

BRADKEN LIMITED

Appendix 4D

Half Year Report Period Ended 31 December 2010

Results for Announcement to the Market

		<u>Percentage Change</u>		<u>\$'000</u>
Revenues from ordinary activities	Up	14.9%	to	535,084
Profit (loss) from ordinary activities after tax attributable to members before impairment charges	Up	48.6%	to	38,202
Profit (loss) from ordinary activities after tax attributable to members	Up	1.1%	to	25,992
Net Profit (loss) for the period attributable to members	Up	1.1%	to	25,992

Dividends	<u>Amount per Security</u>	<u>Percentage Franked</u>
Current period:		
Interim Dividend	18.5 cents	100%
Record Date for determining entitlements to the dividend:	18th February 2011	
Date the dividend is payable:	21st March 2011	
Prior corresponding period:		
Interim Dividend	13.0 cents	100%

Net Tangible Assets per Security	
As at 31st December 2010	\$2.02
As at 31st December 2009	\$1.58

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Bradken Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' Report

Your directors present their report on the consolidated entity consisting of Bradken Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

Directors

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

Name

Nick Greiner Non Executive Chairman	Brian Hodges Managing Director
Phil Arnall Non Executive Director	Vince O'Rourke Non Executive Director
Greg Laurie Non Executive Director	Peter Richards Non Executive Director

Commentary on results and review of operations**Financial Overview**

	HY11	HY10	Change
NPAT	\$26.0m	\$25.7m	Up 1%
EBITDA	\$90.1m	\$70.7m	Up 27%
EBITDA margin	16.9%	15.3%	
Sales revenue	\$532.5m	\$463.0m	Up 15%
Operating cash flow	\$36.2m	\$81.8m	Down 55%
Earnings per share based on shares at 31 December 2010	18.7 cents	19.8 cents	Down 1.1 cents
Dividends per share	18.5 cents	13.0 cents	Up 42%
LTIFR	3.4	2.9	Worsened 17%

Net profit after tax attributable to members for the half-year was \$26.0m (2010 \$25.7m).

A review of the operations of the Bradken Group during the half-year and the results of those operations is attached in the ASX Release.

Segment revenues and results

A summary of consolidated revenues and results for the half-year by significant industry segments is set out on pages 8 and 9.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

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 director's report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order unless otherwise noted.

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



Brian Hodges
Managing Director

Sydney
7 February 2011



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Auditor's Independence Declaration

As lead auditor for the review of Bradken Limited for the half year ended 31 December 2010, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads "John Campion".

J Campion
Partner
PricewaterhouseCoopers

Sydney
7 February 2011

Consolidated income statement
For the half-year ended 31 December 2010

	Notes	Half-year	
		2010 \$'000	2009 \$'000
Revenue from continuing operations		532,476	462,978
Cost of sales		(406,235)	(366,230)
Gross profit		126,241	96,748
Other income		2,608	2,836
Selling and technical expenses		(24,725)	(19,485)
Administration expenses		(45,419)	(29,397)
Finance costs		(17,556)	(14,832)
Profit before income tax		41,149	35,870
Income tax expense		(15,105)	(9,910)
Profit for the half-year	3	26,044	25,960
Profit attributable to:			
Owners of Bradken Limited		25,992	25,716
Non-controlling interest		52	244
		26,044	25,960
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share:		18.7	20.0
Diluted earnings per share:		18.5	19.8

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

Consolidated statement of comprehensive income
For the half-year ended 31 December 2010

		Half-year	
Notes	2010 \$'000	2009 \$'000	
Profit for the half-year	3	26,044	25,960
Other comprehensive income			
Changes in the fair value of available-for-sale financial assets		18,088	13,545
Changes in the fair value of cash flow hedges		1,040	400
Exchange differences on translation of foreign operations		(29,657)	(8,253)
Income tax relating to components of other comprehensive income		(5,737)	(4,183)
Other comprehensive income for the half-year net of tax		(16,266)	1,509
Total comprehensive income for the half-year		9,778	27,469
Total comprehensive income for the half-year is attributable to:			
Owners of Bradken Limited		9,726	27,225
Non-controlling interest		52	244
		9,778	27,469

