ANNUAL REPORT 2016

A global manufacturer with regional focus.

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Section Two

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Bradken Limited

ACN 108 693 009

Notice of Annual General Meeting

The Annual General Meeting of Bradken Limited will be held at:
Bradken Global Corporate Centre - Bradford Room
20 McIntosh Drive, Mayfield West NSW 2304, Australia
On Wednesday, 26th October 2016 at 11:30am (AEST).
A formal Notice of Meeting is enclosed.

For more Information on Bradken visit bradken.com

Registered Trademarks.

All company names, Logos, product names and identifying marks used throughout this publication are the property of their respective trademark owners.

They are used for descriptive purposes only and are protected by the relevant laws of the countries in which the trademarks are registered.

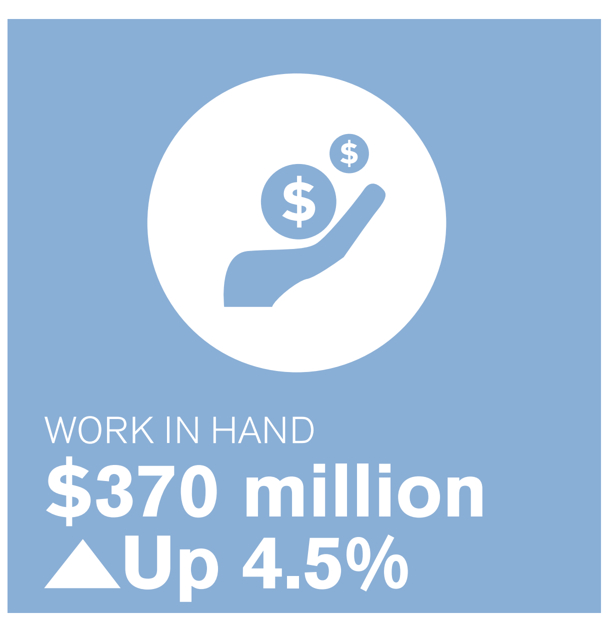
Bradken is a global manufacturer and supplier of differentiated capital and consumable products to the mining, transport, general industrial and contract manufacturing markets.

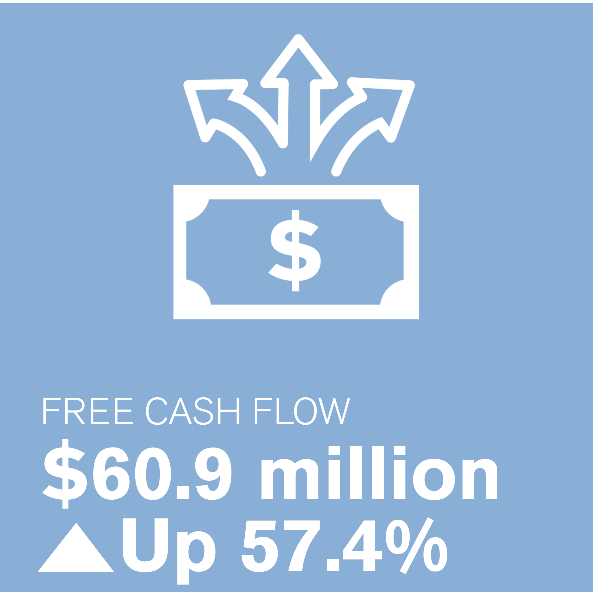
As a leading heavy engineering company we can manufacture fully machined cast iron and steel products from a mass of 0.5 kg (1.1lbs) to 25 tonne (55,000 lbs).

The driving force behind our Business is our firm commitment to innovation and continuous improvement. Our aim is to provide our customers with value through the creation of specialised product and service solutions.

With more than 90 years' experience in the foundry business, the accumulated wealth of knowledge and depth of expertise in our workforce enables us to offer our customers a full service offering with combined design, manufacturing, maintenance and support services ultimately providing improved operational outcomes and safer work practices.

Our highly skilled product development teams ensure that our design and testing capabilities, using the latest technologies, set new benchmarks for excellence and offer significant advantages to our customers. With a worldwide network of manufacturing facilities and an established sales and distribution network, our geographical diversity allows us to supply customers in the world's major mining and industrial regions. We are committed to the globalisation of our core range of products while at the same time remaining focused on opportunities in new and emerging markets.





Refreshed Leadership

New CEO appointment, Chairman and Board of Directors refreshed with the goal of long-term sustainable performance.

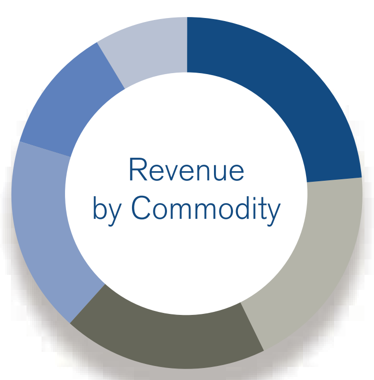
Rightsized Overheads

Cash overheads reduced 11.2% in line with current operating level.

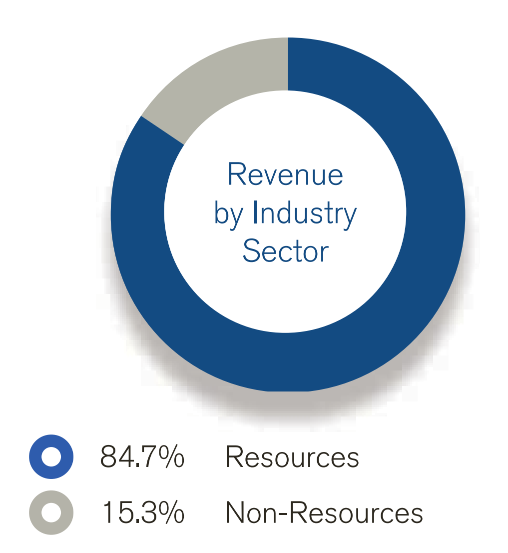
Consolidated Production

Consolidated manufacturing footprint focusing on higher quality and lower cost.

