

Bradken®

Bradken Limited (ABN 33 108 693 009)

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9 August 2011

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 2010/11 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 2011.

Yours faithfully

Bruce Arnott
Company Secretary
Encl:

BRADKEN LIMITED**Appendix 4E****Full Year Report Period Ended 30 June 2011****Results for Announcement to the Market**

	<u>Percentage Change</u>			<u>\$'000</u>
Revenues from ordinary activities	Up	14.4%	to	1,153,848
Profit (loss) from ordinary activities after tax attributable to members before material one off items	Up	23.6%	to	87,082
Profit (loss) from ordinary activities after tax attributable to members	Down	-4.1%	to	67,561
Net Profit (loss) for the period attributable to members	Down	-4.1%	to	67,561

Dividends		
	<u>Amount per Security</u>	<u>Percentage Franked</u>
Current period:		
Final Dividend	21.0 cents	100%
Date the dividend is payable:	19 September 2011	
Record Date for determining entitlements to the dividend:	19 August 2011	
Interim Dividend	18.5 cents	100%
Prior corresponding period:		
Final Dividend	21.0 cents	100%
Interim Dividend	13.0 cents	100%

Net Tangible Assets per Security	
As at 30 June 2011	\$2.88
As at 30 June 2010	\$2.10

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Full Financial Report - 30 June 2011



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Directors	<p>Nicholas Greiner, AC, B.Ec., MBA <i>Independent Non-Executive Chairman</i></p> <p>Brian Hodges, B.Chem.Eng. (Hons) <i>Managing Director and Chief Executive Officer</i></p> <p>Phil Arnall, B.Com. <i>Independent Non Executive Director</i></p> <p>Dr Eileen Doyle, PhD <i>Independent Non Executive Director</i></p> <p>Greg Laurie, B.Com. <i>Independent Non Executive Director</i></p> <p>Vince O'Rourke, AM, B.Ec. <i>Independent Non Executive Director</i></p> <p>Peter Richards, B.Com. <i>Independent Non Executive Director</i></p>
Secretary	Bruce Arnott, B.Com.
Business unit general managers	<p>Mining Products and Industrial Enda Sheridan</p> <p>Rail Andrew Allen</p> <p>Engineered Products Tom Armstrong</p>
Notice of annual general meeting	<p>The annual general meeting of Bradken Limited will be held at Crown Plaza Cnr Merewether Street & Wharf Road, Newcastle NSW</p> <p>time 2:30pm</p> <p>Date 5 October 2011</p>
Principal registered office in Australia	<p>2 Maud Street Mayfield West NSW 2304 Telephone: +61 2 4941 2600</p>
Share registry	<p>Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Telephone: +61 2 8280 7519</p>
Auditor	<p>PricewaterhouseCoopers 26 Honeysuckle Drive Newcastle NSW 2300</p>
Stock exchange listings	<p>Bradken Limited shares are listed on the Australian Stock Exchange. The home exchange is Sydney.</p>
Web site address	www.bradken.com

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Bradken Limited (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2011.

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

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

Directors

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

Nick Greiner	Greg Laurie	Eileen Doyle - from 1 July 2011
Brian Hodges	Vince O'Rourke	
Phil Arnall	Peter Richards	

Information on directors

Nick Greiner, AC, B.Ec., MBA. *Independent Non-Executive Chairman.* Age 64.

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 Infrastructure NSW, Chairman of QBE Lenders' Mortgage Insurance, Chairman of Nuance Global Traders, Deputy Chairman of Champ Private Equity and a director of various private groups.

Former directorships in the last three years

Chairman of Valemus Australia Pty Limited (formerly Bilfinger Berger Australia), Chairman of Citigroup Australia, Deputy Chairman of Stockland Limited.

Special responsibilities

Member of Human Resource Committee.

Interest in shares

363,789 ordinary shares in Bradken Limited.

Brian Hodges, B.Chem.Eng. (Hons). *Managing Director.* Age 58.

Experience and expertise

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

Other current directorships

None.

A. General information (continued)

Former directorships in the last three years

None

Special responsibilities

Managing Director.

Interest in shares and rights

2,352,224 ordinary shares in Bradken Limited.

253,898 rights over ordinary shares in Bradken Limited.

Phil Arnall, B.Com. *Independent Non-Executive Director.* Age 66.

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 non-executive director of AJ Lucas Limited and Macquarie Generation.

Former directorships in the last three years

Chairman of Capral Limited.

Special responsibilities

Member of Audit and Risk Committee and member of Human Resource Committee.

Interest in shares

502,749 ordinary shares in Bradken Limited.

Dr Eileen Doyle, PhD *Independent Non-Executive Director.* Age 56.

Experience and expertise

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

Other current directorships

Non-executive director of Boral Group Limited and GPT Group Limited. Chairman of the Hunter Valley Research Foundation and a board member of the CSIRO.

Former directorships in the last three years

Director of Onesteel Limited, Ross Human Directions Limited and Steel and Tube Limited (NZ).

Special responsibilities

Member of Audit and Risk Committee and member of Human Resource Committee.

Interest in shares

Zero ordinary shares in Bradken Limited.

Greg Laurie, B.Com. *Independent Non-Executive Director.* Age 69.

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

None.

Special responsibilities

Chairman of Audit and Risk Committee.

Interest in shares

59,340 ordinary shares in Bradken Limited.

A. General information (continued)

Vince O'Rourke, AM, B.Ec. *Independent Non-Executive Director. Age 75.*

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

Chairman of the Workplace Health and Safety Board of Queensland, Rail Innovation Australia Pty Ltd, a non-executive director of Yancoal Pty Ltd and White Energy Company Ltd (formerly South Australian Coal Pty Ltd) and a board member of Mater Health Services Brisbane Limited.

Former directorships in the last three years

Director of Felix Resources Limited, Taylor Rail Pty Ltd and Chairman of the Co-operative Research Centre for Rail Engineering and Technologies.

Special responsibilities

Chairman of Human Resource Committee.

Interest in shares

79,274 ordinary shares in Bradken Limited.

Peter Richards, B.Com. *Independent Non-Executive Director. Age 52.*

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

Non-executive director and chairman of Kangaroo Resources Limited and Minbos Resources Limited and a non-executive director of Emeco Holdings Limited, Sedgman Limited, Norfolk Group Limited and NSL Consolidated Limited.

Former directorships in the last three years

Dyno Nobel Limited.

Special responsibilities

Member of Audit and Risk Committee.

Interest in shares

22,148 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 also 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 2011, 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	12	12	**	**	3	3
Brian Hodges	12	12	**	**	**	**
Phil Arnall	11	12	5	5	3	3
Greg Laurie	11	12	5	5	**	**
Vince O'Rourke	11	12	3	5	3	3
Peter Richards	12	12	5	5	**	**

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 2010 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 Group 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 Group'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's website at www.bradken.com. The charter details the Board's composition and responsibilities.

Board composition

The charter states:

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

B. Corporate governance (continued)

Directors' independence

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

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

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

Term of office

The Board Charter recommends 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 Company's Constitution specifies 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 Committee and an Audit and Risk 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 companies of 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 Group'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 2010.

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 Group'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

B. Corporate governance (continued)

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

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

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;
- 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 Committee

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

Vince O'Rourke (Chairman)

Eileen Doyle

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 Group and the development of the individuals
- reviewing the Group'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".

B. Corporate governance (continued)

Audit and Risk Committee

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

Greg Laurie (Chairman)

Phil Arnall

Eileen Doyle - appointed 20 July 2011

Vince O'Rourke - retired 20 July 2011

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
- ensure a process is in place to 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
- make recommendations to the Board in relation to the appointment, removal and remuneration of the external auditor.

The Audit and Risk Committee meets with the external and internal 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, the external auditors and the internal auditors
- assesses the suitability of the Group'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 and internal auditors at least twice a year without the presence of management
- provides the external and internal 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 Group 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.

B. Corporate governance (continued)

Risk assessment and management

Bradken is committed to managing risk to protect its people, the environment, Group assets, the community and its reputation. Bradken operates an Enterprise Risk Management process consistent with international standards to manage its business risk. 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 through the Audit and Risk Committee, reviewing the effectiveness of the Group's implementation of that system.

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 Group to:

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

Recently acquired operations are currently implementing environmental management systems. The Group continues to implement projects that improve the Group'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 Group 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 Group'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 Group 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 a period of six weeks after the release of the Group's half-year and annual results to the Australian Stock Exchange (ASX), the Annual General Meeting of the Company, at any time a prospectus or similar disclosure document has been lodged with ASIC and is open for acceptances and at such other times as the Board of Directors declare trading permissible. These windows are not available to individuals that possess inside information.

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, 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

B. Corporate governance (continued)

- the Company Secretary is responsible for all communications with the ASX. Such continuous disclosure matters are advised to the ASX by the required time, 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 Group'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

Financial Overview

	2011	2010	Change
NPAT	\$67.6m	\$70.4m	Down 4%
EBITDA	\$189.4m	\$167.0m	Up 13%
EBITDA margin	16.5%	16.6%	
Sales revenue	\$1147.5m	\$1003.7m	Up 14%
Operating cash flow	\$32.4m	\$147.4m	Down 78%
Earnings per share	47.6 cents	54.1 cents	Down 6.5 cents
Dividends per share	39.5 cents	34.0 cents	Up 16 %

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

Dividends

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

	2011 \$'000	2010 \$'000
Final dividend for the year ended 30 June 2010 of 21.0 cents (2009: 13.0 cents) per fully paid share paid on 13 September 2010 (2009: 7 September 2009)	29,138	16,499
Interim dividend for the year ended 30 June 2011 of 18.5 cents (2010: 13.0 cents) per fully paid share paid 21 March 2011 (2010: 15 March 2010)	25,833	16,872
	<u>54,971</u>	<u>33,371</u>

In addition to the above dividends, since the end of the financial year the directors have declared the payment of a fully franked final dividend of \$33,988,000 (21.0 cents per fully paid ordinary share) to be paid on 19 September 2011 out of retained profits at 30 June 2011.

Significant changes in the state of affairs

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

(a) increase in contributed equity of \$186,405,000 (from \$302,838,000 to \$489,243,000) as a result of:

	2011 \$'000
■ Dividend reinvestment plan issues 586,645 shares @ \$7.46 each	4,377
■ Shares pursuant to an underwritten dividend reinvestment plan issue 1,839,309 shares @ \$8.19 each	15,072
■ Dividend reinvestment plan issues 1,346,906 shares @ \$7.99 each	10,761
■ Equity raisings in the period	153,883
■ Exercise of rights - transfer from reserve	2,388
■ Almac acquisition costs adjustment	(76)
	<u>186,405</u>

Matters subsequent to the end of the financial year

Bradken acquired Australian and Overseas Alloys Pty Ltd based in Wollongong NSW for a total purchase price of \$20m on 7 July 2011. Bradken finalised the acquisition of Norcast based in Canada from Castle Harlan on 12 July 2011 for a total cost of \$202m AUD. Both of these acquisitions were funded from existing cash and debt facilities.

Other than that noted above 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. The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

(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.

External consultants AON Hewitt were contracted on 2 February 2011 to provide Executive Remuneration Benchmarking advice to the HR Committee.

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 (PRP).

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

Non executive directors

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

(i) Directors' fees

The current base remuneration was last reviewed with effect from 1 October 2010. 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 \$125,000 (2010: \$120,000) per annum. The Chairman's fee is currently \$270,000 (2010: \$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, 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 relate to "Net profit after tax" and "EBITDA" compared to previous years 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 Managing Director and Human Resources Committee can exercise discretion when awarding bonuses.

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 Human Resource 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. The executives are:

- Andrew Allen - *General Manager Rail*
- Tom Armstrong - *Chief Operating Officer Engineered Products*
- Bruce Arnott - *CFO and Company Secretary*
- Enda Sheridan - *Executive General Manager Mining and Industrial Products*

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 Resources*

The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed Short-term incentives above. 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.

