	-	-
Transaction costs from issue of shares		(2,109)	-	-	-
Payment of finance lease liabilities		(10,092)	(7,693)	-	-
Repayment of borrowings		(101,246)	(8,136)	-	-
Proceeds from borrowings		59,191	71,571	-	-
Dividends paid to company's shareholders	23	(34,264)	(31,031)	-	-
Dividends paid to minority interests in subsidiaries		(108)	(76)	-	-
Dividends received		194	-	-	-
Payments for shares bought back		(1,658)	(6,216)	-	-
<b>Net cash (outflow) inflow from financing activities</b>		<b>50,752</b>	<b>18,419</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>					
Cash and cash equivalents at the beginning of the year		19,092	15,747	-	-
Effects of exchange rate changes on cash and cash equivalents		7,744	(288)	-	-
<b>Cash and cash equivalents at the end of the year</b>	7	<b>507</b>	<b>19,092</b>	<b>-</b>	<b>-</b>
Financing arrangements	18				
Non-cash financing and investing activities	33				

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

**Contents to the notes to the financial statements**

---

	Page	
1	Summary of significant accounting policies	30
2	Financial risk management	41
3	Critical accounting estimates and judgements	43
4	Segment information	44
5	Profit from ordinary activities	46
6	Income tax expense	48
7	Cash and cash equivalents	49
8	Receivables	49
9	Inventories	51
10	Derivative financial instruments	51
11	Financial assets	53
12	Property, plant and equipment	54
13	Deferred tax assets	55
14	Intangible assets	55
15	Available for sale financial assets	56
16	Payables	57
17	Provisions	57
18	Borrowings	58
19	Retirement benefit obligations	62
20	Deferred tax liabilities	64
21	Contributed equity	65
22	Reserves and retained earnings	66
23	Dividends	67
24	Key management personnel disclosures	68
25	Remuneration of auditors	70
26	Contingent liabilities	71
27	Commitments	71
28	Related party transactions	73
29	Business combination	74
30	Subsidiaries	77
31	Deed of cross guarantee	78
32	Reconciliation of profit after income tax to net cash inflow from operating activities	80
33	Non cash investing and financing activities	80
34	Earnings per share	81
35	Share based payments	82
36	Events occurring after balance sheet date	85



## 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 2009 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.

#### (v) Royalties

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

## 1 Summary of significant accounting policies (continued)

### (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 6.

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 12). 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.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 27). 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.

## 1 Summary of significant accounting policies (continued)

### (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) 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.

#### (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.

## 1 Summary of significant accounting policies (continued)

### (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 (note 8).

#### (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 classified 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.

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.

## 1 Summary of significant accounting policies (continued)

### **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 and hedging activities**

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 10. Movements in the hedging reserve in shareholders' equity are shown in note 22.

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.

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.

## 1 Summary of significant accounting policies (continued)

### (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 price.

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 carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. 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	35 to 66 years
Plant and equipment	1 to 20 years
Patterns	1 to 40 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

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

### (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.

#### (iii) Customer relationships

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

## 1 Summary of significant accounting policies (continued)

### (iv) Trademarks

Some trademarks have been evaluated as having an indefinite life and are carried at their fair value at acquisition less impairment losses, while others will be amortised over their expected life.

### (v) 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) 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.

### (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.



## 1 Summary of significant accounting policies (continued)

### (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) Retirement benefit obligations

All employees of the Group are entitled to benefit from various superannuation or pension plans on retirement, disability or death. The Group operates one defined benefit retirement plan in the United States that covers hourly employees hired before May 10, 1993 in one of our US subsidiaries. Benefits for the defined benefit plan are determined on years of credited service. The Group also operates a number of defined contribution plans which receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the funds assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on future payments which may arise from membership of the fund to the reporting date, calculated annually by independent actuaries. Consideration is given to the experience of employee departures and periods of service.

### (vi) Healthcare reserves

The Group's U.S. operations primarily self-insure employee healthcare expenses. Reserves are based on historical claims experience. Significant management judgements and estimates are made in establishing these reserves.

### (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.

### (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.

## 1 Summary of significant accounting policies (continued)

### (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 2009 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 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8* (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. It is not likely to result in an increase in the number of reportable segments presented. In addition, the segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

(ii) *Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (effective 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. This will not be a change to the Group's current accounting policy which is to capitalise all borrowing costs as incurred.

(iii) *Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101* (effective 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

(iv) *AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations* (effective 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(v) *Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(h) above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

## 1 Summary of significant accounting policies (continued)

(vi) *AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 January 2009)

In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards Standards. The Group will apply the revised standards from 1 July 2009. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

(vii) *AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 January 2009)

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the Group's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations and the new parent accounts for its investment in the original parent at cost, it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(viii) *AASB 2009-2 Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments* (effective for annual periods beginning on or after 1 January 2009)

In April 2009, the AASB published amendments to AASB 7 Financial Instruments: Disclosure to improve the information that entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than observable market values. The AASB also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Group will apply the amendments from 1 July 2009. They will not affect any of the amounts recognised in the financial statements.

(ix) *AASB 2009-3 Amendments to Australian Accounting Standards - Embedded Derivatives* (effective for annual periods ending on or after 30 June 2009)

The amendments made by the AASB to Interpretation 9 and AASB 139 clarify that where a financial asset is reclassified out of the 'at fair value through profit or loss' category, all derivatives embedded in that asset have to be assessed and, if necessary, separately accounted for in financial statements. The Group will apply the amendments retrospectively for the financial year ending 31 December 2009. There will be no impact on the Group's financial statements as at 30 June 2009 as it has not reclassified any financial assets out of the 'at fair value through profit or loss' category.

(x) *AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual periods beginning on or after 1 July 2009)

The AASB has made amendments to AASB 2 Share-based payment, AASB 138 Intangible Assets and AASB Interpretations 9 Reassessment of Embedded Derivatives and 16 Hedges of a Net Investment in a Foreign Operation as a result to the IASB's annual improvements project. The Group will apply the amendments from 1 July 2009. The Group does not expect that any adjustments will be necessary as a result of applying the revised rules.

(xi) *AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective for annual periods beginning on or after 1 January 2010)

In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards Standards. The Group will apply the revised standards from 1 July 2010. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

(xii) *Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2* (effective for annual periods commencing on or after 1 January 2010)

The amendments made by the IASB to IFRS 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The AASB is expected to make equivalent amendments to AASB 2 shortly. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. However, as the amendments only affect the accounting in the individual entities there will be no impact on the financial statements of the Group.

## 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. Derivatives are exclusively used as hedging instruments, ie not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and ageing analysis for credit risk.

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

### (a) Credit risk

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

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

### (b) Liquidity risk

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

Management monitors forecasts of the Group's liquidity on the basis of expected cash flow. See note 18(e) for details of available facilities.

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

Group - 2009	Less than 1 year \$'000	Between 1 and 5 year(s) \$'000	Over 5 years \$'000
Payables	116,147	-	-
Borrowings	47,929	278,722	85,118

Group - 2008	Less than 1 year \$'000	Between 1 and 5 year(s) \$'000	Over 5 years \$'000
Payables	96,468	-	-
Borrowings	5,589	262,325	12

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

Refer to note 10(a)(ii) for the maturity profiles of the Group's existing foreign exchange hedge contracts.

Refer to note 8(g) for receivables denominated in foreign currencies.

### (c) Market risk

#### (i) 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 Australian borrowings.

The Group manages its cash flow interest-rate-risk by using floating-to-fixed interest rate swaps and an interest rate cap. Such instruments have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates 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.

Refer to note 18 for further details generally of the Group's borrowings and to note note18(g) for further details specifically on interest rate risk exposures.

A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities is provided in the table at note 2(c)(iv).

## 2 Financial risk management (continued)

### (c) Market risk (continued)

#### (ii) Foreign exchange risk

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

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

Refer to note 8 and 16 for receivables and payables denominated in foreign currencies.

Unrealised gains or losses on outstanding foreign exchange contracts are taken to the Group's income statement on a monthly basis.

A sensitivity analysis of foreign exchange risk on the Group's financial assets and liabilities is provided in the table at note 2(c)(iv).

#### (iii) Price risk

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

A sensitivity analysis of price risk on the Group's financial assets and liabilities is provided in the table at note 2(c)(iv).

#### (iv) Summarised sensitivity analysis

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

2009	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Price Risk			
		-100 bps		+100 bps		-10%		+10%		-10%		+10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial assets</b>													
Cash and cash equivalents	13,243	(129)	(129)	129	129	1,240	1,240	(1,240)	(1,240)	-	-	-	-
Accounts receivable	144,978	-	-	-	-	6,025	6,025	(6,025)	(6,025)	-	-	-	-
AFS investments	10,379	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives - cash flow hedges	552	-	(1,503)	-	1,456	-	-	-	-	-	-	-	-
Derivatives - FVTPL	128	-	-	-	-	1,522	1,522	(1,284)	(1,284)	-	-	-	-
<b>Financial liabilities</b>													
Derivatives - FVTPL	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade payables	(85,280)	-	-	-	-	(2,752)	(2,752)	2,752	2,752	-	-	-	-
Borrowings	(411,769)	4,118	4,118	(4,118)	(4,118)	(17,050)	(17,050)	17,050	17,050	-	-	-	-
<b>Total increase/(decrease)</b>		3,989	2,486	(3,989)	(2,533)	(11,015)	(11,015)	11,253	11,253	-	-	-	-

2008	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Price Risk			
		-100 bps		+100 bps		-10%		+10%		-10%		+10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
<b>Financial assets</b>													
Cash and cash equivalents	19,092	(189)	(189)	189	189	469	469	(469)	(469)	-	-	-	-
Accounts receivable	116,379	-	-	-	-	1,821	1,821	(1,821)	(1,821)	-	-	-	-
AFS investments	19,100	-	-	-	-	-	1,910	-	(1,910)	-	-	-	-
Derivatives - cash flow hedges	1,472	-	(678)	-	767	-	-	-	-	-	-	-	-
<b>Financial liabilities</b>													
Derivatives - FVTPL	(383)	-	-	-	-	(914)	(914)	147	147	-	-	-	-
Trade payables	(80,179)	-	-	-	-	(1,222)	(1,222)	1,222	1,222	-	-	-	-
Borrowings	(267,926)	2,679	2,679	(2,679)	(2,679)	(3,725)	(3,725)	3,725	3,725	-	-	-	-
<b>Total increase/(decrease)</b>		2,490	1,812	(2,490)	(1,723)	(3,571)	(1,661)	2,804	894	-	-	-	-

The parent entity is not exposed to any significant financial risk.

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## 2 Financial risk management (continued)

### (d) Fair value estimation

Refer to note 1(o).

## 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 14 for details of these assumptions and the potential impact of changes to the assumptions.

#### (ii) *Estimated percentage completion for major contracts*

The Group reviews the percentage of completion for its major contracts monthly including assessing costs to be incurred to complete the project in accordance with the accounting policy stated in note 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

Following a change in the management structure the Mineral Processing segment has been combined with the previous Mining segment to create the Mining Products segment now reported. The businesses in the Mining Products segment all serve common customers with consumable products related to mining volume. A new segment, Engineered Products, has been created following the acquisition of Americast Technologies Inc.