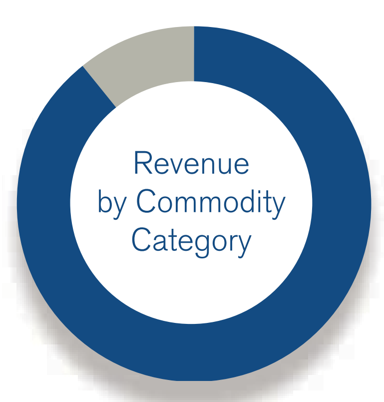
FY 16 Financial Highlights



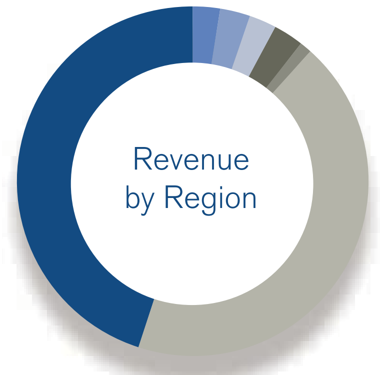
23.7%	Coal
19.2%	Iron Ore
18.8%	Copper
18.1%	Gold
11.7%	Other Minerals
8.5%	Oil & Gas



84.7%	Resources
15.3%	Non-Resources

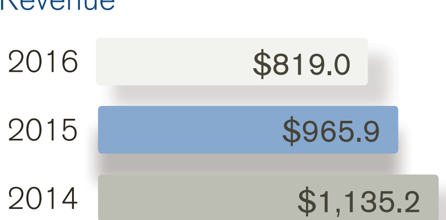


89.4%	Consumable Products
10.6%	Capital Products

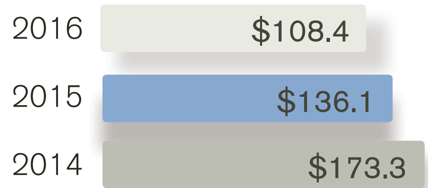


45.0%	Australia & New Zealand
44.1%	North America
2.9%	South America
2.7%	Africa
2.6%	Europe
2.5%	South-East Asia
0.2%	China

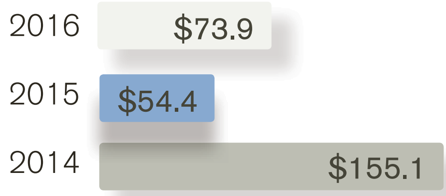
Revenue*



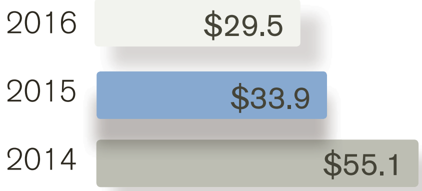
EBITDA*



Operating Cash Flow*



NPAT*



* *A$ Millions*

From the Chairman

For Bradken, the 2016 financial year continued to provide challenges associated with the pressures of the Resources market globally. These challenges, confronted many companies like us that provide products and services to the mining, resources and energy sectors. The Board and Management have worked diligently, to roll out initiatives that will right size us and position us for growth in the markets we service. We recognise the past year has been a difficult time for our investors, and the Board has responded to the concerns expressed by you this time last year. As we stand today, we are confident that this past is truly behind us and the focus in the business is clearly on delivering value for all our stakeholders.

In acknowledging our activities throughout FY16, we have made significant progress towards achieving all of the strategic actions outlined at the FY15 Annual General Meeting. We took the first step in our program to reinvigorate the Bradken Board with the appointment of Mr Rupert Harrington as an Independent Non-Executive Director in December 2015.

Rupert has a strong background in capital markets and shareholder value creation and his particular skill set will be a great asset to the Company. We will continue the task of refreshing the Board and seek out appropriate candidates in the coming months, focusing on those with specific skills and expertise that will offer the most support in guiding and developing Bradken as we move forward.

We continued to improve the Company's gearing position through the application of all free cash flow to the reduction of our net debt level. Measures including low capital expenditure, a continued focus on inventory reduction and the sale of surplus assets contributed to Bradken effectively meeting our commitment of a free cash flow target of $60 million in the HY16 results.

From a leadership perspective of course the highlight of the year was the appointment of Paul Zuckerman as CEO in March. After a short orientation period Paul and the Executive Management Team embarked on a Company-wide strategic review.

This review looked at how Bradken can best stabilise the business, given the present difficult market conditions, and went on to identify where we can best invest and grow the business once our debt levels are reduced further. Paul announced a new business model and changes to the Executive Management team to streamline the business and focus on delivering the benefits as quickly as possible.

From FY17 Bradken will have three business units: Mobile Plant (formerly Mining & Transport) Mining Fixed Plant (incorporating the former Mineral Processing and Fixed Plant businesses) and the North American-based Engineered Products business. The first two businesses will give us global exposure to a variety of mining consumable wear parts and spare parts markets including rail consumables. Consumption of these products is expected to rise as currently operating mines continue to increase output across a variety of commodities, including copper, gold, iron ore and coal.

The North American Engineered Products business will continue to focus on large, complex specialty castings serving the defence, energy, mining and industrial markets. Demand in these markets is also forecast to grow in the medium term and this work fits in well with some of our unique capabilities and certifications.

These business units will be supported by two newly formed global support functions: Bradken Supply Chain and Bradken Technical & Operational Excellence. These two functions will work across the business units and leverage the benefits of our size and scale. Bradken Supply Chain will allow the creation of a centre of excellence around sourcing and procurement to better service Bradken's operations, while the Technical & Operational Excellence function will pull together a team of experts from across the business to focus on continuous quality and cost improvements and overall operational performance, both directly and indirectly, through improved processes, metrics and practices.

We are indeed fortunate to have secured Paul's services and the Company will benefit from his insight into effective business models, his customer focused style and his leadership and team building skills, all of which are most appropriate for the transformation initiatives being rolled out from the review.

We can take the positive comments above as ticks against our strategic scorecard which have aided us in making important inroads toward regaining the confidence of the market and our shareholders, as evidenced by the positive movement of our share price from sub 40 cents in January 2016 to the mid $2.00 range in August. We have been listening, and we will continue to do so.

In view of a global mining market that is holding steady with stabilised commodity prices and growing mining volumes, Bradken holds a strong position in both the fixed and mobile plant markets with our differentiated products providing solid growth opportunities within any future market upturn.

Operationally, our focus on consumable product sales continues to bear fruit and free us from any dependence on capital sales returning to historic levels. The acquisition of the new foundry facility in India will be integral to the continued reshaping of the Company's manufacturing footprint and the migration of work away from higher cost to lower cost manufacturing.

With all that has transpired over the last year, and indeed the last several years, the cost to Bradken by way of significant losses to our global workforce (30% between FY14 and FY16) should not be forgotten. Necessary decisions to scale back were difficult and were not made lightly.

The Board is grateful to all former and present Bradken employees and Key Management personnel for the role they have played in holding Bradken up when other businesses have fallen, and for reshaping the Company for future success.

Our Vision and Values for sustainability are core to our strategy of integrating health, safety, environmental, social and economic factors into our decision-making processes.

Maintaining our licences to operate as a global company is dependent upon gaining access to raw materials and ensuring we maintain the trust of our shareholders, employees, contractors, communities, customers and suppliers.

Our approach to sustainability reflects our commitment to put health and safety first, be environmentally responsible and provide support to each of the communities in which we operate. In reporting our sustainability performance we include our impact on the environment, resource conservation and biodiversity, and our efforts to ensure the broader economic contributions of our operations benefit our local communities.