D. Remuneration report (continued)

(b) Details of remuneration (continued)

Key management personnel and other executives of the Group

Name	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 \$	
<i>Non-executive directors</i>							
Nick Greiner - <i>Chairman</i>	262,500	-	-	-	-	-	262,500
Phil Arnall	123,750	-	-	-	-	-	123,750
Greg Laurie	113,532	-	-	10,218	-	-	123,750
Vince O'Rourke	93,750	-	-	30,000	-	-	123,750
Peter Richards	113,532	-	-	10,218	-	-	123,750
Sub-total non-executive directors	707,064	-	-	50,436	-	-	757,500
<i>Executive directors</i>							
Brian Hodges	1,137,264	819,000	6,343	50,391	-	427,463	2,440,461
<i>Other key management</i>							
Andrew Allen	380,716	83,152	2,723	13,419	-	91,815	571,825
Tom Armstrong	372,232	345,444	-	18,397	-	118,146	854,219
Bruce Arnott	524,262	298,612	4,519	38,637	-	131,747	997,777
Enda Sheridan	534,505	258,996	1,838	26,826	-	190,171	1,012,336
Total key management compensation (group)	3,656,043	1,805,204	15,423	198,106	-	959,342	6,634,118
<i>Other group executives</i>							
Brad Ward	372,136	173,407	-	9,910	-	96,726	652,179

Name	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 \$	
<i>Non-executive directors</i>							
Nick Greiner - <i>Chairman</i>	240,000	-	-	-	-	-	240,000
Phil Arnall	120,000	-	-	-	-	-	120,000
Greg Laurie	108,605	-	-	11,395	-	-	120,000
Vince O'Rourke	95,023	-	-	24,977	-	-	120,000
Peter Richards	109,155	-	-	10,845	-	-	120,000
Sub-total non-executive directors	672,783	-	-	47,217	-	-	720,000
<i>Executive directors</i>							
Brian Hodges	1,136,167	-	5,618	58,215	-	392,648	1,592,648
<i>Other key management</i>							
Andrew Allen	360,605	274,793	2,443	25,077	-	77,618	740,536
Tom Armstrong	388,238	-	-	15,092	-	62,143	465,473
Bruce Arnott	498,031	109,929	4,055	44,823	-	108,851	765,689
Greg Dalziel	191,699	-	-	10,428	-	42,862	244,989
Enda Sheridan	510,226	-	1,634	25,368	-	174,795	712,023
Total key management compensation (group)	3,757,749	384,722	13,750	226,220	-	858,917	5,241,358
<i>Other group executives</i>							
Brad Ward	406,980	-	-	5,214	-	92,902	505,096

D. Remuneration report (continued)

(c) Service agreements

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

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 Rail*

- Contract of employment with Bradken Resources Pty Ltd dated 17 June 2009 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.

Enda Sheridan, *Executive General Manager Mining and Industrial Products*

- Contract of employment with Bradken Resources Pty Ltd dated 17th June 2009 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 Resources*

- 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. Remuneration report (continued)

(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.

No shares were issued under the plan in the financial period.

Rights

The Performance Rights Plan (PRP) is the Company's long-term incentive (LTI) scheme for selected key executives. The Managing Director recommends the list of executives who are entitled to participate in this scheme and seeks approval of the list from the Human Resources Committee which is then ratified by the Board. Under the PRP, eligible executives may be granted Performance Rights (each being a right to acquire a share, subject to the satisfaction of exercise conditions) on terms and conditions determined by the Board and as documented in the PRP Plan rules and Trust Deed. If the exercise conditions are satisfied, the Performance Rights may be exercised and the shares issued and delivered to the executive. 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 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 Industrials Index. The Company's performance against the hurdle is then determined with each Company in the ASX Small Industrials Index 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 Industrials Index (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 PRP 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)
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	\$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
29 October 2009 *	10 years from Test Date	\$0.00	\$2.50	1 Jul 09 to 30 Jun 10	Result announcement y/e 10
29 October 2009 *	10 years from Test Date	\$0.00	\$3.71	1 Jul 09 to 30 Jun 11	Result announcement y/e 11
29 October 2009 *	10 years from Test Date	\$0.00	\$4.41	1 Jul 09 to 30 Jun 12	Result announcement y/e 12
5 November 2010 *	10 years from Test Date	\$0.00	\$5.13	1 Jul 10 to 30 Jun 11	Result announcement y/e 11
5 November 2010 *	10 years from Test Date	\$0.00	\$5.13	1 Jul 10 to 30 Jun 12	Result announcement y/e 12
5 November 2010 *	10 years from Test Date	\$0.00	\$6.12	1 Jul 10 to 30 Jun 13	Result announcement y/e 13

** Changes to the Performance Rights Plan*

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 35 to the financial statements.

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

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

Name	Number of Rights granted during the year	Number of Rights vested during the year	Number of ordinary shares issued on exercise of Rights during the year
Directors of Bradken Limited			
Brian Hodges	79,890	37,310	37,310
Other key management personnel of the Group			
Andrew Allen	20,278	7,909	7,909
Tom Armstrong	25,793	7,653	7,653
Bruce Arnott	29,129	10,633	10,633
Enda Sheridan	36,331	17,100	17,100
Other Group executives			
Brad Ward	18,087	9,628	9,628

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

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
31 October 2007	30/06/2010	\$0.00	\$14.68	90%	6.18%	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%
29 October 2009	30/06/2010	\$0.00	\$6.05	129.0%	5.52%	0.00%
29 October 2009	30/06/2011	\$0.00	\$6.05	129.0%	5.52%	0.00%
29 October 2009	30/06/2012	\$0.00	\$6.05	129.0%	5.52%	0.00%
5 November 2010	30/06/2012	\$0.00	\$8.60	125.0%	5.25%	0.00%
5 November 2010	30/06/2012	\$0.00	\$8.60	125.0%	5.25%	0.00%
5 November 2010	30/06/2013	\$0.00	\$8.60	125.0%	5.25%	0.00%

(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 17 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	52 / 48	2011	-	-	-	30/06/2014	-	161,413
		2010	-	-	-	30/06/2013	-	170,511
		2009	-	-	-	30/06/2012	-	93,928
		2008	25	61	14	30/06/2009	-	-
Tom Armstrong	250 / Nil	2011	-	-	-	30/06/2013	-	51,326
		2010	-	-	-	30/06/2014	-	153,986
		2009	-	20	-	30/06/2011	-	243,672
Bruce Arnott	130 / Nil	2011	-	-	-	30/06/2014	-	231,867
		2010	-	-	-	30/06/2013	-	240,265
		2009	-	-	-	30/06/2012	-	138,496
		2008	25	61	14	30/06/2009	-	-
Brian Hodges	130 / Nil	2011	-	-	-	30/06/2014	-	635,924
		2010	-	-	-	30/06/2013	-	878,633
		2009	-	-	-	30/06/2012	-	506,471
		2008	25	61	14	30/06/2009	-	-
Enda Sheridan	113 / Nil	2011	-	-	-	30/06/2014	-	289,195
		2010	-	-	-	30/06/2013	-	392,102
		2009	-	-	-	30/06/2012	-	216,233
		2008	25	61	14	30/06/2009	-	-
Brad Ward	151 / Nil	2011	-	-	-	30/06/2014	-	143,973
		2010	-	-	-	30/06/2013	-	202,518
		2009	-	-	-	30/06/2012	-	111,122
		2008	25	61	14	30/06/2009	-	-

A= The % of rights that failed to vest in the period as the performance criteria were not 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 2011 of \$7.96.

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	16.1%	124,101	64,854	13,531
Tom Armstrong	13.8%	151,469	62,755	-
Bruce Arnott	13.2%	178,269	87,191	18,190
Brian Hodges	17.5%	488,927	305,942	63,808
Enda Sheridan	18.8%	222,346	140,220	29,244
Brad Ward	14.8%	110,692	78,950	16,468

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	13,008
30 October 2006	Ten years from Test Date	Nil	14,993
31 October 2007	Ten years from Test Date	Nil	5,715
31 October 2007	Ten years from Test Date	Nil	2,481
31 October 2007	Ten years from Test Date	Nil	7,443
17 October 2008	Ten years from Test Date	Nil	6,492
17 October 2008	Ten years from Test Date	Nil	3,910
17 October 2008	Ten years from Test Date	Nil	321,001
29 October 2009	Ten years from Test Date	Nil	34,697
29 October 2009	Ten years from Test Date	Nil	660,817
5 November 2010	Ten years from Test Date	Nil	34,537
5 November 2010	Ten years from Test Date	Nil	26,832
5 November 2010	Ten years from Test Date	Nil	550,078

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

Further details are included in the Remuneration Report above.

Shares issued on exercise of Rights

The following ordinary shares of Bradken Limited were issued during the year ended 30 June 2011 on exercise of Rights granted under the Performance Rights Plan. No further shares have been issued since that date.

Date Rights granted	Exercise price of right	Number of shares issued
30 October 2006	0.00	43,788
31 October 2007	0.00	178,774
17 October 2008	0.00	27,892
29 October 2009	0.00	63,416

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.

An environmental management system is in place which complies with the international standard ISO14001 in major sites in Australia the UK and New Zealand, while the US and China operate under local legal compliance requirements equivalent to 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. Under agreements with local authorities capital expenditure is required at some Australian sites to reduce dust and odour emissions.

Greenhouse gas and energy data reporting requirements

In Australia, the energy related requirements have corporate thresholds and Bradken group companies are subject to the reporting requirements of the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007 and site thresholds for the National Pollutant Inventory NEPM.

The Energy Efficiency Opportunities Act 2006 requires the group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the group intends to take as a result. The group continues to meet its obligations under this Act.

The National Greenhouse and Energy Reporting Act 2007 requires the group to report its annual greenhouse gas emissions and energy use. The group has implemented systems and processes for the collection and calculation of the data required and submitted its 2009/10 report to the Greenhouse and Energy Data Officer on 27th October 2010.

Internationally energy related reporting requirements have facility thresholds. In the US, the Atchison facility will be reporting on energy as its emissions exceed the US reporting threshold. The USEPA has extended the deadline for reporting 2010 data to 30th Sept 2011. In the UK, the Bradken facilities complied with their respective Climate Change Agreements which finished in September 2010. There are no current energy reporting requirements applicable in Canada, China or New Zealand.

Certain Bradken facilities in Australia (NPI), Canada (NPRI) and USA (TRI) report energy use in the National Pollutant Inventory (NPI or NPRI) Reports or Toxic Release Inventory Reports (TRI) along with the associated emissions.

Insurance of officers

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

The Company has not 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 auditors for audit and non-audit services provided during the year are set out on the following page.

E. Other information (continued)

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:

	Consolidated	
	2011	2010
	\$	\$
Assurance services		
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under <i>Corporations Act 2001</i>	423,538	383,275
Related practices of PricewaterhouseCoopers Australian firm	177,885	200,703
Non-PricewaterhouseCoopers audit firm (Deloitte NZ)	16,103	22,373
Non-PricewaterhouseCoopers audit firm (KPMG US)	-	24,144
Non-PricewaterhouseCoopers audit firm (Grant Thornton US)	290,431	332,497
Total remuneration for audit services	907,957	962,992
2. Other assurance services		
Related practices of PricewaterhouseCoopers Australian firm		
Accounting services	41,778	-
Non-PricewaterhouseCoopers audit firm (Fubang China)		
Capital verification services	428	-
Total remuneration for other assurance services	42,206	-
Total remuneration for assurance services	950,163	962,992
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services, including review of Company income tax returns	215,675	150,875
Related practices of PricewaterhouseCoopers Australian firm	13,442	29,881
Non-PricewaterhouseCoopers audit firm (Deloitte NZ)	5,706	6,085
Non-PricewaterhouseCoopers audit firm (KPMG US)	349,502	388,369
Non-PricewaterhouseCoopers audit firm (Ernst & Young China)	12,156	15,877
Non-PricewaterhouseCoopers audit firm (Tianrui China)	382	249
Non-PricewaterhouseCoopers audit firm (Zheng Da foe China)	183	-
Total remuneration for taxation services	597,046	591,336

E. Other information (continued)

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 24.

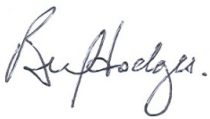
Rounding of amounts

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
8 August 2011

PricewaterhouseCoopers
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Auditors Independence Declaration

As lead auditor for the audit of Bradken Limited for the year ended 30 June 2011, 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.



J Champion
Partner
PricewaterhouseCoopers

Newcastle
8 August 2011

Bradken Limited

ABN 33 108 693 009

Annual financial report - 30 June 2011

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

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

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 8 August 2011. The company has the power to amend and reissue the financial report.