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

Consolidated statement of financial position
As at 31 December 2010

	31 December 2010 \$'000	30 June 2010 \$'000
Current assets		
Cash and cash equivalents	11,496	63,565
Trade and other receivables	125,183	142,348
Inventories	186,463	162,375
Derivative financial instruments	1,012	238
Total current assets	324,154	368,526
Non-current assets		
Receivables	1,546	1,485
Property, plant and equipment	398,742	384,982
Deferred tax assets	1,460	8,547
Intangible assets	171,429	173,351
Available for sale financial assets	65,026	46,938
Total non-current assets	638,203	615,303
Total assets	962,357	983,829
Current liabilities		
Trade and other payables	101,703	118,543
Borrowings	26,667	24,054
Current tax liabilities	3,890	10,137
Provisions	35,769	36,890
Derivative financial instruments	3,487	532
Total Current Liabilities	171,516	190,156
Non-current liabilities		
Borrowings	291,018	283,729
Deferred tax liabilities	22,954	25,736
Provisions	11,494	12,500
Other liabilities	7,256	-
Total non-current liabilities	332,722	321,965
Total liabilities	504,238	512,121
Net assets	458,119	471,708
Equity		
Contributed equity	307,231	302,838
Reserves	589	15,402
Retained profits	150,124	153,270
Capital and reserves attributable to the owners of Bradken Limited	457,944	471,510
Non-controlling interest	175	198
Total equity	458,119	471,708

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

Consolidated statement of changes in equity
For the half-year ended 31 December 2010

	Attributable to owners of Bradken Limited					Total equity	
	Contributed Equity	Reserves	Retained earnings	Total	Non-controlling interest		
	Notes	\$'000	\$'000	\$'000	\$'000		\$'000
Balance at 1 July 2009		223,460	5,977	117,442	346,879	2,776	349,655
Total comprehensive income for the half-year		-	1,509	25,716	27,225	244	27,469
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	4	16,496	-	(16,496)	-	(126)	(126)
Acquisition taxation adjustment		635	-	-	635	-	635
Employee share options - value of employee services		-	1,201	-	1,201	-	1,201
		<u>17,131</u>	<u>1,201</u>	<u>(16,496)</u>	<u>1,836</u>	<u>(126)</u>	<u>1,710</u>
Balance at 31 December 2009		240,591	8,687	126,662	375,940	2,894	378,834
Balance at 1 July 2010		302,838	15,402	153,270	471,510	198	471,708
Total comprehensive income for the half-year		-	(16,266)	25,992	9,726	52	9,778
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs		16	-	-	16	-	16
Dividends provided for or paid	4	4,377	-	(29,138)	(24,761)	(75)	(24,836)
Employee share options - value of employee services		-	1,453	-	1,453	-	1,453
		<u>4,393</u>	<u>1,453</u>	<u>(29,138)</u>	<u>(23,292)</u>	<u>(75)</u>	<u>(23,367)</u>
Balance at 31 December 2010		307,231	589	150,124	457,944	175	458,119

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

Consolidated statement of cash flows
For the half-year ended 31 December 2010

	Notes	Half-year	
		2010 \$'000	2009 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		607,407	581,708
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(537,027)</u>	<u>(479,156)</u>
		70,380	102,552
Interest received		287	74
Interest paid		(15,598)	(12,402)
Income taxes paid		<u>(18,842)</u>	<u>(8,457)</u>
Net cash inflow / (outflow) from operating activities		<u>36,227</u>	<u>81,767</u>
Cash flows from investing activities			
Payments for purchase of businesses, net of cash acquired	6	(64,797)	-
Payments for purchase of subsidiary net of cash acquired		-	(574)
Payment for property, plant and equipment		(27,480)	(22,038)
Payments for design costs		-	(34)
Payments for available for sale financial assets		(2,050)	(3,749)
Proceeds from sale of property, plant and equipment		76	26
Dividends received		<u>1,035</u>	<u>501</u>
Net cash inflow / (outflow) from investing activities		<u>(93,216)</u>	<u>(25,868)</u>
Cash flows from financing activities			
Proceeds from issue of shares		(75)	11,967
Proceeds from borrowings		55,710	14,090
Repayment of borrowings		(23,991)	(58,757)
Payments of finance lease liabilities		(5,032)	(5,092)
Dividends paid to company's shareholders		(24,761)	(11,967)
Dividends paid to non-controlling interests in subsidiaries		<u>(75)</u>	<u>(126)</u>
Net cash inflow / (outflow) from financing activities		<u>1,776</u>	<u>(49,885)</u>
Net increase / (decrease) in cash and cash equivalents		<u>(55,213)</u>	<u>6,014</u>
Cash and cash equivalents at the beginning of the half-year		63,367	507
Effects of exchange rate changes on cash and cash equivalents		<u>(1,777)</u>	<u>(1,086)</u>
Cash and cash equivalents at the end of the half-year		<u>6,377</u>	<u>5,435</u>