Governance

Ethical Business Behaviour

Our Code of Business Conduct and Ethics (the "Code") sets the standard for our commitment to working with integrity and respect, providing guidance for our employees, customers and associated parties with whom we deal. The Code guides our daily work and demonstrates how we apply the commitments and values set out in Our Corporate Charter.

Our ability to work with integrity will never be compromised by commercial objectives. We are confident that the Code clearly outlines our obligations for dealing with conflicts of interest, in order to preserve our commitment to the highest standards of integrity.

All employees, contractors and third-party suppliers are provided with a copy of the Code on commencement of their employment with Bradken and it is a condition of their employment that they behave at all times in accordance with the Code.

We implement our Code of Conduct through a variety of training and induction programs, with all new employees receiving and signing-off once training has been completed. In addition, we provide regular training and undertake periodic audits of compliance across the Bradken Group.

Anti-corruption

Anti-corruption compliance is an important part of being a responsible and ethical company, and also reflects our commitment to local communities and government authorities. Corruption has the ability to deprive communities of the benefits that should flow to them as a consequence our operations in the region and has the potential to undermine effective decision-making.

Grievance and Complaint Handling

To address any grievances or concerns that may be raised by internal or external stakeholders, we provide a confidential means to report concerns about conduct that may be contrary to our values and ethical business standards.

Depending on the nature and severity of an issue that is raised, it may require referral or further investigation. The management of serious whistleblower and business conduct investigations are undertaken and recorded in accordance with the Bradken Whistleblower Policy which is available on the Bradken website.

We continue to learn from the business conduct concerns and breaches raised and build these into our training programs and process controls to support and educate our people.

Training and Communications

Our Business Units and Functional Groups are required to coordinate with the Company's Compliance function to identify employees, contractors and business partners who require anti-corruption training by applying specific criteria developed by the Compliance function. Business Units must also agree with the Compliance function and our Human Resources team on frequency and content of the anti-corruption training.

Individuals identified as requiring training must receive training within two months of joining the Company or moving to a new position where training is required. Training is mandated for higher-risk functions.

Risk Management and Assessment

Our Risk Management Policy provides the framework for embedding risk identification and management into all of our business activities, functions and processes, which is the basis of an active and consistent risk-based approach to sustainability.

A Board appointed Audit & Risk Committee is responsible for approving and reviewing the effectiveness of the Group's systems of internal control and

Corporate Governance Policies

Policies are available to view on the Bradken website www.bradken.com

risk management. The Committee carries out periodic reviews of the effectiveness of the Group's risk management framework which includes determining whether Management controls such as Active Management or Controlled Monitoring are in place to identify risks, consequences, materiality and mitigation steps for each risk identified.

The Committee is responsible for reviewing the effectiveness of the management of the Group's material risks through a regular risk reporting process which examines the implementation and effectiveness of risk mitigation steps and assesses whether internal audit plans are addressing material risks appropriately.

Independent Monitoring and Audit Review

The Compliance function conducts regular monitoring of financial and other data to check the operation of key controls, such as the requirement to obtain pre-approval before engaging in higher corruption risk transactions and compliance with training requirements.

A separate independent, internal audit team conducts regular audits to assess implementation of effective controls and to identify transactions and conduct that are not consistent with the Group's policies, standards and procedures.

The Group's compliance function manages investigations into all potential corruption-related issues, whether these are reported through the Group's website or through other channels.

Supply Chain Sustainability

As a global company, we understand our responsibility to ensure we only engage with suppliers who have responsible and ethical business practices. Relationships with our supply partners are managed in accordance with contractual arrangements, our Values, our Code of Conduct and our Compliance Program.

To identify sustainability risks across our supply chain, we use a risk-based approach to support our suppliers' alignment with our health, safety, environmental and business conduct requirements which include zero tolerance of a number of human rights infringements including child labour, inhumane treatment of employees and forced or compulsory labour. We conduct business fairly and ethically, respect human rights, comply with all laws and regulations, and follow a rigorous Code of Conduct.

Bradken fully supports the U.S. Government signed Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which requires all U.S. publicly traded companies to file disclosures and reports with the SEC related to the use of "Conflict Minerals" in their products.

Plant Closure Planning

As part of the ongoing organisational restructure of Bradken's business, plant closure planning is a key consideration in the development and consolidation of our business operations. We recognise the significant risks associated with poorly managed closure activities and seek to minimise these throughout the life cycle of our operations.

We require plant closure plans to be developed as part of our major capital investments to ensure we understand potential closure liabilities and have the opportunity to reduce them during the design stage. Such plans must consider the impacts on, product, people, plant, and process change requirements. The closure plans provide the basis for estimating the closure costs and the associated accounting for closure and rehabilitation obligations. We also have outplacement programs in place to ensure our people are given the best opportunity to rebuild careers.

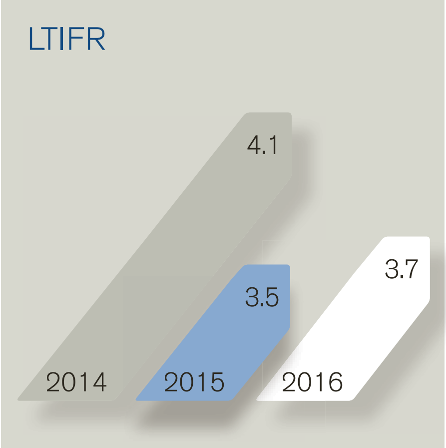
Product Stewardship

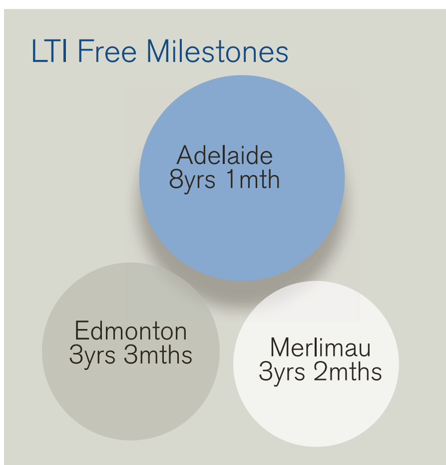
The products that we manufacture and resources we use are crucial to the economic and social development of society, as well as being central to the growth of communities across the world. As a global, diversified resources company, with markets in many countries, we have a responsibility to minimise the environmental, health and safety impacts of our products.

Many of our products are required to have a specific safety data sheet. These sheets outline the relevant health, safety and environmental aspects of our products and are available to our customers and the transporters of our products.

We ensure that through management systems and internal audit processes, we assess, prevent or mitigate potential environmental, health and safety risks to our people and communities. We also seek to work with those involved in the life cycles of our products to enhance the environmental performance throughout the supply chain and to promote responsible use of our products.

Safety





Bradken operates a 21 Step Safety Plan that supports our health, safety and environmental philosophy (that 'all injuries and incidents can be prevented') and is an integral part of the Group's Management System which reinforces the safety processes outlined in international safety standards.