For management purposes, the Group is organised into five major operating divisions – Industrial, Mining Products, Rail, Power and Cement and Engineered Products. These divisions are the basis on which the Group reports its primary segment information. Industrial, Rail and Power and Cement are unchanged from the previous period.

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. In addition following the acquisition of Cast Metal Services sales of foundry and steel making consumables are also included.

#### Mining Products

Design, supply and service of wear components for all types of earth moving and mineral processing equipment in the Mining, Mineral Processing and Quarry 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

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

#### Engineered Products

Supplier of cast parts to the Energy, Mining, Industrial and Rail Transport industries specialising in large (greater than 4,500 kg) highly engineered steel castings.

2009	Notes	Industrial \$'000	Mining Products \$'000	Rail \$'000	Power and Cement \$'000	Engineered Products \$'000	Intersegment eliminations/ unallocated \$'000	Consolidated \$'000
Sales to external customers		114,437	410,043	272,095	56,877	355,754	-	1,209,206
Intersegment sales	(ii)	76,112	26,501	-	-	-	(102,613)	-
Total sales revenue		190,549	436,544	272,095	56,877	355,754	(102,613)	1,209,206
Other revenue/income					231	11,787	2,347	14,365
Total segment revenue/income								1,223,571
Segment result	(ii)	36,706	140,356	44,245	18,362	101,591	-	341,260
Unallocated revenue less unallocated expenses								(248,352)
Profit before income tax								92,908
Income tax expense								(27,885)
Net profit for the year								65,023
Segment assets		113,657	294,488	92,310	40,364	293,112	-	833,931
Unallocated assets								123,635
Total assets								957,566
Segment liabilities	(ii)	23,187	50,763	33,447	7,037	215,219	-	329,653
Unallocated liabilities								278,258
Total liabilities								607,911
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets		11,029	24,829	12,996	2,502	158,730	335	210,421
Depreciation and amortisation expense		3,043	13,565	3,728	2,324	14,049	4,320	41,029
Impairment of inventories	Note 9	4	1,131	378	715	120	-	2,348
Impairment of trade receivables	Note 8	3	40	-	2	1,731	-	1,776
Other non cash expenses / (revenue)		786	120	1,292	153	1,845	(116)	3,845

## 4 Segment information (continued)

2008	Notes	Industrial \$'000	Mining Products \$'000	Rail \$'000	Power and Cement \$'000	Engineered Products \$'000	Intersegment eliminations/ unallocated \$'000	Consolidated \$'000
Sales to external customers		110,963	360,407	228,270	60,701	-	-	760,341
Intersegment sales	(ii)	18,302	17,945	-	-	-	(36,247)	-
Total sales revenue		129,265	378,352	228,270	60,701	-	(36,247)	760,341
Other revenue/income								3,281
Total segment revenue/income								763,622
Segment result	(ii)	35,322	127,530	53,953	11,864	-	-	228,669
Unallocated revenue less unallocated expenses								(144,679)
Profit before income tax								83,990
Income tax expense								(25,493)
Net profit for the year								58,497
Segment assets		100,321	290,381	77,603	51,658	-	-	519,963
Unallocated assets								77,158
Total assets								597,121
Segment liabilities	(ii)	25,316	65,394	29,013	10,367	-	-	130,090
Unallocated liabilities								279,443
Total liabilities								409,533
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets		13,346	24,480	11,446	5,146	-	809	55,227
Depreciation and amortisation expense		2,363	11,435	2,969	2,375	-	4,484	23,626
Impairment of inventories	Note 9	53	348	(10)	-	-	(21)	370
Impairment of trade receivables	Note 8	-	6	-	1	-	-	7
Other non cash expenses		(2,070)	8,342	(3,835)	55	-	(1,729)	763

## (b) Secondary reporting format - geographical segments

The Group's divisions are managed on a global basis and operate in four main geographical areas, Australia, the home country of the parent entity, the UK, the US, China and Other countries. The majority of revenue classified as "Other" relates to various European, Asian and North and South American 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Australia	660,863	585,685	461,637	452,608	42,358	40,269
UK	30,187	14,272	40,364	48,701	2,502	5,146
US	350,577	56,240	293,112	-	158,730	-
China	-	-	36,282	14,852	5,984	9,547
Other countries	167,579	104,144	2,536	3,802	847	265
	<b>1,209,206</b>	760,341	<b>833,931</b>	519,963	<b>210,421</b>	55,227
Unallocated assets			<b>123,635</b>	77,158		
Total assets			<b>957,566</b>	597,121		



**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 Profit from ordinary activities**

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>				
<b>From continuing operations</b>				
<i>Sales revenue</i>				
Sale of goods	<b>1,209,206</b>	760,341	-	-
	<b>1,209,206</b>	760,341	-	-
<i>Other revenue</i>				
Interest	<b>314</b>	441	-	-
Dividends	<b>195</b>	-	<b>75,000</b>	40,000
Management fees	-	214	-	-
Bond repurchase gains	<b>11,254</b>	-	-	-
Rental income	<b>358</b>	224	-	-
Royalty income	<b>290</b>	525	-	-
Sale of scrap	<b>715</b>	278	-	-
Other	<b>1,239</b>	933	-	-
	<b>1,223,571</b>	762,956	<b>75,000</b>	40,000
<b>Other income</b>				
	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Discount on acquisition	-	350	-	-
Foreign exchange gains (net) (note (a))	-	-	-	-
Net gain on disposal of property, plant and equipment (note (a))	-	316	-	-
	-	666	-	-

**(a) Net gain on disposal of property, plant and equipment**

There was a net loss on disposal of property, plant and equipment in 2009 (2008: \$270,000 gain).

**5 Profit from ordinary activities (continued)****Expenses**

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Profit before income tax includes the following specific expenses:</b>				
<i>Depreciation</i>				
Buildings	1,645	715	-	-
Plant & equipment	26,575	15,080	-	-
Leasehold improvements	6	7	-	-
Plant & equipment under finance leases	4,635	4,036	-	-
Total depreciation	<b>32,861</b>	19,838	-	-
<i>Amortisation</i>				
Customer lists	3,548	-	-	-
Trademarks	324	-	-	-
Licences and other	4,296	3,788	-	-
Total amortisation	<b>8,168</b>	3,788	-	-
<i>Finance costs - net</i>				
Interest and finance charges paid/payable	33,677	20,424	-	-
Borrowing costs amortisation	2,678	781	-	-
	<b>36,355</b>	21,205	-	-
Amount capitalised	(879)	(1,140)	-	-
Finance costs expensed	<b>35,476</b>	20,065	-	-
<i>Net loss on disposal of property, plant and equipment</i>	72	-	-	-
<i>Rental expense relating to operating leases</i>				
Minimum lease payments	3,350	2,074	-	-
Total rental expense relating to operating leases	<b>3,350</b>	2,074	-	-
<i>Foreign exchange gains and losses</i>				
Net foreign exchange losses	2,088	239	-	-
Net foreign exchange losses recognised in profit before income tax for the year (as either other income or expense)	<b>2,088</b>	239	-	-
<i>Research and development</i>	6,196	5,174	-	-
<i>Warranty</i>	4,711	434	-	-
<i>Stock Obsolescence</i>	2,348	370	-	-
<i>Net bad and doubtful debts expense (revenue) including movements in doubtful debts provision</i>	1,776	7	-	-
<i>Employee benefits expense</i>	350,129	219,829	-	-

**6 Income tax expense**

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Income tax expense</b>				
Current tax	25,783	22,579	-	-
Deferred tax	2,077	3,061	-	-
Adjustment for current tax of prior periods	25	(147)	-	-
	<b>27,885</b>	<b>25,493</b>	<b>-</b>	<b>-</b>
Income tax expense is attributable to:				
Profit from continuing operations	27,885	25,493	-	-
Aggregate income tax expense	<b>27,885</b>	<b>25,493</b>	<b>-</b>	<b>-</b>
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 13)	(1,860)	2,014	-	-
(Decrease) increase in deferred tax liabilities (note 20)	3,937	1,047	-	-
	<b>2,077</b>	<b>3,061</b>	<b>-</b>	<b>-</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Profit from continuing operations before income tax expense	92,908	83,990	75,000	40,000
	<b>92,908</b>	<b>83,990</b>	<b>75,000</b>	<b>40,000</b>
Tax at the Australian tax rate of 30% (2008: 30%)	27,872	25,197	22,500	12,000
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Entertainment	53	68	-	-
Research and development	(762)	(467)	-	-
Share based payments	419	603	-	-
Tax offset for franked dividends	-	-	(22,500)	(12,000)
Sundry items	(509)	436	-	-
	<b>27,073</b>	<b>25,837</b>	<b>-</b>	<b>-</b>
Difference in overseas tax rates	787	(197)	-	-
Adjustment for current tax of prior periods	25	(147)	-	-
Deferred tax assets restated for reduction in overseas tax rate	-	-	-	-
Income tax expense	<b>27,885</b>	<b>25,493</b>	<b>-</b>	<b>-</b>
<b>(c) Amounts recognised directly in equity</b>				
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 13 and 20)	(2,915)	2,210	-	-
	<b>(2,915)</b>	<b>2,210</b>	<b>-</b>	<b>-</b>
<b>(d) Tax consolidation legislation</b>				

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.

**6 Income tax expense (continued)****(d) Tax consolidation legislation (continued)**

The Australian 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 28(e)).

**7 Cash and cash equivalents**

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank and in hand	<b>13,243</b>	19,092	-	-
	<b>13,243</b>	19,092	-	-

**(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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balances as above	<b>13,243</b>	19,092	-	-
Bank overdrafts (note 18)	<b>(12,736)</b>	-	-	-
Balances per statement of cash flows	<b>507</b>	19,092	-	-

**(b) Interest rate risk exposure**

The Group's and parent entity's exposure to interest rate risk is discussed in note 2.

**8 Receivables**

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>				
Trade receivables	<b>144,978</b>	116,379	-	-
Provision for impairment of receivables	<b>(991)</b>	(93)	-	-
	<b>143,987</b>	116,286	-	-
Other receivables	<b>10,409</b>	2,249	-	-
Prepaid borrowing and loan set up costs	<b>1,780</b>	1,317	-	-
Prepayments	<b>6,417</b>	4,137	-	-
Inter-group loans	-	-	<b>285,432</b>	114,216
	<b>162,593</b>	123,989	<b>285,432</b>	114,216
<b>Non-current</b>				
Prepaid borrowing and loan set up costs	<b>3,797</b>	1,862	-	-
Other receivables	<b>1,847</b>	797	-	-
	<b>5,644</b>	2,659	-	-

**(a) Impaired trade receivables**

As at 30 June 2009 current trade receivables of the Group with a nominal value of \$991,000 (2008: \$87,000) were impaired. The amount of the provision was \$991,000 (2008: \$93,000). There were no impaired trade receivables for the parent in 2009 or 2008.