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

Consolidated income statement

For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Revenue from continuing operations	5	1,153,848	1,008,433
Cost of sales		(879,266)	(774,662)
Gross profit		274,582	233,771
Other income	5	-	1,158
Selling and technical expenses		(50,573)	(40,896)
Administration expenses		(88,154)	(67,027)
Finance costs	5	(37,549)	(30,484)
Profit before income tax		98,306	96,522
Income tax expense	6	(30,694)	(25,752)
Profit for the year		67,612	70,770
Profit is attributable to:			
Owners of Bradken Limited		67,561	70,441
Non-controlling interests		51	329
		67,612	70,770
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per ordinary share: (cents per share)	34	47.6	54.1
Diluted earnings per ordinary share: (cents per share)	34	47.1	53.6

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

Consolidated statement of comprehensive income

For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Profit for the year		67,612	70,770
Other comprehensive income			
Changes in the fair value of available-for-sale financial assets	22(a)	19,875	16,620
Changes in the fair value of cash flow hedges	22(a)	43	(622)
Exchange differences on translation of foreign operations	22(a)	(36,154)	(3,667)
Actuarial (losses) / gains on retirement benefit obligations	22(b)	2,346	(1,247)
Income tax relating to components of other comprehensive income	6(d)	(5,975)	(4,798)
Other comprehensive income for the year net of tax		(19,865)	6,286
Total comprehensive income for the year		47,747	77,056
Total comprehensive income for the year is attributable to:			
Owners of Bradken Limited		47,696	76,727
Non-controlling interests		51	329
		47,747	77,056

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

Consolidated balance sheet

As at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Current assets			
Cash and cash equivalents	7	152,476	63,565
Receivables	8	258,488	142,348
Other receivables and other assets	9	357	-
Inventories	10	177,547	162,375
Derivative financial instruments	11	-	238
Total current assets		588,868	368,526
Non-current assets			
Receivables	8	1,622	1,485
Other receivables and other assets	9	5,542	-
Property, plant and equipment	12	407,754	384,982
Deferred tax assets	13	11,864	8,547
Intangible assets	14	178,834	173,351
Available for sale financial assets	15	70,054	46,938
Total non-current assets		675,670	615,303
Total assets		1,264,538	983,829
Current liabilities			
Payables	16	127,394	118,543
Borrowings	18	15,031	24,054
Current tax liabilities		17,878	10,137
Provisions	17	45,865	36,890
Derivative financial instruments	11	7,337	532
Total Current Liabilities		213,505	190,156
Non-current liabilities			
Payables	16	6,970	-
Borrowings	18	363,547	283,729
Deferred tax liabilities	20	21,978	25,736
Provisions	17	7,475	12,500
Total non-current liabilities		399,970	321,965
Total liabilities		613,475	512,121
Net assets		651,063	471,708
Equity			
Contributed equity	21	489,243	302,838
Reserves	22(a)	(6,386)	15,402
Retained earnings	22(b)	168,206	153,270
Capital and reserves attributable to owners of Bradken Limited		651,063	471,510
Non-controlling interests		-	198
Total equity		651,063	471,708

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

Consolidated statement of changes in equity

For the year ended 30 June 2011

		Attributable to owners of Bradken Limited					
		Contributed Equity	Reserves	Retained earnings	Total	Non- controlling interest	Total equity
Notes		\$'000	\$'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 year as reported in the 2010 financial statements	-	7,533	69,194	76,727	329	77,056
	Transactions with owners in their capacity as owners:						
	Contributions of equity, net of transaction costs	21 57,912	-	-	57,912	-	57,912
	Dividends provided for or paid	22 21,466	-	(33,371)	(11,905)	(126)	(12,031)
	Rounding adjustment	-	1	5	6	-	6
	Transactions with non-controlling interests	-	(469)	-	(469)	(2,781)	(3,250)
	Employee share rights - value of employee services	35 -	2,360	-	2,360	-	2,360
		79,378	1,892	(33,366)	47,904	(2,907)	44,997
	Balance at 30 June 2010	302,838	15,402	153,270	471,510	198	471,708
	Total comprehensive income for the year	-	(22,211)	69,907	47,696	51	47,747
	Transactions with owners in their capacity as owners:						
	Contributions of equity, net of transaction costs and tax	21 153,807	-	-	153,807	-	153,807
	Dividends provided for or paid	22 30,210	-	(54,971)	(24,761)	(75)	(24,836)
	Transactions with non-controlling interests	-	(95)	-	(95)	(174)	(269)
	Employee share rights - value of employee services	35 -	2,906	-	2,906	-	2,906
	Employee share rights - transfer on exercise of options	35 2,388	(2,388)	-	-	-	-
		186,405	423	(54,971)	131,857	(249)	131,608
	Balance at 30 June 2011	489,243	(6,386)	168,206	651,063	-	651,063

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

Consolidated statement of cash flows

For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		1,153,431	1,100,966
Payments to suppliers and employees (inclusive of goods and services tax)		(1,059,739)	(906,791)
Transaction costs relating to acquisition of subsidiary and acquisition of business		(309)	-
		93,383	194,175
Interest received		684	163
Interest paid		(30,374)	(26,288)
Income taxes paid		(31,316)	(20,621)
Net cash (outflow) inflow from operating activities	32	32,377	147,429
Cash flows from investing activities			
Payment for property, plant and equipment		(59,766)	(35,262)
Payment for non-controlling interest	30	-	(2,925)
Payment for purchase of subsidiary, net of cash acquired	29	(36,378)	(1,146)
Payment for businesses	29	(65,144)	-
Payment for available for sale financial assets	15	(5,290)	(17,895)
Proceeds from sale of property, plant and equipment		94	37
Payment for capitalised design costs		(3,166)	(34)
Net cash (outflow) inflow from investing activities		(169,650)	(57,225)
Cash flows from financing activities			
Proceeds from issue of shares		173,286	69,977
Transaction costs from issue of shares		(2,852)	(1,047)
Payment of finance lease liabilities		(9,311)	(10,445)
Repayment of borrowings		(47,869)	(103,425)
Proceeds from borrowings		146,406	41,797
Dividends paid to company's shareholders	23	(39,833)	(23,869)
Dividends paid to non-controlling interests in subsidiaries		(125)	(126)
Dividends received		1,449	691
Payments for shares bought back		(2,388)	-
Net cash (outflow) inflow from financing activities		218,763	(26,447)
Net increase (decrease) in cash and cash equivalents		81,490	63,757
Cash and cash equivalents at the beginning of the year		63,367	507
Effects of exchange rate changes on cash and cash equivalents		(1,801)	(897)
Cash and cash equivalents at the end of the year	7	143,056	63,367
Financing arrangements	18		
Non-cash financing and investing activities	33		

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

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1 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have 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

The consolidated financial statements of the Bradken Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 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 2011 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 acquisition 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.

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

(ii) *Changes in ownership interests*

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

1 Summary of significant accounting policies (continued)

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional currency and presentation currency

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

(ii) Transactions and balances

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

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 and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

When a foreign operation is sold or any borrowings forming part of the net investments are repaid, a proportionate share of such exchange differences is reclassified to profit and loss, as part of the gain or loss on sale where applicable.

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

1 Summary of significant accounting policies (continued)

(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.

(vi) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 1(m).

(f) Income tax

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

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

1 Summary of significant accounting policies (continued)

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

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

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

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

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

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

(i) Investment allowances

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

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 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.

Lease income from finance leases where the group is a lessor is recognised in income on a discounted basis over the lease term (note 9). The respective lease receivable is included in the balance sheet.

(h) Business combinations

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

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

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

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

1 Summary of significant accounting policies (continued)

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) Receivables

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

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.

(iii) Stock Obsolescence

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

(m) Investments and other financial assets

Classification

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

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

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

1 Summary of significant accounting policies (continued)

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

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

Measurement

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

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

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

Fair value

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

Impairment

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

(n) Derivatives and hedging activities

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

1 Summary of significant accounting policies (continued)

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 11. 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) 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.

(p) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(h). 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 but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) Patents, trademarks and licences

Patents are carried at fairvalue at acquisition and amortised on a straight line basis over the life of the patent. Trademarks are carried at their fair value at acquisition less impairment losses and amortised over 5 years with amortisation calculated on a straight line basis. The ESCO licence has been fully amortised at 30 June 2011 and has not been renewed.

(iii) Customer relationships

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

(iv) Research and development

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

(q) Payables

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

1 Summary of significant accounting policies (continued)

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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.

(s) 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.

(t) Provisions

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

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

(i) Warranties

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

(u) Employee Benefits

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

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

(ii) Long service leave

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

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

(iii) Bonus plans

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

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

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

(iv) Employee share and rights plans

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

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

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

1 Summary of significant accounting policies (continued)

(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.

(v) Contributed equity

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

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

(w) Dividends

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

(x) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(y) Goods and services tax (GST)

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

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

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

(z) Rounding of amounts

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

1 Summary of significant accounting policies (continued)

(aa) Amended accounting standards and UIG interpretations

Certain amended accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's and the parent entity's assessment of the impact of these amended standards and interpretations is set out below.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. There will be no impact on the group's accounting for its available-for-sale financial assets as the Group's investments are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. There will be no impact on the group's accounting for available-for-sale debt investments, as the new requirements only affect the accounting for available-for-sale debt investments that are designated at fair value through profit or loss and the group does not have any such investments. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

The following new standards and amendments to standards are not expected to have a material impact on the Group's financial statements.

Standard	Title	Operative date
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011
AASB 1053	Application of Tiers of Australian Accounting Standards	1 July 2013
AASB 2010-2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	1 July 2013
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012

1 Summary of significant accounting policies (continued)

(ab) Parent entity financial information

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

(i) *Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Bradken Limited.

(ii) *Tax consolidation legislation*

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

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

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

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

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

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

(iii) *Financial guarantees*

The parent entity is a guarantor under the Bradken Group - Common Terms Deed Poll and unconditionally and irrevocably guarantees payments due in connection with any financing facilities owed by any Group company.

2 Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used as hedging instruments, 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 - 2011	Less than 1 year \$'000	Between 1 and 5 year(s) \$'000	Over 5 years \$'000
Non-derivatives			
Payables	127,394	-	-
Borrowings (excluding finance leases and hire purchases)	32,290	423,158	-
Finance leases and hire purchase liabilities	4,043	6,326	20
Derivatives			
Net settled interest rate swaps and caps	7,337	-	-
Group - 2010	Less than 1 year \$'000	Between 1 and 5 year(s) \$'000	Over 5 years \$'000
Non-derivatives			
Payables	118,543	-	-
Borrowings (excluding finance leases and hire purchases)	44,176	329,548	-
Finance leases and hire purchase liabilities	5,646	7,657	251
Derivatives			
Net settled interest rate swaps and caps	532	-	-

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 11(a)(ii) for the maturity profiles of the Group's existing foreign exchange hedge contracts.

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

(c) Market risk

(i) Cash flow and fair value interest rate risk

The Group has no significant interest-bearing assets other than a short term cash balance following the institutional equity raising in May 2011, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

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

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

2 Financial risk management (continued)

(c) Market risk (continued)

Refer to note 18 for further details generally of the Group's borrowings.

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

(ii) Foreign exchange risk

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

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

Refer to note 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.

(iv) Summarised sensitivity analysis

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

2011	Carrying amount \$'000	Interest rate risk				Foreign exchange risk			
		-100 bps		+100 bps		-10%		+10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets									
Cash and cash equivalents	152,476	(1,520)	(1,520)	1,520	1,520	14,756	14,756	(14,756)	(14,756)
Accounts receivable	196,546	-	-	-	-	6,860	6,860	(6,860)	(6,860)
Receivables under finance leases	5,899	-	-	-	-	-	-	-	-
AFS investments	70,054	-	-	-	-	-	-	-	-
Financial liabilities									
Derivatives - cashflow hedges	(27)	-	(1,454)	-	1,519	-	-	-	-
Derivatives - FVTPL	(7,310)	-	-	-	-	6,893	6,893	(21,414)	(21,414)
Trade payables	(86,147)	-	-	-	-	(3,462)	(3,462)	3,462	3,462
Borrowings	(378,578)	3,786	3,786	(3,786)	(3,786)	(11,773)	(11,773)	11,773	11,773
Total increase/(decrease)		2,266	812	(2,266)	(747)	13,274	13,274	(27,795)	(27,795)

2010	Carrying amount \$'000	Interest rate risk				Foreign exchange risk			
		-100 bps		+100 bps		-10%		+10%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets									
Cash and cash equivalents	63,565	(634)	(634)	634	634	704	704	(704)	(704)
Accounts receivable	102,594	-	-	-	-	4,421	4,421	(4,421)	(4,421)
AFS investments	46,938	-	-	-	-	-	-	-	-
Derivatives - cashflow hedges	120	-	(104)	-	225	-	-	-	-
Derivatives - FVTPL	118	-	-	-	-	(245)	(245)	483	483
Financial liabilities									
Derivatives - cashflow hedges	190	-	(1,796)	-	1,748	-	-	-	-
Derivatives - FVTPL	(342)	-	-	-	-	7,734	7,734	(8,466)	(8,466)
Trade payables	(74,341)	-	-	-	-	(2,833)	(2,833)	2,833	2,833
Borrowings	(307,783)	3,078	3,078	(3,078)	(3,078)	(13,676)	(13,676)	13,676	13,676
Total increase/(decrease)		2,444	544	(2,444)	(471)	(3,895)	(3,895)	3,401	3,401

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

2 Financial risk management (continued)**(d) Fair value measurements**

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

Bradken Limited has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's assets and liabilities measured and recognised at fair value at 30 June 2011 and 30 June 2010.