The following principles represent the foundation upon which the Bradken 21 Step Safety Plan is established:

- All injuries and incidents can be prevented
- We demonstrate the level of safety that we want
- We confront at risk behaviour
- We involve employees in the decision making
- Training is not to be compromised
- A safe business is a good business
- All operating exposures can be safeguarded
- Management is accountable, but everyone is responsible for OHS
- Compliance is a minimum requirement
- Assessment is to be based on facts and data
- A healthy workforce is a more productive workforce.

Bradken's global Lost Time Injury Frequency Rate (LTIFR) for FY16 was 3.7, which is slightly up on the previous year's result of 3.5. In addition 29 sites globally were Lost Time Injury (LTI) free for the period, a 17% reduction on FY15.

During the period a number of sites achieved more notable LTI free milestones including Adelaide, AUS (8 years, 1 month), Merlimau, MYS (3 years, 2 months) and Edmonton, CAN (3 years, 3 months).

The Company implemented and refreshed a number of safety initiatives and training sessions during the period including Front Line leader safety training, 'Licence to Lift' and 'Licence to Melt' certifications and an ergonomics initiative across the United States and Australia.

Safety system audits were conducted at all sites globally which showed a 4% improvement on the previous year. We continue to focus our efforts based on risk and have adopted a proactive stance of prevention which includes work instruction development, training, competency assessment and consolidating progress through behavioural observation.

People

At Bradken, we acknowledge that our people are the key to our ongoing success. From the foundry floor to the boardroom our vision is for all our employees to be Proud to Belong.

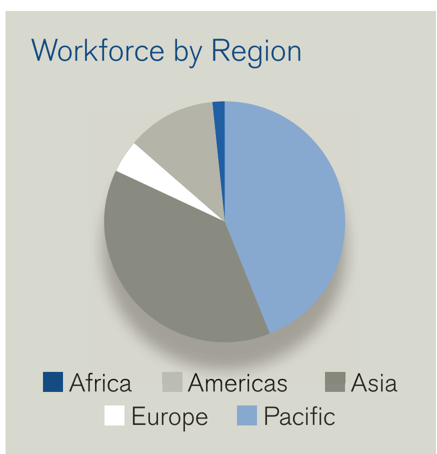
Culture

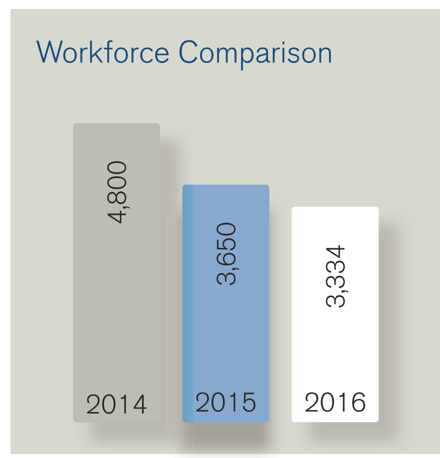
At the foundation of Bradken's culture are a number of core values that drive our success and define us as both an employer and as a responsible corporate citizen.

We value people who:

- Are health, safety and environmentally responsible
- Have exemplary personal integrity
- Enjoy a balanced lifestyle
- Strive for continuous improvement in all that they do
- Are customer focused
- Possess courage and loyalty
- Are highly motivated
- Work together for common goals
- Respect the individual rights of others.

We set high expectations and trust our people to deliver extraordinary results and we take the time to recognise and celebrate when they do.





The Bradken Employee Recognition Awards seek to reinforce and develop our culture by recognising the outstanding contributions of our employees across a series of categories that reflect the Company's core set of Values. Recognition presentations are held in all of Bradken's major regional centres and reward employees who embrace our culture and display our Values in their daily activities.

Workforce Profile

At the end of FY16 Bradken directly employed 3,334 (3,650 FY15) people. Significant downsizing occurred during the period with employment numbers falling 9% from the previous year. This is on the back of a 24% reduction in the previous year. Reflected in this figure is the closure of the Acacia Ridge foundry in Australia along with significant reductions in the manning of several other facilities as we reshaped our workforce in line with market demand.

Youth Development

Bradken offers cadetships, industry scholarships and trade apprenticeship opportunities across our global network of facilities. These programs provide opportunities for students studying in fields complementary to Bradken's core business function to gain practical 'hands-on' experience while obtaining their formal qualifications. Our undergraduate programs are a key component of our succession planning efforts and continue to provide us with a pipeline of talent for the future.

For the period FY16 Bradken sponsored a total of 16 undergraduate students, both male and female, at Universities and Colleges in Australia (the University of Wollongong and the University of Newcastle in New South Wales, and Curtin University in Western Australia). Fields of study undertaken by these students include Materials Engineering, Mechanical Engineering and Mechatronic Engineering.

Education and Training

Bradken remains committed to nurturing and developing the skills of our people and actively promotes a culture of continuous improvement and personal development. Whilst training has been curtailed somewhat in the current climate we have developed in-house programs to continue employee development in key functional areas like frontline leader training, sales training, quality training and safety leadership.

Environment

Environmental Management

Bradken has developed an Environmental Management System (EMS) compliant with ISO 14001. Some facilities EMSs have been independently certified as compliant with ISO 14001 since 1998. The Bradken EMS is being updated to meet the requirements of a more multi-nationally orientated company and the updated ISO 14001:2015 Environmental Management System Standard.

A total of 13 of Bradken's larger facilities have an EMS independently certified as being compliant with the International Standards Organisation's ISO 14001 Environmental Management Systems Standard. The remaining facilities have working Environmental Management Systems that are compliant with local EPA requirements and the basics of the ISO 14001 EMS standard.

Sustainable Use of Resources

The key resources for Bradken's foundries are scrap metal and foundry sand. Bradken foundries are designed to recycle metal and have moulding sand reclamation plants on site that allow the sand to be used up to 10 times.

In FY16 Bradken purchased 94,917 tonnes of scrap metal to be recycled into new products by its foundries. This with the addition of the necessary speciality alloys produced 95,628 tonnes of new product castings.

Bradken operates a product buy-back program for many of its products under a product stewardship program. An estimated 50% of the scrap metal recycled during the FY16 period was former Bradken product that had reached the end of its useful life. Many Bradken cast products can be remelted to produce new products in a continuous 'whole of life value' process.

Bradken purchased a total of 65,300 tonnes of sand in FY16 for use in the moulding process. About 50% of the sand that reached the end of its useful life in the foundry was sent off-site for use in other industries such as composting, bitumen manufacture and road construction. This significantly reduced waste tonnes sent to landfill and reduced demand for new sand by these industries.

While water is regarded as a key environmental resource by many industries, the main use of water by Bradken facilities is for employee amenities, with only a limited amount attributed to industrial use.