**8 Receivables (continued)****(a) Impaired trade receivables (continued)**

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

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	93	142	-	-
Balances acquired on acquisition	590	-	-	-
Charge for the year	1,776	-	-	-
Receivables written off during the year as uncollectable	(1,552)	-	-	-
Unused amounts reversed	-	(42)	-	-
Foreign currency exchange differences	84	(7)	-	-
Balance at 30 June	991	93	-	-

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

**(b) Past due but not impaired**

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

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current	88,487	86,242	-	-
0-30 days	35,362	24,516	-	-
31-60 days	10,045	3,342	-	-
61-90 days	8,208	1,569	-	-
91 + days	2,876	710	-	-
Total	144,978	116,379	-	-

As at 30 June 2009 trade receivables of \$991,000 (2008:\$87,000) were past due and considered impaired and trade receivables of \$55,500,000 (2008:\$30,050,000) were past due but not impaired.

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

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

**(c) Other receivables**

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

**(d) 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.

**(e) Fair values**

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

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Prepaid loan set up costs	3,797	3,797	1,862	1,862
Other receivables	1,847	1,847	797	797
	5,644	5,644	2,659	2,659

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

**(f) 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 and the credit quality of the entity's trade receivables.

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

**8 Receivables (continued)****(g) Foreign exchange and interest rate risk**

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

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Australian Dollars	91,295	106,395	285,432	114,216
US Dollars	63,978	5,262	-	-
Great British Pounds	4,393	6,563	-	-
Euros	4,331	5,263	-	-
Other *	4,240	3,165	-	-
	<b>168,237</b>	<b>126,648</b>	<b>285,432</b>	<b>114,216</b>

\* Other refers to a basket of currencies (South African Rand, New Zealand Dollars, Canadian Dollars, Chinese Yuan)

Further information about the Group's and the parent entity's exposure to credit risk, foreign exchange risk and interest rate risk in relation to trade and other receivables is provided in note 2.

**9 Inventories**

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<i>Construction work in progress:</i>				
Contract costs incurred and recognised profits less recognised losses	314,570	265,871	-	-
Progress billing	(313,210)	(262,015)	-	-
Net construction work in progress	1,360	3,856	-	-
Raw materials and stores - at cost	48,338	27,899	-	-
Work in progress - at cost	66,661	27,761	-	-
Finished goods- at cost	61,716	62,946	-	-
	<b>178,075</b>	<b>122,462</b>	<b>-</b>	<b>-</b>

**(a) Inventory expense**

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2009 amounted to \$2,348,000 (2008: \$370,000). The expense has been included in 'cost of sales' in the income statement.

**10 Derivative financial instruments**

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>				
Interest rate swap and cap contracts - cash flow hedges ((a)(i))	552	1,472	-	-
Forward foreign exchange contracts - cash flow hedges ((a)(ii))	128	-	-	-
Total current derivative financial instrument assets	<b>680</b>	<b>1,472</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Forward foreign exchange contracts ((a)(ii))	-	383	-	-
Total current derivative financial instrument liabilities	<b>-</b>	<b>383</b>	<b>-</b>	<b>-</b>
	<b>680</b>	<b>1,089</b>	<b>-</b>	<b>-</b>

**(a) Instruments used by the Group**

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

**10 Derivative financial instruments (continued)****(a) Instruments used by the Group (continued)***(i) Interest rate swap and interest rate cap contracts - cash flow hedges*

Bank loans of the Group had an average variable interest rate of 4.25% at 30 June 2009. 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 38% (2008: 29%) of the non US bank loans while the US bank loans are 100% floating. The average fixed interest for the swaps and cap is 5.30% (2008: 6.44%).

At 30 June 2009, the notional principal amounts and periods of expiry of the interest rate swap and cap contracts are as follows:

	2009 \$'000	2008 \$'000
Interest rate swap contracts		
Less than 1 year	8,750	36,250
1 - 2 years	-	8,750
2 - 3 years	60,000	-
	<b>68,750</b>	<b>45,000</b>
Interest rate cap contract		
Less than 1 year	30,000	-
1 - 2 years	-	30,000
	<b>30,000</b>	<b>30,000</b>

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 \$552,000 (2008: \$1,472,000). In the year ended 30 June 2009 there was a loss from the change in fair value of \$920,000 (2008: \$618,000 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	
	2009 \$'000	2008 \$'000	2009	2008
<b>Buy US Dollars</b>				
Maturity				
0 to 3 months	15,932	481	0.7759	0.9071
3 to 6 months	10,482	-	0.7726	-
<b>Buy Euros</b>				
Maturity				
0 to 3 months	3,265	136	0.5652	0.5861
3 to 6 months	2,072	-	0.5716	-
<b>Buy GBP</b>				
Maturity				
0 to 3 months	2,918	-	0.4719	-
<b>Buy Japanese Yen</b>				
Maturity				
0 to 3 months	1,001	447	94.8600	97.1200
3 to 6 months	55	151	67.4800	95.9500
6 to 12 months	-	997	-	95.2700

**10 Derivative financial instruments (continued)***(ii) Forward exchange contracts (continued)*

	Buy Australian Dollars		Average exchange rate	
	2009	2008	2009	2008
	\$'000	\$'000		
<b>Sell US Dollars</b>				
Maturity				
0 to 3 months	5,850	466	0.7497	0.8739
3 to 6 months	4,931	-	0.7659	-
6 to 12 months	1,693	-	0.7991	-
<b>Sell New Zealand Dollars</b>				
<b>Average exchange rate</b>				
<b>Buy Australian Dollars</b>				
Maturity				
0 to 3 months	259	254	0.8383	0.7872
3 to 6 months	313	191	0.7858	0.7851
<b>Sell GBP</b>				
<b>Average exchange rate</b>				
<b>Buy Euros</b>				
Maturity				
0 to 3 months	1,758	-	1.1369	-
<b>Buy Pounds GB</b>				
<b>Average exchange rate</b>				
<b>Sell US Dollars</b>				
Maturity				
0 to 3 months	393	128	1.4015	1.9510
3 to 6 months	45	383	1.5552	1.9565
<b>Sell Euros</b>				
Maturity				
0 to 3 months	5,172	1,654	1.1216	1.3575
3 to 6 months	700	1,513	1.1433	1.3220
<b>Sell South African Rands</b>				
Maturity				
0 to 3 months	131	84	14.5561	15.4200

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 assets of \$128,000 (2008: \$383,000 liability).

In the year ended 30 June 2009 there was a gain from the change in fair value of the liability of \$511,000 (2008: loss of \$233,000)

**(b) Risk exposures**

Further information about the Group's and the parent entity's exposure to credit risk, foreign exchange risk and interest rate risk is provided in note 2.

**11 Financial assets (non current)**

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Shares in subsidiaries (note 30)	-	-	172,292	172,292
	-	-	172,292	172,292



**12 Property, plant and equipment**

<b>Consolidated</b>	<b>Freehold land \$'000</b>	<b>Buildings \$'000</b>	<b>Leasehold improve- ments \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Leased plant and equipment \$'000</b>	<b>Capital works in progress \$'000</b>	<b>Total \$'000</b>
<b>At 1 July 2007</b>							
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	<u>16,606</u>	<u>42,225</u>	<u>297</u>	<u>125,736</u>	<u>7,532</u>	<u>14,531</u>	<u>206,927</u>
<b>Year ended 30 June 2008</b>							
Opening net book amount	16,606	42,225	297	125,736	7,532	14,531	206,927
Exchange differences	-	(737)	(38)	(2,251)	-	-	(3,026)
Additions	552	7,827	(2)	1,655	2,834	36,309	49,175
Acquisition through entity acquired	139	1,175	-	4,070	668	-	6,052
Transfer (to)/from capital work in progress	-	-	-	33,556	-	(33,556)	-
Disposals	(7)	-	-	(260)	(349)	-	(616)
Depreciation charge	-	(715)	(7)	(15,080)	(4,036)	-	(19,838)
Closing net book amount	<u>17,290</u>	<u>49,775</u>	<u>250</u>	<u>147,426</u>	<u>6,649</u>	<u>17,284</u>	<u>238,674</u>
<b>At 30 June 2008</b>							
Cost or fair value	17,290	53,804	292	224,318	20,133	17,284	333,121
Accumulated depreciation	-	(4,029)	(42)	(76,892)	(13,484)	-	(94,447)
Net book amount	<u>17,290</u>	<u>49,775</u>	<u>250</u>	<u>147,426</u>	<u>6,649</u>	<u>17,284</u>	<u>238,674</u>
<b>Year ended 30 June 2009</b>							
Opening net book amount	17,290	49,775	250	147,426	6,649	17,284	238,674
Exchange differences	-	126	3	12,274	337	-	12,740
Additions	1,417	23,418	-	-	5,114	51,043	80,992
Acquisition through entity acquired	9,096	19,192	-	59,228	1,480	3,378	92,374
Transfer (to)/from capital work in progress	-	-	-	44,051	-	(44,051)	-
Disposals	-	(207)	-	(336)	(46)	-	(589)
Depreciation charge	-	(1,645)	(6)	(26,575)	(4,635)	-	(32,861)
Closing net book amount	<u>27,803</u>	<u>90,659</u>	<u>247</u>	<u>236,068</u>	<u>8,899</u>	<u>27,654</u>	<u>391,330</u>
<b>At 30 June 2009</b>							
Cost or fair value	27,803	97,321	295	350,797	26,912	27,654	530,782
Accumulated depreciation	-	(6,662)	(48)	(114,729)	(18,013)	-	(139,452)
Net book amount	<u>27,803</u>	<u>90,659</u>	<u>247</u>	<u>236,068</u>	<u>8,899</u>	<u>27,654</u>	<u>391,330</u>

**Parent entity**

There were no property, plant and equipment assets in the parent entity during the period 1 July 2007 to 30 June 2009.

**(a) Non current assets pledged as security**

Refer to note 18 for information on non-current assets pledged as security by the parent entity and its controlled entities.

**13 Deferred tax assets**

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
<i>Amounts recognised in profit or loss</i>				
Doubtful debts	273	28	-	-
Employee benefits	11,984	9,018	-	-
Pension contributions subject to spreading (UK)	116	588	-	-
Licences	-	1,408	-	-
Other provisions	2,515	2,605	-	-
Share issue expenses	-	807	-	-
Unrealised foreign exchange differences	1,899	-	-	-
Other accruals	1,068	551	-	-
Unrealised loss available for sale financial assets	1,030	-	-	-
Tax losses *	3,238	2,037	-	-
	<b>22,123</b>	<b>17,042</b>	<b>-</b>	<b>-</b>
<i>Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 20)</i>				
Net deferred tax assets	<b>(9,645)</b>	<b>(7,711)</b>	<b>-</b>	<b>-</b>
	<b>12,478</b>	<b>9,331</b>	<b>-</b>	<b>-</b>
<b>Movements:</b>				
Opening balance at 1 July	17,042	18,543	-	-
Credited/(charged) to the income statement (note 6)	1,860	(2,014)	-	-
Credited/(charged) to equity	1,251	451	-	-
Acquisition of subsidiary (note 29)	1,970	62	-	-
Closing balance at 30 June	<b>22,123</b>	<b>17,042</b>	<b>-</b>	<b>-</b>
Deferred tax asset to be recovered after more than 12 months	10,852	5,273	-	-
Deferred tax asset to be recovered within 12 months	11,271	11,769	-	-
	<b>22,123</b>	<b>17,042</b>	<b>-</b>	<b>-</b>