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

1 Basis of preparation of half-year financial report

This general purpose financial report for the interim half year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Bradken Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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

In December 2009, the AASB issued AASB 9 Financial Instruments which addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. The group has not yet decided when to adopt AASB 9.

2 Segment information

(a) Description of segments

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

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

Segment 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.

Industrial is a 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 and Sugar Production. Mining Products consists of 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 is a package provider of Freight Rollingstock products and services including freight wagons, bogies, drawgear, inventory management, spare and renewed parts and the maintenance and refurbishment of rollingstock. Engineered Products based in the US is a 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.

Although the Industrial segment does not meet the quantitative thresholds required by AASB 8, management has concluded that this segment should be reported, as it is closely monitored by the Managing Director.

Management has concluded that the results of the previously reported Power & Cement segment are no longer required to be separately disclosed. The segment does not meet any quantitative thresholds required by AASB 8 and is considered by management to be of decreasing relevance as the Group's operations continue to expand. Management has concluded that the results of this operation are better included in the "all other segments" column and comparative disclosures have also been amended to reflect this change. Had the Power & Cement segment been separately disclosed revenue would have been \$12,949,000 (2009: \$16,953,000) and gross margin would have been \$4,186,000 (2009: \$5,912,000).

2 Segment information (continued)

(b) Segment information provided to the Managing Director

The segment information provided to the Managing Director for the reportable segments for the half-year ended 31 December 2010 is as follows:

	Industrial	Mining Products	Rail	Engineered Products	All other segments	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Half-year 2010						
Total segment revenue	38,283	222,364	109,324	157,609	67,186	594,766
Inter-segment revenue	(1,144)	(18,429)	(3,493)	-	(39,224)	(62,290)
Revenue from external customers	<u>37,139</u>	<u>203,935</u>	<u>105,831</u>	<u>157,609</u>	<u>27,962</u>	<u>532,476</u>
Gross margin	11,607	76,497	28,306	52,922	12,027	181,359
Half-year 2009						
Total segment revenue	28,503	175,274	146,097	96,668	54,991	501,533
Inter-segment revenue	-	(9,916)	(2,293)	-	(26,346)	(38,555)
Revenue from external customers	<u>28,503</u>	<u>165,358</u>	<u>143,804</u>	<u>96,668</u>	<u>28,645</u>	<u>462,978</u>
Gross margin	8,778	58,701	32,226	32,507	10,148	142,360
Total segment assets						
At 31 December 2010	77,206	288,957	81,534	276,689	67,895	792,281
At 30 June 2010	71,385	273,807	98,220	259,081	68,793	771,286

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

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

	Half-year	
	2010	2009
	\$'000	\$'000
Gross margin	181,359	142,360
Fixed manufacturing overheads and other cost of sale adjustments	(55,118)	(45,612)
Other income	2,608	2,836
Selling and technical expenses	(24,725)	(19,485)
Administration expenses	(45,419)	(29,397)
Finance costs	(17,556)	(14,832)
Profit before income tax	41,149	35,870

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

3 Profit for the half-year

	Half-year	
	2010 \$'000	2009 \$'000
Profit for the half-year includes the following items that are unusual by their nature, size or incidence:		
Expenses		
Impairment of Power & Cement goodwill	8,759	-
Less: Applicable income tax expense	-	-
	8,759	-
Impairment of customer intangibles	1,452	-
Less: Applicable income tax expense	-	-
	1,452	-
Impairment of UK tax asset	1,999	-
Acquisition costs	1,447	-
Less: Applicable income tax expense	(434)	-
	1,013	-