2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
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Assets

Available-for-sale financial assets				
Equity Securities	70,054	-	-	70,054
Derivatives used for hedging	-	-	-	-
Total assets	70,054	-	-	70,054

Liabilities

Derivatives used for hedging	-	7,337	-	7,337
Total liabilities	-	7,337	-	7,337

2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
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Assets

Available-for-sale financial assets				
Equity Securities	46,938	-	-	46,938
Derivatives used for hedging	-	238	-	238
Total assets	46,938	238	-	47,176

Liabilities

Derivatives used for hedging	-	532	-	532
Total liabilities	-	532	-	532

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt investments and derivative financial instruments. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

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

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

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment. Segment assets include all assets used by a segment and consist primarily of receivables, inventories and property, plant and equipment, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee benefits and provision for service warranties.

Segment revenues, expenses and results include transfers between segments. Sales of scrap between controlled entities are made on an "arm's-length" basis and are eliminated on consolidation. All other transfers are made at variable cost and are eliminated on consolidation.

(a) Description of segments

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 fixed and mobile plant 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.

The "all other" segment represents the other smaller businesses including Cast Metal Services and Power & Cement.

4 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 year ending 30 June 2011 and for the year ending 30 June 2010 are as follows:

2011	Notes	Industrial	Mining Products	Rail	Engineered Products	All other segments	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue		80,689	492,968	222,662	347,828	132,217	1,276,364
Inter-segment revenue		(1,521)	(38,935)	(9,107)	(1,692)	(77,636)	(128,891)
Revenue from external customers		79,168	454,033	213,555	346,136	54,581	1,147,473
Gross margin		24,047	169,219	48,582	114,555	24,174	380,577
Depreciation and amortisation expense		2,940	10,835	4,704	17,650	2,637	38,766
Net interest expense		(13)	12	120	8,006	644	8,769
Impairment of inventories	Note 10	84	1,515	35	(233)	6	1,407
Impairment of trade receivables	Note 8	206	2	-	77	135	420
Income tax expense / (income)		1,968	28,765	2,496	11,033	3,222	47,484
Other non cash expenses / (revenue)		1,291	2,687	(1,983)	6,107	2,310	10,412
Total segment assets		78,479	325,701	139,665	294,282	62,117	900,244
Total segment assets include:							
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets		5,807	18,735	13,712	44,753	2,271	85,278
Total segment liabilities		14,843	68,742	26,068	53,207	8,363	171,223
2010	Notes	Industrial	Mining Products	Rail	Engineered Products	All other segments	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue		61,640	368,958	326,107	215,292	122,758	1,094,755
Inter-segment revenue		-	(26,876)	(3,073)	4	(61,118)	(91,063)
Revenue from external customers		61,640	342,082	323,034	215,296	61,640	1,003,692
Gross margin		19,382	125,229	88,496	68,500	22,134	323,741
Depreciation and amortisation expense		2,515	10,420	4,034	14,101	2,189	33,259
Net interest expense		(7)	-	(33)	9,331	1,353	10,644
Impairment of inventories	Note 10	11	1,102	(22)	874	260	2,225
Impairment of trade receivables	Note 8	71	12	13	42	26	164
Income tax expense / (income)		1,616	18,559	16,041	689	1,511	38,416
Other non cash expenses / (revenue)		(84)	106	16	(612)	(365)	(939)
Total segment assets		71,385	273,807	98,220	259,081	68,793	771,286
Total segment assets include:							
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets		3,692	9,056	5,473	13,508	982	32,711
Total segment liabilities		12,638	47,611	31,530	51,699	12,589	156,067

4 Segment information (continued)

(c) Other segment information

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.

(i) Segment revenue

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

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

	2011 \$'000	2010 \$'000
Total segment revenue	1,276,364	1,094,755
Intersegment eliminations	(128,891)	(91,063)
Interest revenue	684	163
Other revenue	1,450	691
Bond repurchase gains	-	35
Rental income	359	346
Royalty income	388	1,060
Sale of scrap	756	1,572
Commission income	371	-
Other	2,367	874
Total revenue from continuing operations (note 5)	1,153,848	1,008,433

Segment revenues are allocated based on the country in which the customer is located.

Australia	648,764	663,489
US	287,592	216,772
Other countries	211,117	123,431
Revenue from external customers	1,147,473	1,003,692

(ii) Gross margin

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

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

	2011 \$'000	2010 \$'000
Gross margin	380,577	323,741
Fixed manufacturing overheads and other cost of sale adjustments	(112,370)	(94,711)
Other revenue	-	1,158
Other income	6,375	4,741
Selling and technical expenses	(50,573)	(40,896)
Administration expenses	(88,154)	(67,027)
Finance costs	(37,549)	(30,484)
Profit before income tax	98,306	96,522

4 Segment information (continued)**(c) Other segment information (continued)***(iii) Segment assets*

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

	2011 \$'000	2010 \$'000
Segment assets	900,244	771,286
Unallocated:		
Inventories	(2,675)	(2,097)
Current receivables	(650)	(29,742)
Intangibles	118,308	113,604
Property, plant and equipment	14,907	11,638
Available for sale financial assets	70,056	46,941
Deferred tax assets	11,864	8,547
Cash and cash equivalents	152,437	63,532
Derivative financial instruments	47	120
Total assets as per the balance sheet	1,264,538	983,829

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

Australia	515,122	422,965
US	294,282	259,081
China	62,305	55,586
UK	25,371	30,575
Other countries	3,164	3,079
Total segment assets	900,244	771,286

(iv) Segment liabilities

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

	2011 \$'000	2010 \$'000
Segment liabilities	171,223	156,067
Unallocated:		
Payables	13,106	12,146
Derivative financial instruments	7,309	414
Current provisions	4,285	3,237
Non-current provisions	3,399	2,390
Current borrowings	13,392	16,007
Non-current borrowings	360,905	285,987
Current tax liabilities	17,878	10,137
Deferred tax liabilities	21,978	25,736
Total liabilities as per the balance sheet	613,475	512,121

5 Profit from ordinary activities

	2011	2010
	\$'000	\$'000
Revenue		
From continuing operations		
<i>Sales revenue</i>		
Sale of goods	1,147,473	1,003,692
	1,147,473	1,003,692
<i>Other revenue</i>		
Interest	684	163
Dividends	1,450	691
Rental income	359	346
Royalty income	388	1,060
Bond repurchase gains	-	35
Sale of scrap	756	1,572
Commission received	371	-
Other	2,367	874
	1,153,848	1,008,433
Other income		
	2011	2010
	\$'000	\$'000
Foreign exchange gains (net) (note (a))	-	1,158
	-	1,158
(a) Net foreign exchange gains		
	2011	2010
	\$'000	\$'000
Net foreign exchange gains included in other income for the year	-	1,158
Net foreign exchange gains recognised in profit before income tax for the year (as either other income or expense)	-	1,158

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

	2011 \$'000	2010 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	2,303	1,953
Plant & equipment	29,365	26,406
Leasehold improvements	6	7
Plant & equipment under finance leases	4,079	4,817
Total depreciation	<u>35,753</u>	<u>33,183</u>
<i>Amortisation</i>		
Customer lists	4,136	3,113
Trademarks	628	360
Licences and other	3,524	3,540
Total amortisation	<u>8,288</u>	<u>7,013</u>
<i>Impairment charges</i>		
Goodwill	8,759	-
Customer lists	1,452	-
Total impairment	<u>10,211</u>	<u>-</u>
<i>Finance costs - net</i>		
Interest and finance charges paid/payable	37,044	30,482
Borrowing costs amortisation	6,655	4,013
	<u>43,699</u>	<u>34,495</u>
Amount capitalised (note (a))	<u>(6,150)</u>	<u>(4,011)</u>
Finance costs expensed	<u>37,549</u>	<u>30,484</u>
<i>Net loss on disposal of property, plant and equipment</i>	197	599
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	6,143	4,102
Total rental expense relating to operating leases	<u>6,143</u>	<u>4,102</u>
<i>Foreign exchange gains and losses</i>		
Net foreign exchange losses	8,474	-
Net foreign exchange losses recognised in profit before income tax for the year (as either other income or expense)	<u>8,474</u>	<u>-</u>
<i>Research and development</i>	1,740	2,843
<i>ESCO arbitration award</i>	-	9,200
<i>Bond repurchase premium</i>	3,372	-
<i>Warranty</i>	4,225	3,955
<i>Stock Obsolescence</i>	1,407	2,225
<i>Net bad and doubtful debts expense (revenue) including movements in doubtful debts provision</i>	420	164
<i>Employee benefits expense</i>	342,766	290,675

(a) Capitalised borrowing costs

The borrowing costs capitalised represent amounts incurred upfront to renew finance facilities.

6 Income tax expense

	2011 \$'000	2010 \$'000
(a) Income tax expense		
Current tax	40,197	26,672
Deferred tax	(9,022)	(2,119)
Adjustment for current tax of prior periods	(481)	1,199
	30,694	25,752
Income tax expense is attributable to:		
Profit from continuing operations	30,694	25,752
Aggregate income tax expense	30,694	25,752
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 13)	(5,669)	(3,226)
(Decrease) increase in deferred tax liabilities (note 20)	(3,353)	1,107
	(9,022)	(2,119)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	98,306	96,522
	98,306	96,522
Tax at the Australian tax rate of 30% (2010: 30%)	29,492	28,957
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Goodwill impairment	3,084	-
Entertainment	71	45
Research and development	(213)	(213)
Share based payments	155	708
Tax offset for franked dividends	(523)	(207)
Sundry items	(3,044)	(1,380)
	29,022	27,910
Difference in overseas tax rates	(274)	(2,185)
Adjustment for current tax of prior periods	377	458
Deferred tax assets restated for reduction in overseas tax rate	87	(6)
Prior year tax losses not recognised now recouped	-	(425)
Prior year tax losses de-recognised as not probable of recovery	1,482	-
Income tax expense	30,694	25,752
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity		
Net deferred tax - debited (credited) directly to equity (notes 13 and 20)	(3,843)	(2,180)
	(3,843)	(2,180)
(d) Tax expense (income) relating to items of other comprehensive income		
Available-for-sale financial assets (note 22(a))	5,962	4,986
Cash flow hedges (note 22(a))	13	(188)
	5,975	4,798

6 Income tax expense (continued)

(e) Tax consolidation legislation

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

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

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

7 Cash and cash equivalents

	2011 \$'000	2010 \$'000
Cash at bank and in hand	<u>152,476</u>	<u>63,565</u>
	<u>152,476</u>	<u>63,565</u>

(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:

	2011 \$'000	2010 \$'000
Balances as above	<u>152,476</u>	<u>63,565</u>
Bank overdrafts (note 18)	<u>(9,420)</u>	<u>(198)</u>
Balances per statement of cash flows	<u>143,056</u>	<u>63,367</u>

(b) Interest rate risk exposure

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

8 Receivables

	2011 \$'000	2010 \$'000
Current		
Trade receivables	196,546	102,594
Provision for impairment of receivables	(476)	(358)
	<u>196,070</u>	<u>102,236</u>
Other receivables	57,722	31,077
Prepayments	4,696	9,035
	<u>258,488</u>	<u>142,348</u>
Non-current		
Other receivables	1,622	1,485
	<u>1,622</u>	<u>1,485</u>

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

As at 30 June 2011 current trade receivables of the Group with a nominal value of \$476,000 (2010: \$358,000) were impaired. The amount of the provision was \$476,000 (2010: \$358,000).

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

	2011 \$'000	2010 \$'000
Balance at 1 July	358	991
Charge for the year	420	164
Receivables written off during the year as uncollectable	(151)	(267)
Unused amounts reversed	(61)	(472)
Foreign currency exchange differences	(90)	(58)
Balance at 30 June	<u>476</u>	<u>358</u>

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:

	2011 \$'000	2010 \$'000
Current	136,818	61,340
0-30 days	44,186	31,031
31-60 days	10,018	3,819
61-90 days	466	2,191
91 + days	5,058	4,213
Total	<u>196,546</u>	<u>102,594</u>

As at 30 June 2011 trade receivables of \$476,000 (2010:\$358,000) were past due and considered impaired and trade receivables of \$59,252,000 (2010:\$40,896,000) were past due but not impaired.

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

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

(c) Other receivables

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

Also included in other receivables is a refundable deposit with Castle Harlan Inc for future investments of \$23,765,000.