\* The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

**14 Intangible assets**

Consolidated	Goodwill	Customers	Trademarks	Licences and other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2007</b>					
Cost	41,388	-	-	37,973	79,361
Accumulated amortisation and impairment	-	-	-	(24,203)	(24,203)
Net book amount	<b>41,388</b>	<b>-</b>	<b>-</b>	<b>13,770</b>	<b>55,158</b>
<b>Year ended 30 June 2008</b>					
Opening net book amount	41,388	-	-	13,770	55,158
Additions	133	-	-	1,010	1,143
Acquisition of subsidiary	8,202	-	-	-	8,202
Foreign exchange variation	(373)	-	-	-	(373)
Amortisation charge	-	-	-	(3,788)	(3,788)
Closing net book amount	<b>49,350</b>	<b>-</b>	<b>-</b>	<b>10,992</b>	<b>60,342</b>
<b>At 30 June 2008</b>					
Cost	49,350	-	-	38,983	88,333
Accumulated amortisation and impairment	-	-	-	(27,991)	(27,991)
Net book amount	<b>49,350</b>	<b>-</b>	<b>-</b>	<b>10,992</b>	<b>60,342</b>

**14 Intangible assets (continued)**

	Goodwill	Customers	Trademarks	Licences and other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2009</b>					
Opening net book amount	49,350	-	-	10,992	60,342
Additions	-	-	-	311	311
Acquisition of subsidiary	84,472	33,344	3,352	359	121,527
Foreign exchange variation	3,263	5,304	392	173	9,132
Amortisation charge	-	(3,548)	(324)	(4,296)	(8,168)
Closing net book amount	<u>137,085</u>	<u>35,100</u>	<u>3,420</u>	<u>7,539</u>	<u>183,144</u>
<b>At 30 June 2009</b>					
Cost	137,085	38,648	3,744	39,826	219,303
Accumulated amortisation and impairment	-	(3,548)	(324)	(32,287)	(36,159)
Net book amount	<u>137,085</u>	<u>35,100</u>	<u>3,420</u>	<u>7,539</u>	<u>183,144</u>

**(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, the US operations, CMS and the balance of the Group. The impairment testing has been performed on the four cash generating units (CGU) being the UK operations, the US operations, CMS and the balance of the Group.

The recoverable amount of the CGU is determined based on a value-in-use calculations. These calculations use cash flow projections based on financial forecasts 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 \$34,902,000 for the Australian CGU, \$8,983,000 for the UK CGU, \$87,654,000 for the US CGU and \$5,546,000 for CMS.

**(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 8.9% (2008: 10.4%), which would translate into a pre tax discount rate of 12.7% (2008: 14.9%).

The post tax discount rate for the US operations was 12.4% reflecting specific issues in the US.

**(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 would be required to generate an impairment charge.

**(d) License renewal**

The Amsted licence expired in May 2009 and has been renewed to May 2011. The carrying value of the licence is nil. The Esco licence expires on 30 June 2011 and will be renegotiated during 2010.

**15 Available for sale financial assets**

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
At beginning of year	19,100	10,845	-	-
Reversal on 100% acquisition of Americast Technology Inc.	(19,100)	-	-	-
Additions	13,814	-	-	-
Revaluation surplus/(deficit) transfer to equity	(3,435)	8,255	-	-
At end of year	<u>10,379</u>	<u>19,100</u>	<u>-</u>	<u>-</u>
Listed securities (note (a))				
Equity securities	10,379	-	-	-
	<u>10,379</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unlisted securities (note (b))				
Equity securities	-	19,100	-	-
	<u>-</u>	<u>19,100</u>	<u>-</u>	<u>-</u>

**15 Available for sale financial assets (continued)****(a) Listed securities**

Listed securities represent an investment in Austin Engineering Limited made in the period.

**(a) Unlisted securities**

The amount shown as unlisted equity securities in 2008 represented the investment in US Foundry group Americast Technology Inc now wholly owned.

**16 Payables**

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Trade payables	85,280	80,179	-	-
Other payables	30,867	15,906	-	-
	<b>116,147</b>	<b>96,085</b>	<b>-</b>	<b>-</b>

**(a) Foreign currency risk**

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

	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Australian Dollars	67,354	81,708	-	-
US Dollars	35,386	3,174	-	-
Pounds GB	5,777	9,676	-	-
Other *	7,630	1,527	-	-
	<b>116,147</b>	<b>96,085</b>	<b>-</b>	<b>-</b>

\* Other refers to a basket of currencies (Euros, Japanese Yen, New Zealand Dollars, Chinese Yuan, Chilean Pesos)

**(b) Fair value**

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

**17 Provisions**

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Employee benefits	34,898	30,562	-	-
Warranty	2,741	1,993	-	-
	<b>37,639</b>	<b>32,555</b>	<b>-</b>	<b>-</b>
<b>Non-current</b>				
Employee benefits	10,084	3,187	-	-
Warranty	-	-	-	-
	<b>10,084</b>	<b>3,187</b>	<b>-</b>	<b>-</b>

**(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 - 2009	Current	Non current
Warranty	\$'000	\$'000
Carrying amount at start of year	1,993	-
Additional provisions recognised	4,711	-
Reclassified to current	-	-
FX variations	(96)	-
Amounts used	(3,867)	-
Carrying amount at end of year	<b>2,741</b>	<b>-</b>

**17 Provisions (continued)****(c) Amounts not expected to be settled within the next 12 months**

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

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Long service leave obligation expected to be settled after 12 months	1,279	1,802	-	-

**18 Borrowings**

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current - secured</b>				
Bank overdrafts	12,736	-	-	-
Bank loans	28,315	-	-	-
Lease liabilities (note 27)	4,427	3,772	-	-
Hire purchase liabilities (note 27)	836	838	-	-
<b>Total secured current borrowings</b>	<b>46,314</b>	<b>4,610</b>	<b>-</b>	<b>-</b>
<b>Current - unsecured</b>				
Other loans	1,615	979	-	-
<b>Total unsecured current borrowings</b>	<b>1,615</b>	<b>979</b>	<b>-</b>	<b>-</b>
<b>Total current borrowings</b>	<b>47,929</b>	<b>5,589</b>	<b>-</b>	<b>-</b>
<b>Non-current secured</b>				
Bank loans	272,588	257,252	-	-
Lease liabilities (note 27)	5,095	3,344	-	-
Hire purchase liabilities (note 27)	1,039	1,741	-	-
<b>Total secured non-current borrowings</b>	<b>278,722</b>	<b>262,337</b>	<b>-</b>	<b>-</b>
<b>Non-current unsecured</b>				
US senior notes	85,118	-	-	-
<b>Total unsecured non-current borrowings</b>	<b>85,118</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total non-current borrowings</b>	<b>363,840</b>	<b>262,337</b>	<b>-</b>	<b>-</b>
<b>(a) Secured liabilities</b>				
The total secured liabilities (current and non-current) are as follows:				
Bank loans	313,639	257,252	-	-
Lease liabilities	9,522	7,116	-	-
Hire purchase liabilities	1,875	2,579	-	-
<b>Total secured liabilities</b>	<b>325,036</b>	<b>266,947</b>	<b>-</b>	<b>-</b>
<b>(b) Other loans</b>				
Other loans are repayable within twelve months. The current interest rate on these loans are 5.13% (2008: 6.87%).				
<b>(c) Risk exposures</b>				
The carrying amounts of the Group's borrowings are denominated in the following currencies:				
Australian Dollars	241,268	230,674	-	-
Great British Pounds	36,742	37,252	-	-
US Dollars	133,759	-	-	-
	<b>411,769</b>	<b>267,926</b>	<b>-</b>	<b>-</b>

Further information about the Group's and the parent entity's exposure to foreign exchange risk and interest rate risk and an analysis of the sensitivity of borrowings to interest rate and foreign exchange risk, is provided in note 2.

**18 Borrowings (continued)****(d) Assets pledged as security**

The security arrangements are split into two different sections, one for the US bank loans and another for the non-US bank loans. The US bank loans are secured by a first priority security interest in and lien on substantially all the assets of the US subsidiaries. The non-US bank loans are secured by fixed and floating charges over all the assets of the guarantor group together with mortgages over interest in real property.

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 purchase assets recognised in the financial statements under plant and equipment revert to the hirer in the vent of default.

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
<i>Floating charge</i>				
Cash and cash equivalents	9,518	16,551	-	-
Receivables	147,512	105,138	284,696	114,216
Inventories	136,512	105,511	-	-
Derivative financial instruments	680	1,472	-	-
<b>Total current assets pledged as security</b>	<b>294,222</b>	<b>228,672</b>	<b>284,696</b>	<b>114,216</b>
<b>Non-current</b>				
<i>First mortgage</i>				
Freehold land and buildings	56,556	56,847	-	-
<i>Finance lease and hire purchase</i>				
Plant & equipment	8,746	6,649	-	-
<i>Floating charge</i>				
Receivables - non-current	5,617	2,659	-	-
Financial assets	-	-	172,292	172,292
Property plant & equipment	295,496	155,251	-	-
Available for sale financial assets	10,379	19,100	-	-
	311,492	177,010	172,292	172,292
<b>Total non-current assets pledged as security</b>	<b>376,794</b>	<b>240,506</b>	<b>172,292</b>	<b>172,292</b>
<b>Total assets pledged as security</b>	<b>671,016</b>	<b>469,178</b>	<b>456,988</b>	<b>286,508</b>
<b>(e) Financing arrangements</b>				
Unrestricted access was available at balance date to the following lines of credit:				
<b>Credit standby arrangements</b>				
Total facilities				
Bank overdrafts	30,000	20,000	-	-
Standby letters of credit and bank guarantees	70,000	40,000	-	-
	100,000	60,000	-	-
Used at balance date				
Bank overdrafts	12,736	-	-	-
Standby letters of credit and bank guarantees	55,701	30,560	-	-
	68,437	30,560	-	-
Unused at balance date				
Bank overdrafts	17,264	20,000	-	-
Standby letters of credit and bank guarantees	14,299	9,440	-	-
	31,563	29,440	-	-
<b>Bank loan facilities</b>				
Total facilities	384,925	297,252	-	-
Used at balance date	300,902	257,252	-	-
Unused at balance date	84,023	40,000	-	-
<b>US senior notes</b>				
Total facilities	85,118	-	-	-
Used at balance date	85,118	-	-	-
Unused at balance date	-	-	-	-

**18 Borrowings (continued)**

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 \$100,000,000. The bank facilities are made up of the following;

1. The non US facility can be drawn at any time and has two tranches, one in Australian dollars (A\$260,000,000) and the other in Great British Pounds (£18,000,000), and has a maturity date of December 2010. Current interest rates are 4.25% (2008: 8.67%)
2. A term amortising loan for the US business in US dollars (US\$20,000,000), with a maturity date of November 2011. Current interest rate 2.22%
3. A US dollar revolving facility for the US businesses (US\$55,000,000) that can be drawn at any stage, with a maturity date of November 2011. Current interest rate of 1.86%

The US senior notes are unsecured notes financing the US businesses with a maturity date of December 2014 with a fixed interest rate of 11%.