4 Dividends

	Half-year	
	2010 \$'000	2009 \$'000
Ordinary shares		
Dividends provided for or paid during the half-year	29,138	16,496
Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have declared the payment of an interim dividend of 18.5 cents per fully paid ordinary share (2009 - 13.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the dividend to be paid on 21 March 2011 out of retained profits at 31 December 2010, but not recognised as a liability at the end of the half-year, is	25,833	16,871

5 Equity securities issued

	Half-year		Half-year	
	2010 Shares	2009 Shares	2010 \$'000	2009 \$'000
Issues of ordinary shares during the half-year				
Exercise of rights issued under the Bradken Limited Performance Rights Plan - shares issued	305,790	206,722	-	-
Dividend reinvestment plan issues	586,645	737,003	4,377	4,529
Shares issued in relation to underwriting of dividend Institutional, Retail and Staff placements in connection with capital raising to acquire the assets of Americast Technologies Inc.	-	1,902,559	-	11,967
	-	-	16	635
	892,435	2,846,284	4,393	17,131

6 Business Combinations

Current Period

(i) Almac Machine Works

On 10 July 2010 Bradken Canada Ltd (a 100% subsidiary of Bradken Limited) acquired the assets of Almac Machine Works in Edmonton, Alberta, Canada for a consideration of \$52.6m.

To fund the acquisition A\$49.3 million was raised via a fully underwritten institutional placement which was completed on 18 May 2010 resulting in the issue of 7,092,200 ordinary shares. In addition a Share Purchase Plan raised an additional \$8.0 million resulting in the issue of a further 1,136,133 ordinary shares.

The acquired business contributed revenues of \$20,064,000 and net profit after tax of \$174,000 to the Group for the period 10 July 2010 to 31 December 2010. Acquisition costs for the period were \$744,000 and are included in administration expenses in profit or loss. Had the acquisition occurred on 1 July consolidated revenue and consolidated net profit after tax would not have been materially different to that reported in the consolidated income statement.

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

	\$'000
Purchase consideration	52,585
Provisional fair value of net identifiable assets acquired (refer below)	50,452
Provisional goodwill	2,133

The provisional goodwill is attributable to the profitability of the acquired business and synergies expected to arise after the Group's acquisition of the Almac business.

The provisional fair value will be finalised and any adjustments disclosed in the Group's financial statements for the year ended 30 June 2011. The provisional fair value of assets and liabilities arising from the acquisition are as follows:

	Provisional fair value \$'000
Property, plant and equipment	24,061
Inventories	4,811
Receivables	7,762
Customer lists	12,775
Patents	2,737
Payables	(1,694)
Net identifiable assets acquired	50,452

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 11 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Bradken Limited will be able to pay its debts as and when they become due and payable.

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



Brian Hodges
Managing Director

Sydney
7 February 2011

Independent auditor's review report to the members of Bradken Limited

Report on the half year financial report

We have reviewed the accompanying half-year financial report of Bradken Limited, which comprises the balance sheet as at 31 December 2010, and the consolidated income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Bradken Group (the consolidated entity). The consolidated entity comprises both Bradken Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Bradken Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

Independent auditor's review report to the members of Bradken Limited (continued)

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 31 December 2010 included on Bradken Limited's web site. The company's directors are responsible for the integrity of the Bradken Limited's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. 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 reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

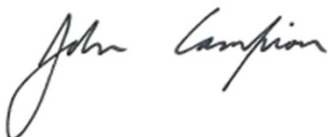
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.



PricewaterhouseCoopers



J Campion

Partner

Sydney

7 February 2011

Corporate directory

Directors

Nick Greiner
Chairman

Brian Hodges
Managing Director

Phil Arnall

Greg Laurie

Vince O'Rourke

Peter Richards

Company Secretary

Bruce Arnott

Registered Office and Principal Place of Business

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Auditors

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Stock Exchange

The Company is listed on the Australian Stock Exchange. The home exchange is Sydney.

Web site address

www.bradken.com.au