(d) Fair values

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

	2011		2010	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Other receivables	1,622	1,622	1,485	1,485
	<u>1,622</u>	<u>1,622</u>	<u>1,485</u>	<u>1,485</u>

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

(e) Credit risk

There is no concentration of credit risk with respect to current and non-current receivables, as the Group has a large number of customers, nationally and internationally dispersed. Refer to note 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)**(f) Foreign exchange and interest rate risk**

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

	2011 \$'000	2010 \$'000
Australian Dollars	177,709	84,041
US Dollars	55,390	44,694
Canadian Dollars	14,063	2,331
Chinese Yuan	5,360	6,345
Other *	7,588	6,422
	260,110	143,833

* Other refers to a basket of currencies (Euros, Great British Pounds, South African Rand, New Zealand Dollars)

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 Other receivables

	2011 \$'000	2010 \$'000
Current receivables under finance leases (a)	357	-
Non current receivables under finance leases (a)	5,542	-

(a) Receivables under finance leases

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

	Not later than one year \$'000	Between one and five years \$'000	Later than five years \$'000
2011			
Present value	357	1,937	3,605
Unearned interest income	699	2,553	1,562
Total future payments	1,056	4,490	5,167

10 Inventories

	2011 \$'000	2010 \$'000
<i>Construction work in progress:</i>		
Contract costs incurred and recognised profits less recognised losses	528,787	564,069
Progress billing	(529,076)	(558,214)
Net construction work in progress	(289)	5,855
Raw materials and stores - at cost	37,225	37,528
Work in progress - at cost	74,822	60,098
Finished goods- at net realisable value	65,789	58,894
	177,547	162,375

(a) Inventory expense

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2011 amounted to \$1,407,000 (2010: \$2,225,000). The expense has been included in 'cost of sales' in the income statement.

11 Derivative financial instruments

	2011	2010
	\$'000	\$'000
Current assets		
Interest rate swap and cap contracts - cash flow hedges ((a)(i))	-	120
Forward foreign exchange contracts - cash flow hedges ((a)(ii))	-	118
Total current derivative financial instrument assets	<u>-</u>	<u>238</u>
Current liabilities		
Interest rate swap and cap contracts - cash flow hedges ((b)(i))	27	190
Forward foreign exchange contracts ((a)(ii))	7,310	342
Total current derivative financial instrument liabilities	<u>7,337</u>	<u>532</u>
	<u>(7,337)</u>	<u>(294)</u>

(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).

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

Bank loans of the Group had an average variable interest rate of 5.86% at 30 June 2011 (2010: 6.60%). 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 40% of bank loans (2010: 61% of non US bank loans). The average fixed interest for the swaps and caps is 4.59% (2010: 4.47%).

At 30 June 2011, the notional principal amounts and periods of expiry of the interest rate swap and cap contracts are as follows:

	2011	2010
	\$'000	\$'000
Interest rate swap contracts		
1 year or less	60,000	-
1 - 2 years	35,439	60,000
2 - 3 years	30,000	37,621
	<u>125,439</u>	<u>97,621</u>
Interest rate cap contract		
1 - 2 years	20,000	-
2 - 3 years	-	20,000
	<u>20,000</u>	<u>20,000</u>

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 net liabilities with fair value of \$27,000 (2010: \$70,000 liability). In the year ended 30 June 2011 there was a gain from the change in fair value of \$43,000 (2010: \$622,000 loss).

11 Derivative financial instruments (continued)*(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 and ranges of maturity as at reporting date:

	2011 \$'000	2010 \$'000	2011 Average exchange rate	2010
Sell Australian Dollars				
Buy US Dollars				
0 to 3 months	89,709	52,464	0.9980	0.8772
3 to 6 months	16,436	7,478	0.9905	0.8495
6 to 12 months	23,354	559	1.0099	0.8704
Buy Euros				
0 to 3 months	1,214	401	0.6964	0.6441
3 to 6 months	1,062	-	0.6863	-
6 to 12 months	356	-	0.6825	-
Buy Great British Pounds				
0 to 3 months	641	2	0.6470	0.5818
Buy Canadian Dollars				
0 to 3 months	-	56,470	-	0.8860
Buy Chinese Renminbi				
0 to 3 months	9,780	-	6.3001	-
3 to 6 months	21,812	-	6.2283	-
6 to 12 months	22,549	-	6.2378	-
Sell Great British Pounds				
Buy Euros				
3 to 6 months	-	83	-	1.2103
Buy Australian Dollars				
0 to 3 months	-	199	-	1.7295
Buy Australian Dollars				
Sell US Dollars				
0 to 3 months	13,146	14,451	0.9512	0.8729
3 to 6 months	12,765	7,651	0.9555	0.8622
6 to 12 months	10,284	7,579	0.9408	0.8774
Sell Euros				
0 to 3 months	1,040	367	0.7034	0.5897
3 to 6 months	1,064	2,370	0.6864	0.5897
6 to 12 months	784	1,706	0.6817	0.5897
Sell Great British Pounds				
0 to 3 months	89	-	0.6464	-
Sell South African Rand				
3 to 6 months	85	-	7.4026	-

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

	2011 \$'000	2010 \$'000	2011 Average exchange rate	2010
Sell Chinese Renminbi				
0 to 3 months	1,270	-	6.4039	-
3 to 6 months	4,342	-	6.3154	-
6 to 12 months	11,954	-	6.2672	-
Sell Japanese Yen				
3 to 6 months	1,221	1,809	79.2800	81.0600
Buy Great British Pounds				
Sell US Dollars				
0 to 3 months	-	269	-	1.4817
3 to 6 months	-	48	-	1.4630
Sell Euros				
0 to 3 months	1,640	1,049	1.1281	1.1593
3 to 6 months	-	321	-	1.1629
Sell South African Rands				
0 to 3 months	-	461	-	11.3119
3 to 6 months	177	132	11.2769	11.3292

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 net liabilities of \$7,310,000 (2010: \$224,000 liability).

In the year ended 30 June 2011 there was a loss from the change in fair value of the liability of \$7,086,000 (2010: loss of \$352,000)

(b) Risk exposures

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

12 Property, plant and equipment

	Freehold land \$'000	Buildings \$'000	Leasehold improve- ments \$'000	Plant and equipment \$'000	Leased plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
At 1 July 2009							
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>
Year ended 30 June 2010							
Opening net book amount	27,803	90,659	247	236,068	8,899	27,654	391,330
Exchange differences	-	(2,813)	5	(5,185)	(29)	-	(8,022)
Additions	-	-	-	-	5,977	29,285	35,262
Transfer (to)/from capital work in progress	203	11,512	-	23,297	2,096	(37,108)	-
Disposals	-	(1)	-	(389)	(15)	-	(405)
Depreciation charge	-	(1,953)	(7)	(26,406)	(4,817)	-	(33,183)
Closing net book amount	<u>28,006</u>	<u>97,404</u>	<u>245</u>	<u>227,385</u>	<u>12,111</u>	<u>19,831</u>	<u>384,982</u>
At 30 June 2010							
Cost or fair value	28,006	105,917	301	364,824	34,558	19,831	553,437
Accumulated depreciation	-	(8,513)	(56)	(137,439)	(22,447)	-	(168,455)
Net book amount	<u>28,006</u>	<u>97,404</u>	<u>245</u>	<u>227,385</u>	<u>12,111</u>	<u>19,831</u>	<u>384,982</u>
Year ended 30 June 2011							
Opening net book amount	28,006	97,404	245	227,385	12,111	19,831	384,982
Exchange differences	(3,257)	(11,496)	(12)	(16,522)	(1,549)	-	(32,836)
Additions	4,200	8,608	-	17,489	3,966	55,800	90,063
Acquisition of subsidiary	500	1,010	-	79	-	-	1,589
Transfer (to)/from capital work in progress	10,326	3,422	-	32,553	(7)	(46,294)	-
Disposals	-	-	-	(291)	-	-	(291)
Depreciation charge	-	(2,303)	(6)	(29,365)	(4,079)	-	(35,753)
Closing net book amount	<u>39,775</u>	<u>96,645</u>	<u>227</u>	<u>231,328</u>	<u>10,442</u>	<u>29,337</u>	<u>407,754</u>
At 30 June 2011							
Cost or fair value	39,775	106,706	286	387,933	36,333	29,337	600,370
Accumulated depreciation	-	(10,061)	(59)	(156,605)	(25,891)	-	(192,616)
Net book amount	<u>39,775</u>	<u>96,645</u>	<u>227</u>	<u>231,328</u>	<u>10,442</u>	<u>29,337</u>	<u>407,754</u>

(a) Non current assets pledged as security

Refer to note 18 for information on non-current assets pledged as security by the group.

13 Deferred tax assets

	2011 \$'000	2010 \$'000
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Doubtful debts	213	266
Employee benefits	12,799	11,848
Pension contributions subject to spreading (UK)	25	14
Depreciation	1,430	1,212
Other provisions	3,819	2,519
Unrealised foreign exchange differences	4,830	1,156
Other accruals	7,950	7,184
Tax losses	101	1,693
	31,167	25,892
<i>Amounts recognised directly in equity</i>		
Revaluation of financial assets at fair value	1,698	3,703
Cash flow hedges	8	21
	1,706	3,724
Total deferred tax assets	32,873	29,616
<i>Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 20)</i>		
Net deferred tax assets	(21,009)	(21,069)
	11,864	8,547
Movements:		
Opening balance at 1 July	29,616	22,123
Credited/(charged) to the income statement (note 6)	5,669	3,226
Credited/(charged) to other comprehensive income (note 6)	(13)	188
Credited/(charged) to equity	(2,584)	1,193
Pension assets transferred to deferred tax assets	-	2,886
Acquisition of subsidiary (note 29)	185	-
Closing balance at 30 June	32,873	29,616
Deferred tax asset to be recovered after more than 12 months	14,826	15,923
Deferred tax asset to be recovered within 12 months	18,047	13,693
	32,873	29,616

14 Intangible assets

	Goodwill	Customers	Patents and trademarks	Licences and other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2009					
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>
Year ended 30 June 2010					
Opening net book amount	137,085	35,100	3,420	7,539	183,144
Additions	-	-	-	34	34
Foreign exchange variation	(1,209)	(1,457)	(139)	(9)	(2,814)
Amortisation charge	-	(3,113)	(360)	(3,540)	(7,013)
Closing net book amount	<u>135,876</u>	<u>30,530</u>	<u>2,921</u>	<u>4,024</u>	<u>173,351</u>
At 30 June 2010					
Cost	135,876	37,191	3,605	39,851	216,523
Accumulated amortisation and impairment	-	(6,661)	(684)	(35,827)	(43,172)
Net book amount	<u>135,876</u>	<u>30,530</u>	<u>2,921</u>	<u>4,024</u>	<u>173,351</u>
Year ended 30 June 2011					
Opening net book amount	135,876	30,530	2,921	4,024	173,351
Additions	7,490	12,775	2,738	3,166	26,169
Acquisition of subsidiary	10,682	-	-	-	10,682
Impairment charge	(8,759)	(1,452)	-	-	(10,211)
Foreign exchange variation	(5,047)	(6,982)	(837)	(3)	(12,869)
Amortisation charge	-	(4,136)	(628)	(3,524)	(8,288)
Closing net book amount	<u>140,242</u>	<u>30,735</u>	<u>4,194</u>	<u>3,663</u>	<u>178,834</u>
At 30 June 2011					
Cost	149,001	42,984	5,506	43,014	240,505
Accumulated amortisation and impairment	(8,759)	(12,249)	(1,312)	(39,351)	(61,671)
Net book amount	<u>140,242</u>	<u>30,735</u>	<u>4,194</u>	<u>3,663</u>	<u>178,834</u>

(a) Impairment tests for goodwill and other intangibles

The impairment testing has been performed on the following cash generating units, Industrial, Mining Products, Rail, Power & Cement, Engineered Products and CMS.

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 between 1.5% and 3.0% pa.

The carrying amounts of goodwill as disclosed in the balance sheet is \$8.7m for the Industrial segment, \$3.4m for the Rail segment, \$38.8m for the Mining Products segment, \$83.9m for the Engineered Products segment and \$5.5m for CMS included in All Other Segments.

(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 11.0% (2010: 11.0%), which would translate into a pre tax discount rate of 15.7% (2010: 15.7%).

The pre tax discount rate for the US operations was 11.0% (2010: 19.4%).

14 Intangible assets (continued)**(c) Impairment charge**

Impairment charges of \$10,211,000 arose in the period. Goodwill in the Power & Cement business to the value of \$8,759,000 was impaired due to continued weak market conditions resulting in projected future cash flows being unable to support the goodwill value carried. No class of asset other than goodwill was impaired in the Power & Cement business. A customer intangible in the Engineered Products business to the value of \$1,452,000 was impaired following the loss of the customer.

(d) 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's. Significant changes in the major assumptions would be required to generate an impairment charge.

(e) Licence renewal

The Amsted licence expired in May 2011 and the Esco licence expired on 30 June 2011. The carrying value of the licences are nil and neither will be renewed.

15 Available for sale financial assets

	2011 \$'000	2010 \$'000
At beginning of year	46,938	10,379
Additions	3,241	19,938
Revaluation surplus/(deficit) transfer to equity	19,875	16,621
At end of year	<u>70,054</u>	<u>46,938</u>
Listed securities (note (a))		
Equity securities	<u>70,054</u>	46,938
	<u>70,054</u>	<u>46,938</u>

(a) Listed securities

Listed securities represent an investment in Austin Engineering Limited.