MORE THAN

$640,000

spent on environmental monitoring

Total GHG

EMISSIONS
193,231t

CO2e

94,917t SCRAP METAL + 9,811t SCRAP ALLOYS

purchased to be melted and cast into

= 95,628t

TOTAL WASTE TO LANDFILL

39,395t *at a cost of* $1.8 million

TOTAL WASTE TO OFF-SITE RECYCLERS

45,527t *at a cost of* $1.9 million

Total energy use

2,157,795GJ

at a cost of $41 million

Waste Management

All Bradken facilities operate recycling programs with local waste/recycling contractors for conventional wastes. Foundries produce relatively large amounts of used foundry sand, typically 85% of site waste.
In total more than 54% of the total wastes generated are recycled into other products with some sites recycling more than 90% of their industrial waste.

Energy & GHG Management

Bradken has complied with its energy and GHG reporting requirements where applicable. Overall Bradken used 2.15M GJ of energy and generated 193,231 tonnes of CO2e GHG gasses.

Bradken foundries require relatively large amounts of energy to melt the scrap metal to produce new castings (up to 60% of electricity use) and to heat treat product casings to give them the properties required by customers (up to 80% of gas use).

Energy and resource use efficiency is benchmarked across the foundries and engineering sites to promote awareness of the benefits of efficiency improvements and share ideas around the company. The Atchison foundry is taking part in the US DoE Better Plants program and has set a target of reducing energy use per tonne by 25% by 2020.

Emissions

Foundry emissions are well understood and made public via the Toxic Release inventory in the US, the National Pollutant Release Inventory in Canada and the National Pollutant Inventory in Australia. For FY16 Bradken spent more than A$640,000 monitoring emissions and detected no significant exceedances of emission standards.

Environmental Improvements

As part of Bradken's EMS, the facilities implemented a large number of environmental improvements including replacing old light globes with more energy efficient lights, upgrading natural gas burners to reduce gas use by 30%, adding additional extraction systems and off-site waste recycling initiatives.

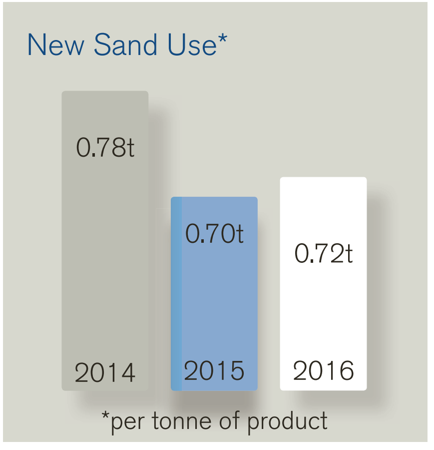
Environmental Compliance

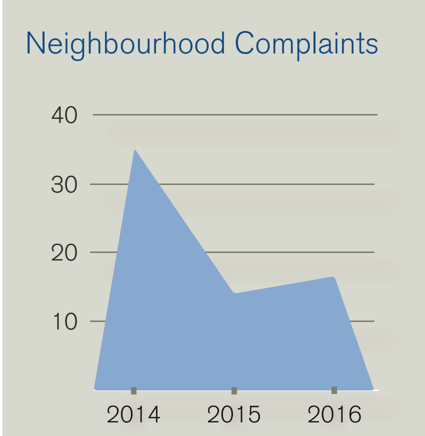
Bradken facilities carry out annual environmental compliance audits as part of the site EMS. Many facilities also receive routine audits by their local Environmental Protection Agencies.

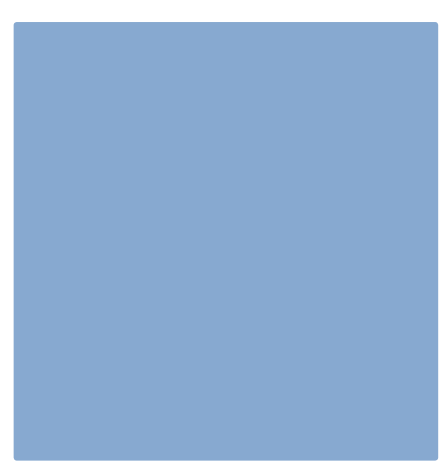
All observations and improvements identified in these audits have been addressed or have had projects initiated addressing them.

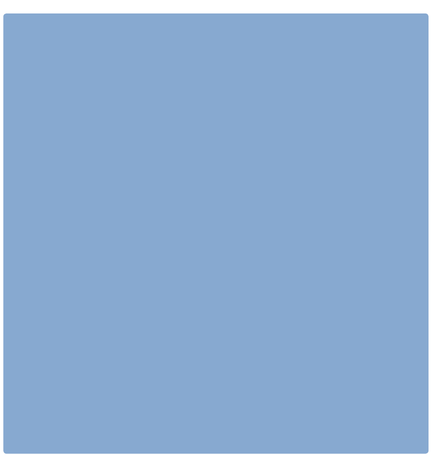
Community

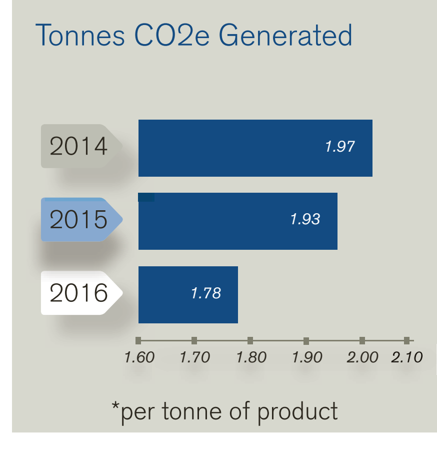
There were 16 neighbourhood complaints this financial year about nuisance odour, dust and noise. This is slightly higher than the FY15 figure (14) but still a reduction from previous years. A range of actions have been completed or are in place to address the causes of these complaints.


New Sand Use*
0.78t
2014
0.70t
2015
0.72t
2016
*per tonne of product


Neighbourhood Complaints
40
30
20
10
2014
2015
2016






Tonnes CO2e Generated
2014
1.97
2015
1.93
2016
1.78
1.60
1.70
1.80
1.90
2.00
2.10
*per tonne of product

Bradken's Mineral Processing Division* is a global manufacturer of custom-designed products for grinding mills, crushing and conveying equipment predominantly for the hard rock mining industry. Customers include some of the world's largest mining companies and industry OEMs.

The Division serves customers through the provision of design, manufacture and aftermarket support and optimisation in its mining operations across five continents and in more than 30 countries.

Sales and Technical support resources are deployed close to customer operations in Australia, Asia and Africa; North America; South America; the Commonwealth of Independent States (CIS) and Russia. Dedicated manufacturing facilities are located in Australia, Malaysia, India and Canada. Product is also sourced from Bradken Group facilities in Australia, China, the USA and the UK. The Division is the market leader in the manufacture and supply of grinding mill liners.