**(f) Fair value**

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

	2009		2008	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>On balance sheet</b>				
<i>Non traded financial liabilities</i>				
Bank overdrafts	12,736	12,736	-	-
Bank loans	300,903	300,903	257,252	257,252
US senior notes	85,118	85,118	-	-
Other loans	1,615	1,615	979	979
Lease liabilities	9,522	9,522	7,116	7,116
Hire purchase liabilities	1,875	1,875	2,579	2,579
	<b>411,769</b>	<b>411,769</b>	<b>267,926</b>	<b>267,926</b>

**18 Borrowings (continued)****(f) Fair value (continued)**

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

**(i) On balance sheet**

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

**(ii) Off balance sheet**

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 26. As explained in those notes, no material losses are anticipated in respect of any of those contingencies.

**(g) 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.

2009	Floating interest rate \$'000	Fixed interest rate						Total \$'000
		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	
Bank overdrafts and loans (note 18)	313,639	-	-	-	-	-	-	313,639
Unsecured notes (note 18)	-	-	-	-	-	85,118	-	85,118
Other loans (note 18)	-	1,615	-	-	-	-	-	1,615
Lease liabilities (notes 18 and 27)	-	4,426	2,718	1,631	671	76	-	9,522
Hire purchase liabilities (notes 18 and 27)	-	836	1,039	-	-	-	-	1,875
Interest rate swaps (note 10)	(68,750)	8,750	-	60,000	-	-	-	-
Interest rate cap (note 10)	(30,000)	30,000	-	-	-	-	-	-
	<u>214,889</u>	<u>45,627</u>	<u>3,757</u>	<u>61,631</u>	<u>671</u>	<u>85,194</u>	<u>-</u>	<u>411,769</u>
Weighted average interest rate	3%	7%	8%	4%	9%	11%		
2008	Floating interest rate \$'000	Fixed interest rate						Total \$'000
		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	
Bank overdrafts and loans (note 18)	257,252	-	-	-	-	-	-	257,252
Other loans (note 18)	-	979	-	-	-	-	-	979
Lease liabilities (notes 18 and 27)	-	3,773	2,229	834	239	30	11	7,116
Hire purchase liabilities (notes 18 and 27)	-	838	836	905	-	-	-	2,579
Interest rate swaps (note 10)	(45,000)	36,250	8,750	-	-	-	-	-
Interest rate cap (note 10)	(30,000)	-	30,000	-	-	-	-	-
	<u>182,252</u>	<u>41,840</u>	<u>41,815</u>	<u>1,739</u>	<u>239</u>	<u>30</u>	<u>11</u>	<u>267,926</u>
Weighted average interest rate	8%	6%	7%	7%	8%	8%	8%	



## 19 Retirement benefit obligations

### (a) Superannuation plan

All employees of the Group are entitled to benefit from various superannuation or pension plans on retirement, disability or death. The Group operates one defined benefit retirement plan in the United States that covers hourly employees hired before May 10, 1993 in one of our US subsidiaries. Benefits for the defined benefit plan are determined on years of credited service. The Group also operates a number of defined contribution plans which receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

The following sets out details in respect of the defined benefit plan only. The expense recognised in relation to the defined contribution plans is disclosed in note 5.

### (b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Present value of the defined benefit obligation	27,599	-	-	-
Fair value of defined benefit plan assets	(20,007)	-	-	-
<b>Net liability in the balance sheet</b>	<b>(7,592)</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Group has no legal obligation to settle this liability with an immediate contribution or additional one off contributions. The Company contributes such amounts as deemed necessary on an actuarial basis to provide the Plan with assets sufficient to meet benefits paid to Plan participants.

### (c) Categories of the plan assets

The major categories of plan assets are as follows:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Cash equivalents	2,609	-	-	-
Fixed interest	2,307	-	-	-
Equity securities	15,091	-	-	-
	<b>20,007</b>	<b>-</b>	<b>-</b>	<b>-</b>

### (d) Reconciliations

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<i>Reconciliation of the present value of the defined benefit obligation, which is partly funded:</i>				
Balance at the beginning of the year	-	-	-	-
Current service cost	328	-	-	-
Interest cost	1,842	-	-	-
Plan amendments	875	-	-	-
Actuarial (gains) and losses	1,703	-	-	-
Benefits paid	(1,714)	-	-	-
Acquired in business combinations	21,229	-	-	-
FX Translation	3,336	-	-	-
	<b>27,599</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Reconciliation of the fair value of plan assets:</i>				
Balance at the beginning of the year	-	-	-	-
Actual return on plan assets	(4,941)	-	-	-
Contributions by Group companies	-	-	-	-
Benefits paid	(1,714)	-	-	-
Acquired in business combinations	22,216	-	-	-
FX Translation	4,446	-	-	-
	<b>20,007</b>	<b>-</b>	<b>-</b>	<b>-</b>

**19 Retirement benefit obligations (continued)****(e) Amounts recognised in income statement**

The amounts recognised in the income statement are as follow:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current service cost	328	-	-	-
Interest cost	1,842	-	-	-
Expected return on plan assets	(1,957)	-	-	-
Past service cost	69	-	-	-
Total included in employee benefits expense	282	-	-	-

**(f) Amounts recognised in statements of recognised income and expenses**

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Actuarial (loss)/gain recognised in the year	(8,600)	-	-	-
Cumulative actuarial (losses)/gains recognised in the statement of recognised income and expense	(8,401)	-	-	-

**(g) Principal actuarial assumptions**

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated		Parent entity	
	2009	2008	2009	2008
Discount rate	6.23%	-	-	-
Expected long-term return on plan assets	7.00%	-	-	-
Rate of compensation increase	N/A	-	-	-

The Company selects the expected long-term rate of return on assets in consultation with its investment advisers and actuary. This rate is intended to reflect the average rate of earnings expected to be earned on the funds invested or to be invested to provide plan benefits, and the plan is assumed to continue in force as long as assets are expected to be invested. In estimating that rate, appropriate consideration is given to historical performance for the major asset classes held or anticipated to be held by the plan and to current forecasts of future rates of return for those asset classes. Cash flow and expenses are taken into consideration to the extent that the expected return would be affected by them. Because assets are held in a qualified trust, anticipated returns are not reduced for taxes.

**(h) Employer contributions**

Employer contributions to the defined benefit plan are based on recommendations by the plan's actuary. Actuarial assessments are performed annually, and the last such assessment was made at 30 June 2008.

Total employer contributions expected to be paid by Group companies for the year ending 30 June 2010 are \$900,000 (parent entity - \$Nil).

**(i) Historic summary**

	2009
	\$'000
Defined benefit plan obligation	27,599
Plan assets	(20,007)
Surplus / (deficit)	(7,592)

**20 Deferred tax liabilities**

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
<i>Amounts recognised in profit or loss</i>				
Prepayments	840	-	-	-
Design assets	300	273	-	-
Unrealised foreign exchange differences	2,920	608	-	-
Leased assets	-	-	-	-
Financial at fair value through profit or loss	1,620	-	-	-
Licences	345	-	-	-
Depreciation	31,561	3,912	-	-
	<b>37,586</b>	<b>4,793</b>	<b>-</b>	<b>-</b>
<i>Amounts recognised directly in equity</i>				
Acquisition adjustment for unrealised income	4,203	-	-	-
Revaluation of financial assets at fair value	(3,142)	-	-	-
Revaluation of Available-for-sale asset	-	2,476	-	-
Cash flow hedges	166	442	-	-
	<b>1,227</b>	<b>2,918</b>	<b>-</b>	<b>-</b>
	<b>38,813</b>	<b>7,711</b>	<b>-</b>	<b>-</b>
<i>Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 13)</i>				
	<b>(9,645)</b>	<b>(7,711)</b>	<b>-</b>	<b>-</b>
Net deferred tax liabilities	<b>29,168</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Movements:</b>				
Opening balance at 1 July	7,711	4,003	-	-
Charged/(credited) to the income statement (note 6)	3,937	1,047	-	-
Charged/(credited) to equity (notes 21 and 22)	(1,664)	2,661	-	-
Acquisition of subsidiary (note 29)	28,829	-	-	-
Closing balance at 30 June	<b>38,813</b>	<b>7,711</b>	<b>-</b>	<b>-</b>
Deferred tax liabilities to be settled after more than 12 months	7,281	4,191	-	-
Deferred tax liabilities to be settled within 12 months	31,532	3,520	-	-
	<b>38,813</b>	<b>7,711</b>	<b>-</b>	<b>-</b>

**21 Contributed equity**

	Notes	Parent entity		Parent entity	
		2009 Shares	2008 Shares	2009 \$'000	2008 \$'000
<b>(a) Share capital</b>					
Ordinary shares	(b),(c)				
Fully paid		<u>126,912,477</u>	<u>106,071,765</u>	<u>389,082</u>	<u>246,661</u>
Total contributed equity				<u>389,082</u>	<u>246,661</u>

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

Date	Details	Notes	Number of shares	Issue price	Parent entity \$'000
<b>At 1 July 2007</b>	<b>Opening balance</b>		<b>106,072,655</b>		<b>249,306</b>
5 October to 23 November 2007	Exercise of Rights - shares acquired on market	(f)			(2,651)
10 March 2008	Dividend reinvestment plan issues	(d)	437,110		2,912
10 March 2008	Share buy back and cancellation	(h)	(438,000)		(2,906)
<b>At 30 June 2008</b>	<b>Balance</b>		<u><b>106,071,765</b></u>		<u><b>246,661</b></u>
10 October 2008 to 9 February 2009	Exercise of Rights - shares acquired on market	(f)			(782)
7 August 2008 to 28 November 2008	Equity raising net of placement costs		17,496,171		138,735
27 March 2009	Dividend reinvestment plan issues	(d)	3,344,541		4,468
<b>At 30 June 2009</b>	<b>Balance</b>		<u><b>126,912,477</b></u>		<u><b>389,082</b></u>

**(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. The plan was suspended effective from the final dividend payable in respect to the year ended 30 June 2006. For the interim dividend payable in respect to the year ended 30 June 2008 the plan was re-activated.

**(e) Employee share scheme**

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 35.

**(f) Performance Rights Plan**

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

**(g) Non-executive director share acquisition plan**

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

**(h) Share buy-back**

There were no share buy-backs in the period.