16 Payables

	2011 \$'000	2010 \$'000
Current		
Trade payables	86,147	74,341
Other payables	41,247	44,202
	<u>127,394</u>	<u>118,543</u>
Non current		
Other payables	6,970	-
	<u>6,970</u>	-

(a) Foreign currency risk

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

Australian Dollars	76,693	70,849
US Dollars	32,118	33,137
Chinese Yuan	16,399	7,445
Other *	9,154	7,112
	<u>134,364</u>	<u>118,543</u>

* Other refers to a basket of currencies (Euros, Great British Pounds, Japanese Yen, New Zealand Dollars, 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

	2011 \$'000	2010 \$'000
Current		
Employee benefits	44,180	35,207
Warranty	1,685	1,683
	<u>45,865</u>	<u>36,890</u>
Non-current		
Employee benefits	7,475	12,500
	<u>7,475</u>	<u>12,500</u>

(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:

2011	Current \$'000	Non current \$'000
Warranty		
Carrying amount at start of year	1,683	-
Additional provisions recognised	4,225	-
FX variations	(118)	-
Amounts used	(4,105)	-
Carrying amount at end of year	<u>1,685</u>	<u>-</u>

(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.

	2011 \$'000	2010 \$'000
Long service leave obligation expected to be settled after 12 months	1,532	728

18 Borrowings

	2011 \$'000	2010 \$'000
Current - secured		
Bank overdrafts	-	198
Bank loans	817	16,847
Lease liabilities (note 27)	4,043	4,447
Hire purchase liabilities (note 27)	-	1,199
Total secured current borrowings	<u>4,860</u>	<u>22,691</u>
Current - unsecured		
Bank overdrafts	9,420	-
Other loans	751	1,363
Total unsecured current borrowings	<u>10,171</u>	<u>1,363</u>
Total current borrowings	<u>15,031</u>	<u>24,054</u>

18 Borrowings (continued)

	2011 \$'000	2010 \$'000
Non-current secured		
Bank loans	-	198,888
Lease liabilities (note 27)	6,346	7,908
Total secured non-current borrowings	<u>6,346</u>	<u>206,796</u>
Non-current unsecured		
Bank loans	357,201	-
US senior notes	-	76,933
Total unsecured non-current borrowings	<u>357,201</u>	<u>76,933</u>
Total non-current borrowings	<u>363,547</u>	<u>283,729</u>

(a) Secured liabilities

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

Bank loans	817	215,933
Lease liabilities	10,389	12,355
Hire purchase liabilities	-	1,199
Total secured liabilities	<u>11,206</u>	<u>229,487</u>

(b) Other loans

Other loans are repayable within twelve months. The current interest rate on these loans are 5.53% (2010: 5.48%).

(c) Risk exposures

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

Australian Dollars	260,850	171,020
US Dollars	88,744	99,488
Great British Pounds	26,978	31,718
Canadian Dollars	2,001	-
Chinese Yuan	5	5,557
	<u>378,578</u>	<u>307,783</u>

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.

(d) Assets pledged as security

Refinancing of bank debt took place in April 2011 resulting in US and non US bank debt being repaid and a revised global facility was put in place on an unsecured basis. A Canadian dollar bank loan is secured by a general security arrangement creating a first priority security interest in all personal property of the borrower and a floating charge over all the borrower's 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.

	2011 \$'000	2010 \$'000
Current		
<i>Floating charge</i>		
Cash and cash and cash equivalents	-	61,382
Receivables	10,070	136,441
Inventories	6,091	135,982
Derivative financial instruments	-	238
Total current assets pledged as security	<u>16,161</u>	<u>334,043</u>

18 Borrowings (continued)

	2011 \$'000	2010 \$'000
Non-current		
<i>First mortgage</i>		
Freehold land and buildings	8,234	58,284
<i>Finance lease and hire purchase</i>		
Plant & equipment	-	12,063
<i>Floating charge</i>		
Receivables - non-current	-	1,485
Property plant & equipment	12,031	290,880
Available for sale financial assets	-	46,938
	12,031	339,303
Total non-current assets pledged as security	20,265	409,650
Total assets pledged as security	36,426	743,693
(e) Financing arrangements		
Unrestricted access was available at balance date to the following lines of credit:		
	2011 \$'000	2010 \$'000
Credit standby arrangements		
Total facilities		
Bank overdrafts	30,827	30,962
Standby letters of credit and bank guarantees	147,602	101,762
	178,429	132,724
Used at balance date		
Bank overdrafts	9,420	-
Standby letters of credit and bank guarantees	67,427	70,941
	76,847	70,941
Unused at balance date		
Bank overdrafts	21,407	30,962
Standby letters of credit and bank guarantees	80,175	30,821
	101,582	61,783
Bank loan facilities		
Total facilities	552,951	408,517
Used at balance date	363,504	222,214
Unused at balance date	189,447	186,303
US senior notes		
Total facilities	-	76,933
Used at balance date	-	76,933
Unused at balance date	-	-

Bank overdraft limits are comprised of a AUD 30,000,000 bilateral overdraft facility, a GBP 500,000 multi option facility and a NZD 100,000 overdraft facility.

Bank guarantees and letters of credit limits are comprised of a AUD 145,000,000 multicurrency revolving bank guarantee facility, a GBP 1,000,000 guarantees facility, a NZD 50,000 guarantees facility, a AUD 583,000 letter of credit facility and a CAD 500,000 letter of guarantee facility.

The bank loan facilities comprise CAD 5,000,000 revolving loan (Current Interest Rate 3.75%) and the Group Syndicated loan facility with three and five year revolving bullet term loan facilities with a AUD 425,000,000 multi-currency tranche, a USD 100,000,000 tranche and a GBP 20,000,000 tranche. Current interest rate is 5.85%.

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

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

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
On balance sheet				
<i>Non traded financial liabilities</i>				
Bank overdrafts	9,420	9,420	198	198
Bank loans	358,018	358,018	215,735	215,735
US senior notes	-	-	76,933	76,933
Other loans	751	751	1,363	1,363
Lease liabilities	10,389	10,389	12,355	12,355
Hire purchase liabilities	-	-	1,199	1,199
	378,578	378,578	307,783	307,783

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.

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 its 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:

	2011 \$'000	2010 \$'000
Present value of the defined benefit obligation	24,653	30,643
Fair value of defined benefit plan assets	(19,616)	(20,295)
Net liability in the balance sheet	(5,037)	(10,348)

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:

	2011 \$'000	2010 \$'000
Cash equivalents	4,120	4,476
Fixed interest	1,177	1,839
Equity securities	14,319	13,980
	19,616	20,295

(d) Reconciliations

	2011 \$'000	2010 \$'000
<i>Reconciliation of the present value of the defined benefit obligation, which is partly funded:</i>		
Balance at the beginning of the year	30,643	27,599
Current service cost	265	269
Interest cost	1,343	1,590
Actuarial (gains) and losses	69	4,026
Benefits paid	(1,356)	(1,477)
FX Translation	(6,311)	(1,364)
	24,653	30,643
<i>Reconciliation of the fair value of plan assets:</i>		
Balance at the beginning of the year	20,295	20,007
Actual return on plan assets	4,549	2,719
Contributions by Group companies	589	97
Benefits paid	(1,356)	(1,477)
FX Translation	(4,461)	(1,051)
	19,616	20,295

19 Retirement benefit obligations (continued)**(e) Amounts recognised in profit or loss**

The amounts recognised in profit or loss are as follow:

	2011 \$'000	2010 \$'000
Current service cost	265	269
Interest cost	1,343	1,590
Expected return on plan assets	(1,199)	(1,263)
Recognised net actuarial loss	650	559
Past service cost	86	96
Total included in employee benefits expense	<u>1,145</u>	<u>1,251</u>

(f) Amounts recognised in other comprehensive income

	2011 \$'000	2010 \$'000
Actuarial (loss)/gain recognised in the year	<u>3,622</u>	<u>(2,012)</u>
Cumulative actuarial (losses)/gains recognised in other comprehensive income	<u>(4,048)</u>	<u>(8,945)</u>

(g) Principal actuarial assumptions

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

	2011	2010
Discount rate	5.28%	5.17%
Expected long-term return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	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 during April 2011.

Total employer contributions expected to be paid by Group companies for the year ending 30 June 2012 are \$1,095,278.

(i) Historic summary

	2011 \$'000	2010 \$'000	2009 \$'000
Defined benefit plan obligation	24,653	30,643	27,599
Plan assets	(19,616)	(20,295)	(20,007)
Surplus / (deficit)	<u>(5,037)</u>	<u>(10,348)</u>	<u>(7,592)</u>

20 Deferred tax liabilities

	2011 \$'000	2010 \$'000
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Prepayments	362	429
Design assets	149	230
Unrealised foreign exchange differences	1,048	4,198
Financial assets at fair value through profit or loss	1,359	1,658
Licences	-	968
Depreciation	26,014	33,987
Other	4,137	1,379
	33,069	42,849
<i>Amounts recognised directly in equity</i>		
Revaluation of Available-for-sale asset	9,918	3,956
	9,918	3,956
Total deferred tax liabilities	42,987	46,805
<i>Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 13)</i>	(21,009)	(21,069)
Net deferred tax liabilities	21,978	25,736
Movements:		
Opening balance at 1 July	46,805	38,813
Pension assets transferred to deferred tax assets	-	2,886
Charged/(credited) to the income statement (note 6)	(3,353)	1,107
Charged/(credited) to other comprehensive income (note 6)	5,962	4,986
Charged/(credited) to equity (notes 21 and 22)	(6,427)	(987)
Closing balance at 30 June	42,987	46,805
Deferred tax liabilities to be settled after more than 12 months	41,488	43,696
Deferred tax liabilities to be settled within 12 months	1,499	3,109
	42,987	46,805

21 Contributed equity

	Notes	Parent entity		Parent entity	
		2011 Shares	2010 Shares	2011 \$'000	2010 \$'000
(a) Share capital					
Ordinary shares	(b),(c)				
Fully paid		161,837,406	138,747,494	654,865	468,460
Total contributed equity				654,865	468,460

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Parent entity \$'000
At 1 July 2009	Opening balance		126,912,477	389,082
7 September 2009	Dividend reinvestment plan issues	(d)	2,639,562	16,496
8 September 2009 to 22 February 2010	Exercise of Rights	(e)	232,206	-
15 March 2010	Dividend reinvestment plan issues	(d)	734,916	4,970
25 May 2010 to 23 June 2010	Equity raisings net of placement costs		8,228,333	57,912
At 30 June 2010	Balance		138,747,494	468,460
13 August 2010 to 19 May 2011	Exercise of Rights	(e)	313,870	2,388
13 September 2010	Dividend reinvestment plan issues	(d)	586,645	4,377
21 March 2011	Dividend reinvestment plan issues	(d)	1,346,906	10,761
21 March 2011	Dividend reinvestment plan issue underwriting	(d)	1,839,309	15,072
1 June 2011 to 30 June 2011	Equity raisings net of placement costs		19,003,182	153,807
At 30 June 2011	Balance		161,837,406	654,865

(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 active during the 2010 and 2011 years.

(e) Performance Rights Plan

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

(f) Non-executive director share acquisition plan

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

(g) Share buy-back

There were no share buy-backs in the period.

22 Reserves and retained profits

	2011 \$'000	2010 \$'000
(a) Reserves		
Hedging reserve - cash flow hedges	(16)	(46)
Share based payments reserve	5,975	5,457
Foreign currency translation reserve	(34,924)	1,230
Revaluation reserve	23,143	9,230
Transactions with non-controlling interests	(564)	(469)
	<u>(6,386)</u>	<u>15,402</u>
Movements:		
<i>Hedging reserve - cash flow hedges</i>		
Balance 1 July	(46)	388
Revaluation-gross (note 11)	43	(622)
Deferred tax (note 13)	(13)	188
Balance 30 June	<u>(16)</u>	<u>(46)</u>
<i>Share-based payments reserve</i>		
Balance 1 July	5,457	3,097
Rights expense	2,906	2,360
Transfer to share capital (Rights exercised)	(2,388)	-
Balance 30 June	<u>5,975</u>	<u>5,457</u>
<i>Foreign currency translation reserve</i>		
Balance 1 July	1,230	4,897
Currency translation differences arising during the year	(36,154)	(3,667)
Balance 30 June	<u>(34,924)</u>	<u>1,230</u>
<i>Available-for-sale financial assets reserve</i>		
Balance 1 July	9,230	(2,405)
Revaluation-gross (note 15)	19,875	16,621
Deferred tax (note 20)	(5,962)	(4,986)
Balance 30 June	<u>23,143</u>	<u>9,230</u>
<i>Transactions with non-controlling interests</i>		
Balance 1 July	(469)	-
Acquisition of additional ownership Cast Metal Services Pty Ltd (see note 30)	(95)	(469)
Balance 30 June	<u>(564)</u>	<u>(469)</u>
(b) Retained profits		
Balance 1 July	153,270	117,442
Net profit for the year	67,561	70,441
Dividends	(54,971)	(33,371)
Taxation adjustment	-	5
Actuarial (losses) / gains on retirement benefit obligations, net of tax	2,346	(1,247)
Balance 30 June	<u>168,206</u>	<u>153,270</u>
(c) Nature and purpose of reserves		
<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.		