2016 saw a continuation of the lower demand for bulk commodities and subsequent bleak resource sector market conditions. Against this backdrop 2016 sales of $240 million represented a $22 million, or 10% increase on the prior year**. The market was once again characterised by restricted greenfield project development along with a corresponding reduction in OEM demand for first fitment product. A continuation of customer austerity initiatives and constrained production also reflected in a sluggish after-market.

Despite these conditions, the Division's push into CIS, Africa and the Americas has delivered material new business, which will repeat in years to come.

Execution of strategy to re-base cost structures continued with completion of the Coimbatore, India foundry acquisition on 4 March 2016. Capability to manufacture mill liner products will be developed during the coming year to augment the already substantial volume of energy products made in the facility. At the same time current plans see a continuation of operations in the Adelaide, Australia foundry until at least July 2018.

For the year ahead, the market remains flat with current business development emphasis being to continue the winning of new business at existing mine operations globally and the introduction of new differentiated products into existing and new markets.

2016 saw a continuation of the lower demand for bulk commodities and subsequent bleak resource sector market conditions. Against this backdrop 2016 sales of $240 million represented a $22 million, or 10% increase on prior year.

* *From FY17 the Mineral Processing business will be incorporated into the Mining Fixed Plant business unit.*

** *$5 million of the increase relates to Indian sales from the business acquired in March 2016.*

Bradken's Engineered Products Division is a North American based manufacturer of large, highly-engineered steel castings and differentiated consumable products to the mining, resource, transportation, structural, energy, and military industries.

The Division is a leader in the North American market for large, complex steel castings (of more than 10,000 lbs.) supplying a broad range of key industry segments including mining and heavy construction, locomotive rail, transit rail, power generation, nuclear, oil & gas and military.

The Division's revenue is primarily based on the sale of products to large, international OEMs including well-known, blue-chip customers such as General Electric, Caterpillar, Sulzer, Northrop Grumman, General Dynamics, EMD, Bombardier and Solar Turbines. Many of these products are mission-critical components designed into the customer's end products. On a lesser basis, the Division also manufactures certain consumable items for direct sale to end customers.

The Engineered Products Division incorporates two businesses. The Industrial Products Business manufactures components predominantly for the mining and construction, locomotive and transit rail and land-based military markets, as well as castings for specialised industrial markets such as structural nodes used in building construction.

The Energy Business manufactures offshore oil and gas platform components, pumps, valves, turbines and gas compressors for the global energy and power generation markets as well as sea-based military products for Tier 1 suppliers to the United States government.

Overall sales for the Division were down 15% in FY16 on the previous year. This net change reflected further softening in mining markets through the year and reduced demand from energy markets following the significant decline in oil and natural gas prices. Partially offsetting these declines were increases to the sea-based military market.

Annual sales for the Industrial Products business declined 36% from FY15. This decline was across both halves and driven primarily by continued softening

through the year in the mining sector and declining locomotive rail demand. Declining oil prices resulted in reduced demand to transport crude oil by rail.

The Energy business' annual sales declined 16%, reflecting a decline of 8% in the first half and 22% in the second half. Oil and natural gas prices declined significantly over the course of the year, leading to deferred power plant refurbishments and pipeline builds. The decline in the energy markets was partially offset by increases to the military markets, largely driven by the US Navy Virginia class submarine build program.

The Division responded to the reduction in demand in FY16 by matching the workforce size to order levels, controlling overheads, managing working capital and rationalising capacity. Total Division employment declined 312 employees, or 28%, while total cash overheads decreased $9.9m, or 23%.

The Division remains focused on the diversification of its North American customer base, expanding into markets in growth sectors such as commercial building construction, transit rail and land-based military platforms. The US Navy submarine and aircraft carrier programs are also expected to provide significant growth opportunities. A strategic focus on high-spec, complex work will assist in preventing undue reliance on the historical customer base and enable improved utilisation of available plant capacity. The Division helps provide the Company with a global footprint that allows competitive manufacturing alternatives based on changing markets and currency fluctuations.

Overall sales for the Division were down 15% in FY16 on the previous year. This net change reflects further softening in mining markets through the year and reduced demand from energy markets following the significant decline in oil and natural gas prices.

With the decline in the mining market likely to continue to be soft in the coming financial year the Division remains well-positioned to service the future needs of its customers when a rebound occurs.

The Mining & Transport Division* designs, manufactures and supplies consumable wear products for various types of earthmoving equipment to the global mining industry. The Division's products include Ground Engaging Tools (GET) and associated wear parts, dragline rigging packages and a range of buckets for dragline, front-end loader, face shovel and hydraulic excavator equipment as well as crawler system products for hydraulic mining excavators and electric rope shovels.

The Division also provides industrial cast products for general industry and mining OEMs and designs, manufactures and sells freight rollingstock products and services including freight wagons and bogies and associated spare and renewed parts and maintenance.

The Division's customers include mine operators, OEMs and mining contractors in the world's major mining markets, along with freight rail operators in targeted overseas markets.

Market conditions remained difficult during FY16 with total sales for the Division down 30%. Mining operators continued to be cautious with ongoing austerity measures applied to capital expenditure and maintenance programs in an effort to lower costs. The main reduction on previous year sales for the business was associated with Rail Capital and Maintenance, which decreased by 94% and Industrial Products which decreased by 23%. Notably, direct consumable product sales increased by 2% while full year order intake exceeded sales by 13% as market share gains were achieved.

With the continued subdued demand for new mining class excavators, OEM Crawler System

* *From FY17 the Mining & Transport business will be incorporated into the Mobile Plant business unit.*

Market conditions remained difficult during FY16 with total sales for the Division down 30%. Mining operators continued to be cautious with ongoing austerity measures applied to capital expenditure and maintenance programs in an effort to lower costs.

sales again decreased by 78%, a drop of $4.8 million on FY15. The business strategy to focus on direct aftermarket sales for certain product platforms continued to yield strong results with those sales reducing only slightly (5%) despite the continued tough market conditions. The Division is further narrowing its focus to aftermarket consumable products which are differentiated and valuable to its customers. Sales growth is expected as new products become available, increasing the number of machine platforms Bradken is able to compete on. The Division also continued to benefit from increased utilisation of the high-quality, low-cost manufacturing capacity at Bradken's Xuzhou, China foundry.

Sales revenue for GET and associated products remained flat reflecting market share increases for consumables in Australia that offset substantial reductions in market size as mine operators placed some mines on care and maintenance and reduced the number of operating machines. The Division continued to achieve incremental sales growth in targeted global mining regions where the fully released latest generation GET product designs continue to gain market acceptance, with sales growth in Africa particularly strong.

The Division's rail consumable spare parts offering continued to provide value through sales of reliable differentiated products with sales increasing 20% during FY16 as mine and rail operators move into fleet maintenance programs seeking operational efficiency.