**22 Reserves and retained earnings**

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Reserves</b>				
Hedging reserve - cash flow hedges	388	1,032	-	-
Share based payments reserve	3,097	2,577	3,097	2,577
Foreign currency translation reserve	4,897	(2,241)	-	-
Revaluation reserve	(2,405)	5,779	-	-
	<b>5,977</b>	<b>7,147</b>	<b>3,097</b>	<b>2,577</b>
<b>Movements:</b>				
<i>Hedging reserve - cash flow hedges</i>				
Balance 1 July	1,032	598	-	-
Revaluation-gross (note 10)	(920)	618	-	-
Deferred tax (note 20)	276	(184)	-	-
Balance 30 June	<b>388</b>	<b>1,032</b>	<b>-</b>	<b>-</b>
<i>Share-based payments reserve</i>				
Balance 1 July	2,577	1,226	2,577	1,226
Rights expense	1,396	2,010	1,396	2,010
Transfer to share capital (Rights exercised)	(876)	(659)	(876)	(659)
Balance 30 June	<b>3,097</b>	<b>2,577</b>	<b>3,097</b>	<b>2,577</b>
<i>Foreign currency translation reserve</i>				
Balance 1 July	(2,241)	(1,133)	-	-
Currency translation differences arising during the year	7,138	(1,108)	-	-
Balance 30 June	<b>4,897</b>	<b>(2,241)</b>	<b>-</b>	<b>-</b>
<i>Available-for-sale investments revaluation reserve</i>				
Balance 1 July	5,779	-	-	-
Reversal of Americast investment	(5,779)	-	-	-
Revaluation-gross (note 15)	(3,435)	8,255	-	-
Deferred tax (note 20)	1,030	(2,476)	-	-
Balance 30 June	<b>(2,405)</b>	<b>5,779</b>	<b>-</b>	<b>-</b>
	Consolidated	Parent entity	Consolidated	Parent entity
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
<b>(b) Retained profits</b>				
Balance 1 July	97,365	73,333	28,541	22,485
Net profit for the year	64,268	57,985	75,000	40,000
Dividends	(38,840)	(33,944)	(38,732)	(33,944)
US Defined Benefits pension adjustment	(5,351)	-	-	-
New Zealand AIFRS adjustment	-	(9)	-	-
Balance 30 June	<b>117,442</b>	<b>97,365</b>	<b>64,809</b>	<b>28,541</b>
<b>(c) Nature and purpose of reserves</b>				
<i>(i) Hedging reserve - cash flow hedges</i>				
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.				
<i>(ii) Share-based payments reserve</i>				
The share based payments reserve is used to recognise the fair value of rights issued but not exercised.				
<i>(iii) Foreign currency translation reserve</i>				
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.				

**23 Dividends**

	<b>Parent entity</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Ordinary shares</b>		
Final dividend for the year ended 30 June 2008 of 22.0 cents (2007: 17.0 cents) per fully paid share paid on 4 September 2008 (2007: 4 September 2007)		
Fully franked based on tax paid @ 30%	<b>26,375</b>	18,032
Interim dividend for the year ended 30 June 2009 of 10.0 cents (2008: 15.0 cents) per fully paid share paid 27 March 2009 (2008: 10 March 2008)		
Fully franked based on tax paid @ 30%	<b>12,357</b>	15,912
Total dividends provided for or paid	<b>38,732</b>	33,944
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2008 and 30 June 2009 were as follows:		
Paid in cash	<b>34,264</b>	31,031
Satisfied by issue of shares	<b>4,468</b>	2,913
	<b>38,732</b>	33,944

**(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 13.0 cents per fully paid ordinary share, (2008: 22.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 7 September 2009 out of retained profits at 30 June 2009, but not recognised as a liability at year end, is

	<b>16,499</b>	26,342
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**(c) Franked dividends**

The franked portions of the final dividends recommended after 30 June 2009 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 2010.

	<b>Consolidated</b>		<b>Parent entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Franking credits available for subsequent financial years based on a tax rate of 30% (2008: 30%)	<b>31,051</b>	29,408	<b>31,051</b>	29,408

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

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- 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 \$7,071,000 (2008: \$11,290,000).

## 24 Key management personnel disclosures

### (a) Directors

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

(i) *Chairman - non-executive*

Nick Greiner

(ii) *Executive director*

Brian Hodges, Managing Director

(iii) *Non executive directors*

Phil Arnall

Vince O'Rourke

Greg Laurie

Peter Richards

### (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:

<i>Name</i>	<i>Position</i>	<i>Employer</i>
Andrew Allen *	General Manager - Industrial	Bradken Resources Pty Ltd
Tom Armstrong	General Manager - Engineered Products	Bradken Holdings USA, Inc
Bruce Arnott	Chief Financial Officer	Bradken Resources Pty Ltd
David Brown *	General Manager - Rail	Bradken Resources Pty Ltd
Andrew G Dalziel *	General Manager - Power & Cement	Bradken UK Limited
Enda Sheridan	General Manager - Mining Products	Bradken Resources Pty Ltd

\* David Brown left Bradken's employ on 12 June 2009 and Andrew Allen was appointed to his position on 17 June 2009. Andrew (Greg) Dalziel was appointed 4 July 2008 following the resignation of Chris Burdon on the same date.

### (c) Key management personnel compensation

	<b>Consolidated</b>		<b>Parent entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Short-term employee benefits	<b>4,195,980</b>	4,193,075	-	-
Post-employment benefits	<b>429,032</b>	467,767	-	-
Share-based payments	<b>776,242</b>	1,049,940	-	-
	<b>5,401,254</b>	5,710,782	-	-

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.

**24 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.

2009						
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
<b>Directors of Bradken Limited</b>						
Brian Hodges	178,718	63,627	(61,924)	-	180,421	-
<b>Other key management personnel of the Group</b>						
Andrew Allen	41,303	11,800	(14,835)	-	38,268	-
Bruce Arnott	52,996	17,399	(20,300)	-	50,095	-
David Brown	13,233	-	(3,308)	(9,925)	-	-
Greg Dalziel	-	11,471	-	-	11,471	-
Enda Sheridan	59,294	27,165	(19,107)	-	67,352	-
Brad Ward	40,316	13,960	(14,155)	-	40,121	-

2008						
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
<b>Directors of Bradken Limited</b>						
Brian Hodges	195,364	60,668	(77,314)	-	178,718	-
<b>Other key management personnel of the Group</b>						
Andrew Allen	48,229	12,861	(19,787)	-	41,303	-
Bruce Arnott	51,683	17,291	(15,978)	-	52,996	-
David Brown	-	13,233	-	-	13,233	-
Chris Burdon	12,001	7,800	-	-	19,801	-
Steve Burraston	48,923	-	-	(48,923)	-	-
Enda Sheridan	51,810	27,805	(20,321)	-	59,294	-
Brad Ward	41,331	15,656	(16,671)	-	40,316	-

*(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.

2009						
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	
<b>Directors of Bradken Limited</b>						
Nick Greiner	318,685	2,827	-	85,762	407,274	
Brian Hodges	2,848,441	-	61,924	(165,058)	2,745,307	
Phil Arnall	550,001	-	-	50,621	600,622	
Greg Laurie	41,085	15,595	-	1,242	57,922	
Vince O'Rourke	45,354	10,998	-	12,995	69,347	
Peter Richards	-	-	-	20,000	20,000	
<b>Other key management personnel of the Group</b>						
Andrew Allen	335,942	-	14,835	621	351,398	
Tom Armstrong	-	-	-	70,302	70,302	
Bruce Arnott	63,356	-	20,300	28,398	112,054	
David Brown	3,825	-	3,308	(7,133)	-	
Greg Dalziel	-	-	-	-	-	
Enda Sheridan	525,707	-	19,107	99,923	644,737	
Brad Ward	58,517	-	14,155	(1,864)	70,808	



**24 Key management personnel disclosures (continued)**

(iii) Share holdings (continued)

2008		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
Name	Balance at the start of the year				
<b>Directors of Bradken Limited</b>					
Nick Greiner	256,814	5,943	-	55,928	318,685
Brian Hodges	2,713,373	-	77,314	57,754	2,848,441
Phil Arnall	500,001	-	-	50,000	550,001
Greg Laurie	16,325	2,760	-	22,000	41,085
Vince O'Rourke	31,926	2,972	-	10,456	45,354
<b>Other key management personnel of the Group</b>					
Andrew Allen	274,401	-	19,787	41,754	335,942
Bruce Arnott	24,700	-	15,978	22,678	63,356
David Brown	-	-	-	3,825	3,825
Steve Burraston	169,286	-	-	(169,286)	-
Enda Sheridan	457,675	-	20,321	47,711	525,707
Brad Ward	38,414	-	16,671	3,432	58,517

**25 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	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>(a) Assurance services</b>				
<i>Audit services</i>				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under <i>Corporations Act 2001</i>	372,245	280,500	-	-
Related practices of PricewaterhouseCoopers Australian firm	206,836	102,081	-	-
Non-PricewaterhouseCoopers audit firm (Deloitte NZ)	29,603	16,565	-	-
Non-PricewaterhouseCoopers audit firm (KPMG US)	582,792	-	-	-
Non-PricewaterhouseCoopers audit firm (Hogg Lawson)	-	51,000	-	-
Total remuneration for audit services	1,191,476	450,146	-	-
<i>Other assurance services</i>				
Related practices of PricewaterhouseCoopers Australian firm				
Risk review services	96,675	-	-	-
Related practices of PricewaterhouseCoopers Australian firm				
Company secretarial services	-	1,552	-	-
Non-PricewaterhouseCoopers audit firm (Deloitte NZ)				
IFRS accounting services	-	14,663	-	-
Total remuneration for other assurance services	96,675	16,215	-	-
Total remuneration for assurance services	1,288,151	466,361	-	-
<b>(b) Taxation services</b>				
PricewaterhouseCoopers Australian firm:				
Tax compliance including review of company income tax returns	109,000	63,005	-	-
Related practices of PricewaterhouseCoopers Australian firm	18,144	56,387	-	-
Non-PricewaterhouseCoopers audit firm (Deloitte NZ)	8,818	6,857	-	-
Non-PricewaterhouseCoopers audit firm (KPMG US)	553,671	-	-	-
Non-PricewaterhouseCoopers audit firm (Ham Brothers Pty Ltd)	5,176	3,800	-	-
Total remuneration for taxation services	694,809	130,049	-	-

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.

## 26 Contingent liabilities

### (a) Contingent Liabilities

The parent entity and Group had contingent liabilities at 30 June 2009 and 2008 in respect of:

#### Guarantees and letters of credit

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Bank guarantees for contract performance	51,858	26,382	-	-
Letters of credit	3,843	4,178	-	-
Total estimated contingent liabilities	55,701	30,560	-	-

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 31. 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.

#### Claims

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

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

## 27 Commitments

### (a) Capital commitments

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

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Land & buildings				
Payable:				
Within one year	7,715	4,526	-	-
	7,715	4,526	-	-
Property, plant and equipment				
Payable:				
Within one year	10,279	18,802	-	-
	10,279	18,802	-	-

### (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	4,657	2,250	-	-
Later than one year but not later than five years	6,599	3,373	-	-
Later than five years	1,428	151	-	-
	12,684	5,774	-	-
Representing:				
Non cancellable operating leases	11,432	4,901	-	-
Future finance charges on finance leases	1,181	744	-	-
Future finance charges on hire purchases	71	129	-	-
	12,684	5,774	-	-

**27 Commitments (continued)***(i) Operating leases*

Operating leases relate to buildings 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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:				
Within one year	3,958	1,721	-	-
Later than one year but not later than five years	6,046	3,030	-	-
Later than five years	1,428	150	-	-
	<b>11,432</b>	<b>4,901</b>	<b>-</b>	<b>-</b>

*(ii) Finance leases*

The Group leases various plant and equipment with a carrying amount of \$8,899,000 (2008: \$6,649,000) 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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Commitments in relation to finance leases are payable as follows:				
Within one year	5,081	4,240	-	-
Later than one year but not later than five years	5,622	3,608	-	-
Later than five years	-	12	-	-
Minimum lease payments	10,703	7,860	-	-
Future finance charges	(1,181)	(744)	-	-
Total lease liabilities	<b>9,522</b>	<b>7,116</b>	<b>-</b>	<b>-</b>
Representing lease liabilities:				
Current (note 18)	4,427	3,772	-	-
Non current (note 18)	5,095	3,344	-	-
	<b>9,522</b>	<b>7,116</b>	<b>-</b>	<b>-</b>

The weighted average interest rate implicit in the leases is 8.69% (2008: 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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Commitments in relation to hire purchases are payable as follows:				
Within one year	886	899	-	-
Later than one year but not later than five years	1,060	1,809	-	-
Minimum lease payments	1,946	2,708	-	-
Future finance charges	(71)	(129)	-	-
Total lease liabilities	<b>1,875</b>	<b>2,579</b>	<b>-</b>	<b>-</b>
Representing lease liabilities:				
Current (note 18)	836	838	-	-
Non-current (note 18)	1,039	1,741	-	-
	<b>1,875</b>	<b>2,579</b>	<b>-</b>	<b>-</b>

The weighted average interest rate implicit in the agreement is 6.62% (2008: 6.67%).