22 Reserves and retained profits (continued)*(iv) Available-for-sale financial assets reserve*

Changes in the fair value and exchange differences arising on translation of investments, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income as described in note 1(m) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(v) Transactions with non-controlling interests

This reserve is used to record the differences described in note 1(b)(ii) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

23 Dividends

	2011 \$'000	2010 \$'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2010 of 21.0 cents (2009: 13.0 cents) per fully paid share paid on 13 September 2010 (2009: 7 September 2009)		
Fully franked based on tax paid @ 30%	29,138	16,499
Interim dividend for the year ended 30 June 2011 of 18.5 cents (2010: 13.0 cents) per fully paid share paid 21 March 2011 (2010: 15 March 2010)		
Fully franked based on tax paid @ 30%	25,833	16,872
Total dividends provided for or paid	54,971	33,371
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2010 and 30 June 2011 were as follows:		
Paid in cash	39,833	11,905
Satisfied by issue of shares	15,138	21,466
	54,971	33,371
(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 21.0 cents per fully paid ordinary share, (2010: 21.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 19 September 2011 out of retained profits at 30 June 2011, but not recognised as a liability at year end, is	33,988	29,137

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2011 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 2012.

	Consolidated		Parent entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2010: 30%)	47,544	40,484	47,544	40,484

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 consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

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 \$14,566,000 (2010: \$12,487,000).

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>
Tom Armstrong	Chief Operating Officer - Engineered Products	Bradken Holdings USA, Inc
Bruce Arnott	Chief Financial Officer	Bradken Resources Pty Ltd
Andrew Allen	General Manager - Rail	Bradken Resources Pty Ltd
Enda Sheridan	General Manager - Mining Products & Industrial Products	Bradken Resources Pty Ltd

(c) Key management personnel compensation

	2011	2010
	\$	\$
Short-term employee benefits	5,476,670	4,156,221
Post-employment benefits	198,106	226,220
Share-based payments	959,342	858,917
	<u>6,634,118</u>	<u>5,241,358</u>

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 16 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.

2011						
Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Bradken Limited						
Brian Hodges	219,509	79,890	(37,310)	(8,191)	253,898	-
Other key management personnel of the Group						
Andrew Allen	42,867	20,278	(7,909)	(1,737)	53,499	-
Tom Armstrong	38,265	25,793	(7,653)	-	56,405	-
Bruce Arnott	60,551	29,129	(10,633)	(2,335)	76,712	-
Enda Sheridan	97,278	36,331	(17,100)	(3,754)	112,755	-

2010						
Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Bradken Limited						
Brian Hodges	180,421	110,381	(64,877)	(6,416)	219,509	-
Other key management personnel of the Group						
Andrew Allen	38,268	21,421	(15,308)	(1,514)	42,867	-
Tom Armstrong	-	38,265	-	-	38,265	-
Bruce Arnott	50,095	30,184	(17,952)	(1,776)	60,551	-
Greg Dalziel	11,471	15,681	-	-	27,152	-
Enda Sheridan	67,352	49,259	(17,593)	(1,740)	97,278	-

(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.

2011						
Name	Balance at the start of the year	Received during the year from Non-Executive Director Share Acquisition Plan	Received during the year on exercise of Rights	Other changes during the year	Balance at the end of the year	
Directors of Bradken Limited						
Nick Greiner	362,922	-	-	867	363,789	
Brian Hodges	2,500,427	-	37,310	(185,513)	2,352,224	
Phil Arnall	502,749	-	-	-	502,749	
Greg Laurie	59,340	-	-	-	59,340	
Vince O'Rourke	75,357	-	-	3,917	79,274	
Peter Richards	21,319	-	-	829	22,148	
Other key management personnel of the Group						
Andrew Allen	366,706	-	7,909	109	374,724	
Tom Armstrong	73,002	-	7,653	(42,653)	38,002	
Bruce Arnott	131,657	-	10,633	(10,957)	131,333	
Enda Sheridan	612,392	-	17,100	-	629,492	

24 Key management personnel disclosures (continued)(iii) *Share holdings (continued)*

2010		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				
Directors of Bradken Limited					
Nick Greiner	407,274	-	-	(44,352)	362,922
Brian Hodges	2,745,307	-	64,877	(309,757)	2,500,427
Phil Arnall	600,622	-	-	(97,873)	502,749
Greg Laurie	57,922	-	-	1,418	59,340
Vince O'Rourke	69,347	-	-	6,010	75,357
Peter Richards	20,000	-	-	1,319	21,319
Other key management personnel of the Group					
Andrew Allen	351,398	-	15,308	-	366,706
Tom Armstrong	70,302	-	-	2,700	73,002
Bruce Arnott	112,054	-	17,952	1,651	131,657
Enda Sheridan	644,737	-	17,593	(49,938)	612,392

25 Remuneration of auditors

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.

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:

	2011	2010
	\$	\$
(a) Assurance services		
<i>Audit services</i>		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under <i>Corporations Act 2001</i>	423,538	383,275
Related practices of PricewaterhouseCoopers Australian firm	177,885	200,703
Non-PricewaterhouseCoopers audit firm (Deloitte NZ)	16,103	22,373
Non-PricewaterhouseCoopers audit firm (KPMG US)	-	24,144
Non-PricewaterhouseCoopers audit firm (Grant Thornton)	290,431	332,497
Total remuneration for audit services	<u>907,957</u>	<u>962,992</u>
<i>Other assurance services</i>		
Related practices of PricewaterhouseCoopers Australian firm		
Accounting services	41,778	-
Non-PricewaterhouseCoopers audit firm (Fubang China)		
Capital verification services	428	-
Total remuneration for other assurance services	<u>42,206</u>	<u>-</u>
Total remuneration for assurance services	<u>950,163</u>	<u>962,992</u>
(b) Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance including review of company income tax returns	215,675	150,875
Related practices of PricewaterhouseCoopers Australian firm	13,442	29,881
Non-PricewaterhouseCoopers audit firm (Deloitte NZ)	5,706	6,085
Non-PricewaterhouseCoopers audit firm (KPMG US)	349,502	388,369
Non-PricewaterhouseCoopers audit firm (Ernst & Young China)	12,156	15,877
Non-PricewaterhouseCoopers audit firm (Tianrui China)	382	249
Non-PricewaterhouseCoopers audit firm (Tianrui China)	183	-
Total remuneration for taxation services	<u>597,046</u>	<u>591,336</u>

26 Contingent liabilities

(a) Contingent Liabilities

The parent entity and Group had contingent liabilities at 30 June 2011 and 2010 in respect of:

Guarantees and letters of credit

	2011 \$'000	2010 \$'000
Bank guarantees for contract performance	64,392	60,744
Letters of credit	3,035	10,197
Total estimated contingent liabilities	<u>67,427</u>	<u>70,941</u>

Information about guarantees given by entities within the Group, including the parent entity are described in note 31. No deficiencies of assets exist in any of these companies.

Claims

The Bradken Group has been involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including damages and commercial disputes relating to its products and services. The Group has disclaimed liability and will defend any action flowing from specific claims. It is not practical to estimate the potential effect of these claims but legal advice obtained indicates that any liability that may arise in the unlikely event these claims are successful will not be significant.

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:

	2011 \$'000	2010 \$'000
Land & buildings		
Payable:		
Within one year	17,597	2,688
	<u>17,597</u>	<u>2,688</u>
Property, plant and equipment		
Payable:		
Within one year	28,188	5,576
	<u>28,188</u>	<u>5,576</u>

(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	6,085	4,502
Later than one year but not later than five years	11,415	6,168
Later than five years	2,289	900
	<u>19,789</u>	<u>11,570</u>
Representing:		
Non cancellable operating leases	18,381	9,599
Future finance charges on finance leases	1,408	1,941
Future finance charges on hire purchases	-	30
	<u>19,789</u>	<u>11,570</u>

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.

	2011	2010
	\$'000	\$'000
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:		
Within one year	5,380	3,584
Later than one year but not later than five years	10,713	5,133
Later than five years	2,288	882
	<u>18,381</u>	<u>9,599</u>

(ii) Finance leases

The Group leases various items of plant and equipment with a carrying amount of \$10,442,000 (2010: \$12,111,000) 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.

	2011	2010
	\$'000	\$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	4,775	5,286
Later than one year but not later than five years	7,002	8,742
Later than five years	20	268
Minimum lease payments	11,797	14,296
Future finance charges	(1,408)	(1,941)
Total lease liabilities	<u>10,389</u>	<u>12,355</u>
Representing lease liabilities:		
Current (note 18)	4,043	4,447
Non current (note 18)	6,346	7,908
	<u>10,389</u>	<u>12,355</u>

The weighted average interest rate implicit in the leases is 8.73% (2010: 8.59%).

(iii) Hire purchase payment commitments

The Group acquired some items of production plant and equipment under hire purchase arrangements.

	2011	2010
	\$'000	\$'000
Commitments in relation to hire purchases are payable as follows:		
Within one year	-	1,229
Minimum lease payments	-	1,229
Future finance charges	-	(30)
Recognised as a liability	-	1,199
Total lease liabilities	<u>-</u>	<u>1,199</u>
Representing lease liabilities:		
Current (note 18)	-	1,199
	<u>-</u>	<u>1,199</u>

The weighted average interest rate implicit in the agreement is Nil % (2010: 6.57%).

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) 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(e).

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties. Outstanding balances are unsecured with no fixed term for repayment.

29 Business combination**(a) Summary of acquisitions and assets and liabilities acquired****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 A\$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.

As the acquired business has been absorbed into the North American Engineered Products business, it is not practical to disclose revenues and net profit after tax to the Group for the full year as if the acquisitions had taken place on 1 July 2010. Acquisition costs for the period were \$744,000 and are included in administration expenses in profit or loss.

Details of net assets acquired and goodwill are as follows:

	<u>\$'000</u>
Purchase consideration	52,585
Fair value of net identifiable assets acquired (refer below)	<u>50,452</u>
Goodwill	<u>2,133</u>

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

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

(ii) Other acquisitions in the period

Between 28 October 2010 and 19 May 2011 three small acquisitions have been made. The assets of Materix Engineering Pty Ltd and Investment Castings Pty Ltd were acquired on 28 October 2010 and 15 November 2010 respectively. On 19 May 2011 the Bradken Group acquired Wear Protect Systems Pty Ltd and two of its related companies.

Total provisional consideration for these acquisitions amounted to \$29.7m, with funding from existing facilities.

As the acquired business have been absorbed into the Australian based Industrial and Mining Products businesses, it is not practical to disclose revenues and net profit after tax to the Group for the full year as if the acquisitions had taken place on 1 July 2010. Acquisition costs for the period were \$338,000 and are included in administration expenses in profit or loss.

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

	<u>\$'000</u>
Provisional purchase consideration	29,685
Provisional fair value of net identifiable assets acquired (refer below)	<u>13,646</u>
Provisional goodwill	<u>16,039</u>

29 Business combination (continued)**(ii) Other acquisitions in the period (continued)**

The provisional goodwill is attributable to the profitability of the acquired business and synergies expected to arise after the Group's acquisition of the businesses. The fair value will be finalised and any adjustments disclosed in the Group's financial statements for the year ended 30 June 2012. The provisional fair value of assets and liabilities arising from the acquisition are as follows:

	Provisional fair value \$'000
Cash	661
Property, plant and equipment	7,825
Inventories	1,188
Receivables	4,157
Payables	(1,555)
Provisions for employee entitlements	(507)
Deferred tax assets	185
Current tax liabilities	1,692
Net identifiable assets acquired	13,646

30 Transactions with non-controlling interests**(a) Transactions with non-controlling interests**

On 28 February 2011, Bradken Resources Pty Ltd acquired the remaining 30% of the issued shares of CMS HAA Pty Ltd that it did not already own for a purchase consideration of \$216,669. The carrying amount of the non-controlling interests in CMS HAA Pty Ltd on the date of acquisition was \$122,000. The group recognised a decrease in non-controlling interests of \$122,000 and a decrease in equity attributable to owners of the parent of \$95,000. The effect of changes in the ownership interest of CMS HAA Pty Ltd on the equity attributable to owners of Bradken Resources Pty Ltd during the year is summarised as follows:

	2011 \$'000	2010 \$'000
Carrying amount of non-controlling interests acquired	122	2,781
Consideration paid to non-controlling interests	(217)	(3,250)
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(95)	(469)

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 SPV Pty Limited
- Bradken Resources Pty Limited
- Bradken Mining SPV Pty Limited
- Cast Metal Services Pty Limited (became a party to the deed on 16 June 2011)
- Geoff Brown and Co. Pty Limited (became a party to the deed on 16 June 2011)
- Bradken Holdings Pty Limited
- Bradken Operations Pty Limited
- Bradken Finance Pty Limited

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Bradken Limited, they also represent the 'Extended Closed Group'.