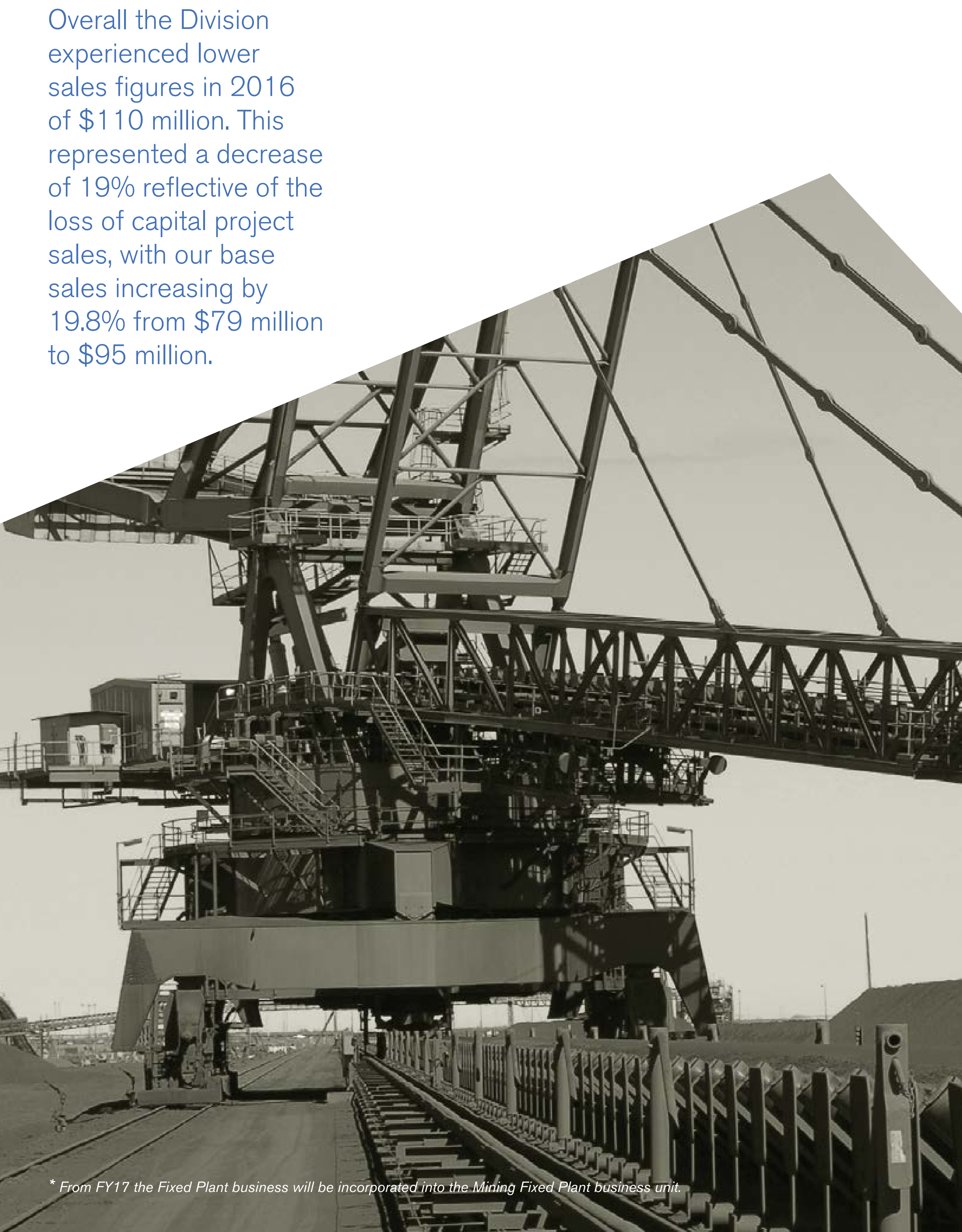
Sales of industrial products primarily for Australian and New Zealand based OEMs and general industry decreased by 23% in a depressed market, with the focus remaining on ensuring strong market share is protected.

New rail wagon builds reduced significantly from 625 in 2015 to 49 in 2016, with the capital spend from the major miners in iron ore and coal, and the large freight rail operators at very low levels, resulting in a sales reduction of 94%. Restructuring of Bradken's Rail resources to design, sell and execute future contracts was implemented and scaled to match expected demand. With strong competition continuing in the Australian market from the firmly established Chinese wagon manufacturers, the business has refocused on winning niche opportunities in new and emerging markets for intermodal wagon projects where operators are seeking overall efficiencies through improved design and reliability. Two such contracts were secured and will commence in FY17, being Intermodal container wagons for Australia and the Middle East.

The Division does not perceive a significant change in market conditions in the foreseeable future with steady production levels to remain across most commodities in the key markets in which it operates and capital expenditure to remain subdued. A moderate sales uplift is expected with the residual impact of customers' prior de-stocking efforts exhausted.

The Division continued to increase its sales and technical presence in targeted mining markets outside Australia and is focused on exploiting niche opportunities, with product development and customer support aligned to these opportunities.

Overall the Division experienced lower sales figures in 2016 of $110 million. This represented a decrease of 19% reflective of the loss of capital project sales, with our base sales increasing by 19.8% from $79 million to $95 million.



* From FY17 the Fixed Plant business will be incorporated into the Mining Fixed Plant business unit.

The Fixed Plant Division* creates customised wear solutions through the design and manufacture of a wide range of wear resistant products to protect fixed plant equipment in both the mining and port operations. The Division's customers include some of the world's largest mining and oil companies with products supplied from manufacturing facilities in Australia, China and Canada.

Overall the Division experienced lower sales figures in 2016 of $110 million. This represented a decrease of 19% reflective of the loss of capital project sales, with our base sales increasing by 19.8% from $79 million to $95 million. Gross margins increased from last year (34.1% to 36.0%) assisted by improved manufacturing performance and the change of work mix away from the lower margin project work.

The Division continues to focus on reducing manufacturing costs and lead-times by introducing capital expenditure initiatives that reduce both internal labour and our reliance on sub-contractors. Small but important sales were made in the North American and South American markets which is a further progression to becoming a valued supplier into these regions.

During the year our Product Development Group continued to work with our clients to reduce their total cost of

operations by introducing solutions designed to reduce on-site labour during mine inspection and maintenance periods. Amongst these were our premium ceramic range and dedicated one-sided liner fastener system.

Our design teams have had great success working with mining operational staff to develop supplementary transport and installation equipment that complements our growing range of rotatable spare services.

With no significant change expected in the current outlook for the commodity market, the coming year will again be challenging, with some increases in activity coming from new mines moving into a maintenance phase of operations.

Strong collaborative relationships with our major customers in the Iron Ore, Gold/Copper and Oil Sand markets will provide a solid platform for our base sales in 2017. These relationships will open up new adjacent sales opportunities as our proven ability to drive operational costs down continues to be recognised.

Overall, the Division's direction will be to concentrate on increasing share in existing markets, while identifying and gaining sales in key mining regions around the globe currently not serviced.