**28 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 30.

**(c) Key management personnel**

Disclosures relating to key management personnel are set out in note 24.

**(d) Transactions with related parties**

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Tax consolidation legislation</i>				
Current tax payable assumed from wholly-owned tax consolidated entities	-	-	736,080	8,728,911
<i>Dividend revenue</i>				
Subsidiaries	-	-	75,000,000	40,000,000

**(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	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Current receivables (tax funding agreement)</i>				
Wholly-owned tax consolidated entities	-	-	736,080	8,728,911

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	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Loans to subsidiaries</i>				
Beginning of the year	-	-	114,216,000	111,875,353
Loans received	-	-	171,215,911	2,340,647
End of year	-	-	285,431,911	114,216,000

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 6(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.

## 29 Business combination

### (a) Summary of acquisitions and assets and liabilities acquired

#### Current Period

##### (i) Americast Technologies

On 6 August 2008 Bradken Operations Pty Ltd (a 100% subsidiary of Bradken Limited) acquired the remaining equity interest that it did not already own in AmeriCast Technologies Inc. for a consideration of \$111,398,000.

The total consideration comprised a cash outlay of \$122,243,000 including \$10,845,000 for the initial 17% interest in the issued equity of the acquired company and an equity issue to fund the balance of the purchase.

The equity raising undertaken resulted in the issue of 17,496,171 shares in Bradken Limited at an issue price of \$8.05 each realising \$138,735,000 after placement costs.

A total of \$111,397,000 of the equity raising was used as consideration to complete the Americast acquisition.

The acquired business contributed revenues of \$355,754,000 and net profit after tax of \$15,707,000 to the Group for the period 6 August 2008 to 30 June 2009. If the acquisition had occurred on 1 July 2008, consolidated revenue and consolidated net profit after tax and minority interests for the half-year ended 31 December 2008 would have been \$1,255,107,000 and \$63,362,000 respectively.

Details of net assets acquired and goodwill are as follows:

	<u>\$'000</u>
Purchase consideration	
Cash paid	122,243
Direct costs relating to the acquisition	5,748
Total purchase consideration	<u>127,991</u>
Fair value of net identifiable assets acquired (refer below)	<u>66,391</u>
Goodwill	<u>61,600</u>

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 of plant & equipment, 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:

	<u>Acquiree's carrying amount \$'000</u>	<u>Fair value \$'000</u>
Cash	24,090	24,090
Property, plant and equipment	91,229	92,374
Inventories	54,072	54,072
Receivables	53,171	55,236
Deferred Tax Assets	1,970	1,970
Other Assets	13,120	13,120
Goodwill	22,886	22,886
Other Intangibles	41,437	37,055
Payables	(52,821)	(44,056)
Current Tax Liability	(991)	(991)
Deferred Tax Liabilities	(26,143)	(28,829)
Provisions	(503)	(503)
Employee benefit liabilities, including superannuation	(10,356)	(10,356)
Borrowings	(149,677)	(149,677)
Net identifiable assets acquired	<u>61,484</u>	<u>66,391</u>

**29 Business combination (continued)****Prior Period****(ii) Forefront Associates Limited (Roll Neck Rings)**

On 10 September 2007 Bradken Holdings Limited (UK), (a 100% subsidiary of Bradken Limited) acquired all of the issued shares in Forefront Associates Limited, a sub-contract machining company, for cash consideration of \$3,085,000.

Disclosure of the revenue and the profit and loss as if the acquisition had occurred on 1 July 2007 has not been included as it is impractical to do so.

Details of net assets acquired and goodwill are as follows:

	<u>\$'000</u>
Purchase consideration	
Cash paid	3,085
Direct costs relating to the acquisition	152
Total purchase consideration	<u>3,237</u>
Fair value of net identifiable assets acquired (refer below)	<u>2,052</u>
Goodwill	<u>1,185</u>

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 of plant & equipment, 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:

	<u>Acquiree's carrying amount \$'000</u>	<u>Fair value \$'000</u>
Property, plant and equipment	1,894	3,772
Inventories	19	19
Other Assets	51	51
Receivables	913	913
Payables	(427)	(427)
Borrowings	(2,163)	(2,163)
Current tax liability	(157)	(157)
Net deferred tax assets	44	44
Net identifiable assets acquired	<u>174</u>	<u>2,052</u>

**(iii) CMS**

On 17 October 2007 Bradken Resources Pty Ltd (a 100% subsidiary of Bradken Limited) acquired 75% of the issued shares in Cast Metal Services Pty Ltd, a manufacturer and distributor of consumable products for the steelmaking and foundry industries, for cash consideration of \$10,107,000. The remaining 25% can be acquired two years after purchase under a call option.

Disclosure of the revenue and the profit and loss as if the acquisition had occurred on 1 July 2007 has not been included as it is impractical to do so.

Details of net assets acquired and goodwill are as follows:

	<u>\$'000</u>
Purchase consideration	
Cash paid	10,107
Direct costs relating to the acquisition	71
Total purchase consideration	<u>10,178</u>
Fair value of net identifiable assets acquired (refer below)	<u>4,667</u>
Goodwill	<u>5,511</u>

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 of 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.

**29 Business combination (continued)**

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

	Acquiree's carrying amount \$'000	Provisional fair value \$'000
Cash	49	49
Property, plant and equipment	1,611	1,611
Inventories	8,681	8,681
Receivables	8,453	8,453
Other Assets	114	114
Goodwill	35	35
Payables	(5,988)	(5,988)
Provisions	(36)	(36)
Employee benefit liabilities, including superannuation	(695)	(695)
Borrowings	(5,973)	(5,973)
Less Minority Interest	(1,584)	(1,584)
Net identifiable assets acquired	<b>4,667</b>	<b>4,667</b>

**(b) Purchase consideration**

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	<b>129,111</b>	14,166	-	-
Less: Balances acquired				
Cash	<b>24,090</b>	49	-	-
Bank overdraft	-	-	-	-
	<b>24,090</b>	49	-	-
Outflow of cash	<b>105,021</b>	14,117	-	-

An amount of \$120,000 in respect of the acquisition of TMS Engineering and \$1,000,000 in respect of the acquisition of CMS Pty Ltd, both provided at 30 June 2008, were paid out in the period. There remains an amount payable of \$1,200,000 in respect of the acquisition of Wundowie Foundry Pty Ltd. These amounts have been brought to account in goodwill values disclosed in note 14.

### 30 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 **	
			2009 %	2008 %
Bradken Holdings Pty 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
Bradken Ingenieria Limitada	Chile	Ordinary	100	100
Bradken UK Limited	UK	Ordinary	100	100
Bradken (Xuzhou) Metal Equipment Manufacturing Company Limited	China	Ordinary	100	100
Forefront Associates Limited	UK	Ordinary	100	100
Bradken Sheffield Limited	UK	Ordinary	100	100
Bradken (Xuzhou) International Trading Company Limited	China	Ordinary	100	100
Cast Metal Services Pty Limited	Australia	Ordinary	75	75
CMS HAA Coatings Pty Limited (70% owned by Cast Metal Services Pty Limited)	Australia	Ordinary	52.5	52.5
Bradken Holdings USA, Inc.	USA	Ordinary	100.0	-
Bradken, Inc.	USA	Ordinary	100.0	-
Bradken - Global Services, Inc.	USA	Ordinary	100.0	-
Bradken - Primecast, Inc.	USA	Ordinary	100.0	-
Bradken - Atchison / St Joseph, Inc.	USA	Ordinary	100.0	-
Bradken - Amite, Inc.	USA	Ordinary	100.0	-
Bradken - London, Ltd.	Canada	Ordinary	100.0	-
Bradken - Atlas, LLC	USA	Ordinary	100.0	-
Bradken - Atlas Limited Partnership	USA	Ordinary	100.0	-

\* 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 31.

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

### 31 Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit, and lodgement of financial reports, and directors' report. It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The companies subject to the Deed are:

- Bradken Limited
- Bradken Holdings Pty 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'.



**31 Deed of cross guarantee (continued)**

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

- G W Brown and Co Pty Limited
- Bradken Ingenieria Limitada
- Bradken UK Limited
- Forefront Associates Limited
- Bradken Sheffield Limited
- Bradken (Xuzhou) Metal Equipment Manufacturing Company Limited
- Bradken (Xuzhou) International Trading Company Limited
- Cast Metal Services Pty Limited
- CMS HAA Coatings Pty Limited
- Bradken Holdings USA, Inc.
- Bradken, Inc.
- Bradken - Global Services, Inc.
- Bradken - Primecast, Inc.
- Bradken - Atchison / St Joseph, Inc.
- Bradken - Amite, Inc.
- Bradken - London, Ltd.
- Bradken - Atlas, LLC
- Bradken - Atlas Limited Partnership

**(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 2009 of the Closed Group outlined above.

	2009 \$'000	2008 \$'000
<b>Income statement</b>		
<b>Revenue from continuing operations</b>	<b>672,475</b>	661,781
Cost of sales	<b>(516,586)</b>	(499,394)
<b>Gross profit</b>	<b>155,889</b>	162,387
Other income	-	90
Selling and technical expenses	<b>(31,632)</b>	(30,611)
Administration expenses	<b>(37,374)</b>	(30,111)
Borrowing costs	<b>(16,702)</b>	(17,567)
<b>Profit before income tax</b>	<b>70,181</b>	84,188
Income tax expense	<b>(20,625)</b>	(25,469)
<b>Profit for the year</b>	<b>49,556</b>	58,719
<b>Summary of movements in consolidated retained profits</b>		
<b>Retained profits at the beginning of the financial year</b>	<b>98,050</b>	73,284
Profit for the year	<b>49,556</b>	58,719
Dividends provided for or paid	<b>(38,732)</b>	(33,944)
Adjustment on adoption of AASB132 and AASB139, net of tax, to retained profits	-	(9)
<b>Retained profits at the end of the financial year</b>	<b>108,874</b>	98,050

**31 Deed of cross guarantee (continued)****(b) Balance sheet**

Set out below is a consolidated balance sheet as at 30 June 2009 for the Closed Group outlined above.