31 Deed of cross guarantee (continued)**(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings**

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2011 of the Closed Group outlined above.

	2011 \$'000	2010 \$'000
Income statement		
Revenue from continuing operations	766,478	611,963
Cost of sales	(583,135)	(443,008)
Gross profit	183,343	168,955
Other income	-	2,119
Selling and technical expenses	(39,352)	(30,481)
Administration expenses	(49,893)	(44,394)
Finance costs	(28,616)	(18,547)
Profit before income tax	65,482	77,652
Income tax (expense) / benefit	(17,869)	(22,648)
Profit for the year	47,613	55,004
Statement of comprehensive income		
Profit for the year	47,613	55,004
Changes in the fair value of available-for-sale financial assets	19,875	16,620
Changes in the fair value of cash flow hedges	43	(622)
Exchange differences on translation of foreign operations	(117)	38
Income tax relating to components of other comprehensive income	(5,975)	(4,798)
Other comprehensive income for the year net of tax	13,826	11,238
Total comprehensive income for the year	61,439	66,242
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	130,507	108,874
Profit for the year	47,613	55,004
Dividends provided for or paid	(54,971)	(33,371)
Companies joining the Closed Group	5,420	-
Retained earnings at the end of the financial year	128,569	130,507

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

Set out below is a consolidated balance sheet as at 30 June 2011 for the Closed Group outlined above.

	2011 \$'000	2010 \$'000
Current assets		
Cash and cash equivalents	6,100	54,896
Receivables	352,036	122,040
Other receivables and other assets	357	-
Inventories	79,741	61,984
Derivative financial instruments	-	120
Total current assets	438,234	239,040
Non-current assets		
Receivables	57	13
Other financial assets	273,166	200,374
Available for sale financial assets	70,054	46,938
Property, plant and equipment	232,255	221,899
Intangible assets	47,599	38,302
Deferred tax assets	8,424	4,862
Total non-current assets	631,555	512,388
Total assets	1,069,789	751,428
Current liabilities		
Payables	80,802	67,823
Borrowings	12,602	8,670
Current tax liabilities	11,901	7,433
Provisions	34,187	29,679
Derivative financial instruments	7,337	414
Total Current Liabilities	146,829	114,019
Non-current liabilities		
Borrowings	275,226	186,818
Provisions	3,533	2,736
Total non-current liabilities	278,759	189,554
Total liabilities	425,588	303,573
Net assets	644,201	447,855
Equity		
Contributed equity	487,343	302,838
Reserves	28,289	14,510
Retained profits	128,569	130,507
Total equity	644,201	447,855

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

	2011 \$'000	2010 \$'000
Profit for the year	67,612	70,770
Depreciation and amortisation of licences and designs	44,041	40,196
Impairment of goodwill and customer intangibles	10,211	-
Amortisation of finance costs	6,655	4,013
Non-cash employee benefits expense - share-based payments	2,906	2,360
Net (gain) loss on sale of non-current assets	197	599
Net exchange differences	5,776	813
(Increase) / decrease in trade debtors and bills of exchange	(104,175)	13,961
(Increase) / decrease in inventories	(31,915)	10,031
(Increase) / decrease in other financial assets at fair value through profit or loss	238	442
(Increase) / decrease in deferred tax assets	(5,914)	4,668
Increase / (decrease) in trade creditors	16,830	(4,282)
(Increase) / decrease in other financial liabilities at fair value through profit or loss	6,805	532
Increase / (decrease) in provision for income taxes payable	9,220	7,202
Increase / (decrease) in provision for deferred income tax	(3,294)	(6,590)
Increase / (decrease) in other provisions	7,184	2,714
Net cash inflow from operating activities	<u>32,377</u>	<u>147,429</u>

33 Non cash investing and financing activities

	2011 \$'000	2010 \$'000
Acquisition of plant and equipment by means of finance leases	<u>3,966</u>	<u>5,977</u>
	<u>3,966</u>	<u>5,977</u>

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

	2011 Cents	2010 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	47.6	54.1
Profit attributable to the ordinary equity holders of the company	<u>47.6</u>	<u>54.1</u>
(b) Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	47.1	53.6
Profit attributable to the ordinary equity holders of the company	<u>47.1</u>	<u>53.6</u>
(c) Reconciliations of earnings used in calculating earnings per share		
	2011 \$'000	2010 \$'000
<i>Basic earnings per share</i>		
Profit from continuing operations	67,612	70,770
Profit from continuing operations attributable to non-controlling interests	(51)	(329)
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<u>67,561</u>	<u>70,441</u>
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<u>67,561</u>	<u>70,441</u>
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	<u>67,561</u>	<u>70,441</u>
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<u>67,561</u>	<u>70,441</u>
(d) Weighted average number of shares used as the denominator		
	2011 Number	2010 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	141,860,442	130,191,911
Adjustments for calculation of diluted earnings per share:		
Rights	<u>1,580,597</u>	<u>1,261,850</u>
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>143,441,039</u>	<u>131,453,761</u>
(e) Information concerning the classification of securities		
<i>(i) Rights</i>		
Rights granted to employees under the Bradken Performance Rights Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The Rights have not been included in the determination of basic earnings per share. Details relating to the Rights are set out in note 35.		

35 Share based payments

(a) Non-Executive Director Share Acquisition Plan

The Company has a Non-Executive Director Share Acquisition Plan (NED Plan). All current and future Non-Executive Directors are encouraged to have a percentage of their annual Directors' fees provided in shares under the NED Plan. Shares will be allocated to the Non-Executive Directors under the NED Plan and must be held for a specified period.

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

Non-Executive Directors will not be able to sell or otherwise dispose of the shares until the earliest of 10 years after acquisition or the Non-Executive Director ceasing to be a director of the Company (except in very limited circumstances). During this period the shares will be subject to a holding lock.

At 30 June 2011 there are no Directors participating in the plan.

(b) Performance Rights Plan

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

35 Share based payments (continued)**(b) Performance Rights Plan (continued)**

In assessing whether the performance hurdles have been met, the Human Resources 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 Industrials Index. The Company's performance against the hurdle is then determined with each company in the ASX Small Industrials Index 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 Industrials Index (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

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
31 October 2007	11,682	\$6.87	30 June 2010 / 2011
31 October 2007	259,691	\$8.45	30 June 2011
17 October 2008	25,025	\$2.84	30 June 2010 / 2011
17 October 2008	15,621	\$4.11	30 June 2011
17 October 2008	340,655	\$4.82	30 June 2012
29 October 2009	29,831	\$2.50	30 June 2011
29 October 2009	69,401	\$3.71	30 June 2011 / 2012
29 October 2009	665,216	\$4.41	30 June 2013
5 November 2010	34,537	\$5.13	30 June 2012 / 2013
5 November 2010	26,832	\$5.13	30 June 2013
5 November 2010	550,078	\$6.12	30 June 2014

There were no other Rights eligible for issuance under the scheme at 30 June 2011.

35 Share based payments (continued)

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

Grant 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
2011							
18 November 2005	2.35	10,344	-	-	-	10,344	10,344
30 October 2006	2.80	19,092	-	(6,084)	-	13,008	13,008
30 October 2006	3.44	52,697	-	(37,704)	-	14,993	14,993
31 October 2007	4.44	7,482	-	(1,767)	-	5,715	5,715
31 October 2007	6.87	7,863	-	(3,963)	(1,419)	2,481	2,481
31 October 2007	8.45	222,436	-	(173,044)	(41,949)	7,443	7,443
17 October 2008	2.84	25,025	-	(16,181)	(2,352)	6,492	2,580
17 October 2008	4.11	15,621	-	(11,711)	-	3,910	-
17 October 2008	4.82	323,537	-	-	(2,536)	321,001	-
29 October 2009	2.50	29,831	-	(29,831)	-	-	-
29 October 2009	3.71	69,401	-	(33,585)	(1,119)	34,697	-
29 October 2009	4.41	665,216	-	-	(4,399)	660,817	-
5 November 2010	5.13	-	34,537	-	-	34,537	-
5 November 2010	5.13	-	26,832	-	-	26,832	-
5 November 2010	6.12	-	550,078	-	-	550,078	-
Total		1,448,545	611,447	(313,870)	(53,774)	1,692,348	56,564
Weighted average price		4.96	6.02	6.17	7.56	5.04	3.98

Vesting for the performance period to 30 June 2011 will occur following the test date on 9 August 2011.

2010

18 November 2005	2.35	10,344	-	-	-	10,344	10,344
30 October 2006	2.80	19,092	-	-	-	19,092	19,092
30 October 2006	3.44	310,785	-	(230,119)	(27,969)	52,697	52,697
31 October 2007	4.44	9,569	-	(2,087)	-	7,482	7,482
31 October 2007	6.87	7,863	-	-	-	7,863	-
31 October 2007	8.45	222,436	-	-	-	222,436	-
17 October 2008	2.84	25,025	-	-	-	25,025	-
17 October 2008	4.11	15,621	-	-	-	15,621	-
17 October 2008	4.82	323,537	-	-	-	323,537	-
29 October 2009	2.50	-	29,831	-	-	29,831	-
29 October 2009	3.71	-	69,401	-	-	69,401	-
29 October 2009	4.41	-	665,216	-	-	665,216	-
Total		944,272	764,448	(232,206)	(27,969)	1,448,545	89,615
Weighted average price		5.10	4.27	3.45	3.44	4.96	3.26

The expiry dates of all grants shown in the tables above are 10 years from the test date.

35 Share based payments (continued)

The weighted average share price at the date of exercise of Rights exercised regularly during the year ended 30 June 2011 was \$8.10 (2010: \$6.51). The weighted average remaining contractual life of share Rights outstanding at the end of the period was 1.44 years (2010: 1.63 years).

Fair value of Rights granted

The assessed fair value at grant date of Rights granted during the year ended 30 June 2011 was between \$5.13 and \$6.12 per right (2010: between \$2.50 and \$4.41). 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%
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%
29/10/2009	Ten years from Test Date	2.50	-	6.05	129%	5.52%	0.00%
29/10/2009	Ten years from Test Date	3.71	-	6.05	129%	5.52%	0.00%
29/10/2009	Ten years from Test Date	4.41	-	6.05	129%	5.52%	0.00%
5/11/2010	Ten years from Test Date	5.13	-	8.60	125%	5.25%	0.00%
5/11/2010	Ten years from Test Date	5.13	-	8.60	125%	5.25%	0.00%
5/11/2010	Ten years from Test Date	6.12	-	8.60	125%	5.25%	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:

	2011 \$'000	2010 \$'000
Rights issued under Performance Rights Plan	<u>2,906</u>	<u>2,360</u>
	<u>2,906</u>	<u>2,360</u>

36 Parent entity financial information**(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 \$'000	2010 \$'000
Balance sheet		
Total assets	724,129	512,785
Current liabilities	11,822	7,430
Total liabilities	11,822	7,430
<i>Shareholders' equity</i>		
Issued capital	654,865	468,460
Share-based payments reserve	5,975	5,457
Retained earnings	51,467	31,438
	<u>712,307</u>	<u>505,355</u>
Profit or loss for the year	<u>75,000</u>	-
Total comprehensive income	<u>75,000</u>	-

(b) Guarantees entered into by the parent entity

The parent entity is a guarantor under the Bradken Group - Common Terms Deed Poll and unconditionally and irrevocably guarantees payments due in connection with any financing facilities owed by any Group company.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment at 30 June 2011 or 30 June 2010.

37 Events occurring after balance sheet date

Bradken acquired Australian and Overseas Alloys Pty Ltd based in Wollongong NSW for a total purchase price of \$20m on 7 July 2011. Bradken finalised the acquisition of Norcast Castings Limited based in Canada from Castle Harlan Inc. on 12 July 2011 for a total cost of \$202m AUD. Both of these acquisitions were funded from existing cash and debt facilities.

Other than the acquisitions stated above no material events have occurred that affect the operations of the Group from the end of the financial period ended 30 June 2011 to the date of issue of this report.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 25 to 90 are in accordance with the Corporations Act 2001, including
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended Closed Group identified in Note 31 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 31.

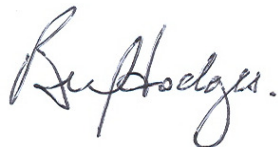
Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Nick Greiner
Chairman



Brian Hodges
Managing Director

Sydney
8 August 2011

Independent audit report to the members of Bradken Limited

Report on the financial report

We have audited the accompanying financial report of Bradken Limited (the company), which comprises the balance sheet as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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.

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 consolidated entity's financial position as at 30 June 2011 and of its 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 financial report 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 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



J Champion
Partner

Newcastle
8 August 2011