	2009 \$'000	2008 \$'000
<b>Current assets</b>		
Cash and cash equivalents	952	13,490
Trade and other receivables	160,293	152,596
Inventories	81,716	94,134
Derivative financial instruments	21	1,472
<b>Total current assets</b>	<b>242,982</b>	<b>261,692</b>
<b>Non-current assets</b>		
Receivables	912	2,596
Available for sale financial assets	10,379	19,100
Property, plant and equipment	222,989	202,276
Intangible assets	43,312	46,848
Deferred tax assets	8,850	7,293
Other financial assets	177,845	38,019
<b>Total non-current assets</b>	<b>464,287</b>	<b>316,132</b>
<b>Total assets</b>	<b>707,269</b>	<b>577,824</b>
<b>Current liabilities</b>		
Trade and other payables	62,893	77,857
Borrowings	17,503	5,505
Current tax liabilities	751	8,744
Provisions	30,114	32,090
Derivative financial instruments	-	383
<b>Total Current Liabilities</b>	<b>111,261</b>	<b>124,579</b>
<b>Non-current liabilities</b>		
Borrowings	260,345	262,077
Provisions	2,409	2,866
<b>Total non-current liabilities</b>	<b>262,754</b>	<b>264,943</b>
<b>Total liabilities</b>	<b>374,015</b>	<b>389,522</b>
<b>Net assets</b>	<b>333,254</b>	<b>188,302</b>
<b>Equity</b>		
Contributed equity	223,460	81,039
Reserves	920	9,213
Retained profits	108,874	98,050
<b>Total equity</b>	<b>333,254</b>	<b>188,302</b>

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

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Profit for the year	65,023	58,497	75,000	40,000
Depreciation and amortisation of licences and designs	41,029	23,626	-	-
Amortisation of finance costs	2,678	781	-	-
Non-cash employee benefits expense - share-based payments	1,396	2,010	1,396	2,010
Net (gain) loss on sale of non-current assets	72	(316)	-	-
Fair value gains on other financial assets at fair value through profit or loss	-	(350)	-	-
Net exchange differences	374	(324)	-	-
(Increase) / decrease in trade debtors and bills of exchange	24,091	(27,648)	-	-
(Increase) / decrease in inventories	(1,541)	(24,083)	-	-
(Increase) / decrease in other financial assets at fair value through profit or loss	792	(618)	(76,396)	(42,010)
(Increase) / decrease in deferred tax assets	(128)	2,457	-	-
Increase / (decrease) in trade creditors	(23,415)	15,114	-	-
(Increase) / decrease in other financial liabilities at fair value through profit or loss	(383)	-	-	-
Increase / (decrease) in other operating liabilities	-	233	-	-
Increase / (decrease) in provision for income taxes payable	(7,285)	(1,973)	-	-
Increase / (decrease) in provision for deferred income tax	6,233	1,047	-	-
Increase / (decrease) in other provisions	1,122	353	-	-
Net cash inflow from operating activities	110,058	48,806	-	-

**33 Non cash investing and financing activities**

	Consolidated		Parent entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Acquisition of plant and equipment by means of finance leases	5,114	2,834	-	-
	5,114	2,834	-	-

Dividends satisfied by the issue of shares under the dividend reinvestment plan are shown in note 23 and rights and shares issued to employees under the Bradken Limited Performance Rights Plan and the Bradken Limited Employee Share Plan for no cash consideration are shown in note 35.

Ordinary shares issued for acquisition of entities for no cash consideration are shown in note 21.

**34 Earnings per share**

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>Cents</b>	<b>Cents</b>
<b>(a) Basic earnings per share</b>		
Profit from continuing operations attributable to the ordinary equity holders of the company	<b>52.5</b>	54.7
Profit attributable to the ordinary equity holders of the company	<b>52.5</b>	54.7
<b>(b) Diluted earnings per share</b>		
Profit from continuing operations attributable to the ordinary equity holders of the company	<b>52.1</b>	54.2
Profit attributable to the ordinary equity holders of the company	<b>52.1</b>	54.2

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

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Basic earnings per share</i>		
Profit from continuing operations	<b>65,023</b>	58,497
Profit from continuing operations attributable to minority interests	<b>(755)</b>	(512)
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<b>64,268</b>	57,985
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<b>64,268</b>	57,985

*Diluted earnings per share*

Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<b>64,268</b>	57,985
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<b>64,268</b>	57,985

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

	<b>Consolidated</b>	
	<b>2009</b>	<b>2008</b>
	<b>Number</b>	<b>Number</b>
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	<b>122,374,162</b>	106,072,380
Adjustments for calculation of diluted earnings per share:		
Rights	<b>933,663</b>	866,872
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<b>123,307,825</b>	106,939,252

**(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 34.

### 35 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.

There were no shares issued under this plan for 2009 or 2008. There were no other shares eligible for issuance under the scheme at 30 June 2009.

Solely at the discretion of the Board, allocations may be made in future 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 2009 and 2008 years shares were acquired on-market for an equivalent value to the percentage of Directors Fees nominated.

#### Summary of share purchases in the plan:

	Consolidated		Parent entity	
	2009	2008	2009	2008
Shares purchased under the plan for participating directors on 13 August 2008 (2008: 9 October 2007)	6,502	4,112	6,502	4,112
Shares purchased under the plan for participating directors on 16 February 2009 (2008: 18 February 2008)	22,918	7,563	22,918	7,563
	<b>29,420</b>	11,675	<b>29,420</b>	11,675

At 30 June 2009 Directors participating in the plan have an entitlement to the value of \$33,000 which is the relevant percentage of Directors Fees nominated to be taken as shares for the period 1 January 2009 to 30 June 2009. It is expected that shares to this value will be purchased on-market during August 2009. The exact number of shares to be purchased cannot be determined.

**35 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%
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. New entrants to the scheme are provided with a transition to the 3 year plan.

*Summary of Rights issues in the plan:*

Grant date	Number of Rights	Fair value per Right	Financial periods in which Rights may vest
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
31 October 2007	82,779	4.44	30 June 2009
31 October 2007	11,682	6.87	30 June 2010
31 October 2007	259,691	8.45	30 June 2011
17 October 2008	25,025	2.84	30 June 2010
17 October 2008	15,621	4.11	30 June 2011
17 October 2008	340,655	4.82	30 June 2012

There were no other Rights eligible for issuance under the scheme at 30 June 2009.

**35 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
<b>Consolidated and parent entity - 2009</b>								
18 November 2005	10 years from Test date	2.35	134,501	-	(124,157)	-	10,344	10,344
30 October 2006	10 years from Test date	2.80	101,197	-	(82,105)	-	19,092	19,092
30 October 2006	10 years from Test date	3.44	335,617	-	-	(24,832)	310,785	-
30 March 2007	10 years from Test date	4.70	19,202	-	-	(19,202)	-	-
31 October 2007	10 years from Test date	4.44	82,779	-	(72,700)	(510)	9,569	9,569
31 October 2007	10 years from Test date	6.87	11,682	-	-	(3,819)	7,863	-
31 October 2007	10 years from Test date	8.45	259,691	-	-	(37,255)	222,436	-
17 October 2008	10 years from Test date	2.84	-	25,025	-	-	25,025	-
17 October 2008	10 years from Test date	4.11	-	15,621	-	-	15,621	-
17 October 2008	10 years from Test date	4.82	-	340,655	-	(17,118)	323,537	-
Total			944,669	381,301	(278,962)	(102,736)	944,272	39,005
Weighted average price			4.75	4.66	3.03	5.85	5.10	3.08

Vesting for the performance period to 30 June 2009 will occur following the test date on 6 August 2009.

**Consolidated and parent entity - 2008**

18 August 2004	10 years from Test date	1.57	30,556	-	(30,556)	-	-	-
30 June 2005	10 years from Test date	1.41	49,388	-	(35,619)	(13,769)	-	-
18 November 2005	10 years from Test date	2.35	296,045	-	(134,513)	(27,031)	134,501	-
30 October 2006	10 years from Test date	2.80	206,875	-	(90,673)	(15,005)	101,197	5,267
30 October 2006	10 years from Test date	3.44	360,838	-	-	(25,221)	335,617	-
30 March 2007	10 years from Test date	4.70	19,202	-	-	-	19,202	-
31 October 2007	10 years from Test date	4.44	-	82,779	-	-	82,779	-
31 October 2007	10 years from Test date	6.87	-	11,682	-	-	11,682	-
31 October 2007	10 years from Test date	8.45	-	259,691	-	-	259,691	-
Total			962,904	354,152	(291,361)	(81,026)	944,669	5,267
Weighted average price			2.83	7.46	2.29	2.61	4.75	2.80

The weighted average share price at the date of exercise of Rights exercised regularly during the year ended 30 June 2009 was \$4.39 (2008: \$11.62). The weighted average remaining contractual life of share Rights outstanding at the end of the period was 1.57 years (2008: 1.41 years).

**35 Share based payments (continued)***Fair value of Rights granted*

The assessed fair value at grant date of Rights granted during the year ended 30 June 2009 was between \$2.84 and \$4.82 per right (2008: between \$4.44 and \$8.45). 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.

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

Grant Date	Expiry Date	Fair value per Right	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
18/11/2005	Ten years from Test Date	2.35	-	4.15	90%	5.35%	0.00%
30/10/2006	Ten years from Test Date	2.80	-	6.00	90%	5.73%	0.00%
30/10/2006	Ten years from Test Date	3.44	-	6.00	90%	5.73%	0.00%
30/03/2007	Ten years from Test Date	4.70	-	8.81	90%	6.02%	0.00%
31/10/2007	Ten years from Test Date	4.44	-	14.68	90%	6.18%	0.00%
31/10/2007	Ten years from Test Date	6.87	-	14.68	90%	6.18%	0.00%
31/10/2007	Ten years from Test Date	8.45	-	14.68	90%	6.18%	0.00%
17/10/2008	Ten years from Test Date	2.84	-	6.30	139%	5.19%	0.00%
17/10/2008	Ten years from Test Date	4.11	-	6.30	139%	5.19%	0.00%
17/10/2008	Ten years from Test Date	4.82	-	6.30	139%	5.19%	0.00%

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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Rights issued under Performance Rights Plan	1,396	2,010	1,396	2,010
Shares purchased under the Non-Executive Directors Share Acquisition Plan	78	116	78	116
	<b>1,474</b>	<b>2,126</b>	<b>1,474</b>	<b>2,126</b>

**36 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 2009 to the date of issue of this report.



In the directors' opinion:

- (a) the financial statements and notes set out on pages 24 to 85 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 2009 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 31 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 31.

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:



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Nick Greiner  
Chairman



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Brian Hodges  
Managing Director

Sydney  
6 August 2009

## Independent audit report to the members of Bradken Limited

### Report on the financial report

We have audited the accompanying financial statements of Bradken Limited (the company), which comprise the statement of financial position as at 30 June 2009, and the income statement, statement of recognised income and expense and statement of cash flow 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 the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation 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 controls 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.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

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.

#### *Independence*

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

#### *Auditor's opinion*

In our opinion:

- (a) the financial report of Bradken Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 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 comply with International Financial Reporting Standards as disclosed in Note 1.

#### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 12 to 20 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### *Auditor's opinion*

In our opinion, the Remuneration Report of Bradken Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

#### *Matters relating to the electronic presentation of the audited financial report*

This auditor's report relates to the financial report and remuneration report of Bradken Limited (the company) for the year ended 30 June 2009 included on Bradken Limited's web site. The company's directors are responsible for the integrity of the Bradken Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration report. 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 report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PRICEWATERHOUSE COOPERS

PricewaterhouseCoopers

D A Turner

D A Turner  
Partner

Sydney  
6 August 2009