Bradken's Cast Metal Services Business* is a manufacturer and supplier of consumable products to the global cast metals industry operating in regions where Bradken has an established manufacturing footprint. The Business also incorporates a metal recycling operation which sources mild steel, stainless steel and alloy scrap steel largely from mine sites and industrial operations to supply Bradken's foundry operations.

The Business focuses on traded products and its own range of consumable products manufactured in facilities located in Brisbane, Australia, Xuzhou, China and Kansas City in the United States selling to both internal (Bradken) and external customers. The Business is a leading supplier to the Australian and New Zealand foundry industry.

With the decline in the foundry consumables market in the United Kingdom, the decision was made to exit this market and focus resources in other regions that offer greater value for the business.

Overall sales for FY16 increased marginally (1.0%) on the previous year with sales in North America and China. In Australia, further contraction in the resources sector has resulted in a significant decrease in foundry activity.

A subsequent decrease in the consumption of manufacturing consumables during this period saw the Business' sales into this region fall 6.5% from the FY15 figure.

In response to the tough market conditions and with limited opportunities for future growth in the region due to the already high level of market penetration, Cast Metal Services Australian operations were restructured.

The Business has continued to evolve with the moving footprint of Bradken providing a stable global sales base. In June 2016, Bradken commenced the process of integrating the existing Cast Metal Services Business into a cross-functional global sourcing group (Bradken Sourcing) which will leverage the benefits of the Company's size, scale and internal expertise and allow the creation of a centre of excellence around sourcing to better service Bradken's operations.

These changes will be fully implemented in early FY17.

** For FY17 the Cast Metal Services business has been restructured to form the Bradken Sourcing and Bradken Technical Leadership functions.*

Overall sales for FY16 were up slightly (1.0%) on the previous year with sales in North America and China up on the back of new business and increased volumes.

Accountable to shareholders for the performance of the Company, the Board directs and monitors the business and affairs of Bradken and is responsible for the Company's overall corporate governance.

Board of Directors

Mr Phillip J Arnall
Chairman

Phil has extensive experience in the mining and steel industries. He was first appointed to the Board on 13 April 2004 and is a member of the Audit and Risk Committee and the Human Resources Committee.

Mr Gregory R Laurie
Independent Non-Executive Director

Greg joined the Board on 24 February 2005 bringing with him his expertise in the manufacturing and distribution fields. He is on the Human Resources Committee and Chairs the Audit and Risk Committee.

Mr Rupert A Harrington
Independent Non-Executive Director

Having had extensive experience in capital markets and in particular with shareholder value creation Rupert was appointed to the Board on 1 December 2015. He is a member of the Audit and Risk Committee and the Human Resources Committee.

Dr David Smith
Independent Non-Executive Director

David joined the Board on 1 February 2014. His field of expertise centres around business integration, growth and safety. He is on the Audit and Risk Committee and is the Chairman of the Human Resources Committee.

Management and Leadership

Consisting of both divisional leaders and functional executives Bradken's Management Team is responsible for the administration of the day-to-day operations of the Company.

Mr Paul Zuckerman
Chief Executive Officer

Paul was appointed Chief Executive Officer of Bradken Limited in March 2016. Before joining Bradken Paul spent 9 years with building materials supplier Fletcher Building as Chief Executive of the Steel Division (from May 2007) and then as Chief Executive of the Laminates and Panels Division (from October 2012).

Mr Steven Perry
Chief Financial Officer

Steven has been with Bradken for 26 years. Having progressed through various other finance-based roles. He was first appointed as Chief Financial Officer in 2011 after nine years as Commercial Manager of the former Mining Products Division.

Mr Wayne Herbertson
General Manager Human Resources

Wayne has served Bradken for 12 years having been appointed General Manager Human Resources in 2004. He is responsible for the management of all aspects of the Company's human resources, occupational health and safety and management systems.

Mr Enda Sheridan
General Manager Corporate Development

Enda has been with Bradken for 26 years and was appointed General Manager Corporate Development in 2015. He has held many leadership roles across the Company, successfully establishing and growing many parts of today's businesses.

Mr John Saad
Chief Technical Officer

John has been with Bradken for 29 years and has extensive technical experience across the Company's various operations. He has been the Company's CTO since 2005 and assumed responsibility for the Cast Metal Services Business in 2009.

Mr Brad Ward
Executive General Manager Mining & Transport

Brad has been with Bradken for more than 30 years, during which time he has held a number of senior positions within the Bradken Group. He currently manages the global operations of the Company's Mining & Transport Division.

Mr Andrew Allen
General Manager Operations Mining & Transport

Andrew has a 36-year career history with Bradken and was appointed to his current role in May 2015. He is responsible for overseeing the operation of Bradken's manufacturing facilities throughout China, Australia and New Zealand.

Mr Stephen Cantwell
Executive General Manager Mineral Processing

Stephen joined Bradken in July 2011 and successfully led a number of positive programs in the Company's former Rail business before being appointed Executive General Manager of the Mineral Processing Division in 2015.

Mr Craig Lee
General Manager Fixed Plant

Craig has a 15-year career history with Bradken, having worked his way up from foundry manager to his current senior leadership role. Craig is tasked with the management of Bradken's Fixed Plant Division across Australia and North America.

Mr Kevin McDermed
Chief Operating Officer Engineered Products

Kevin joined Bradken as part of the AmeriCast Technologies acquisition in 2008 and since 2013 has served as the COO of the Company's North American-based Engineered Products Division, producing highly engineered complex castings.

Section Two

Full Financial Report 30 June 2016

01. Corporate Directory
02. Director's Report
24. Financial Report
91. Director's Declaration
92. Independent Auditor's Report to Members
94. Shareholder Information

CORPORATE DIRECTORY

Directors	Phil Arnall, B.Com. *Non-Executive Chairman*
	Greg Laurie, B.Com. *Independent Non-Executive Director*
	David Smith, B.Sc., PhD *Independent Non-Executive Director*
	Rupert Harrington B.Tech., M.Sc., CDipAF, MAICD. *Independent Non-Executive Director*
Chief Executive Officer	Paul Zuckerman, B.Sc., MBA *Chief Executive Officer (appointed March 2016)*
Company Secretary and CFO	Steven Perry, B.Com. MBA, CPA
Joint Company Secretary	David Chesterfield, MBA
Business unit general managers	**Mining & Transport** Brad Ward
	Mineral Processing Stephen Cantwell, B.Business, Master of Business
	Engineered Products Kevin McDermed, B.Sc, MBA
Notice of annual general meeting	The annual general meeting of Bradken Limited **Will be held at** Bradken Global Corporate Centre, Bradford Room, 20 McIntosh Drive, Mayfield West NSW 2304 **Time** 11:30am **Date** Wednesday 26 October 2016
Principal registered office in Australia	20 McIntosh Drive Mayfield West NSW 2304 Telephone: +61 2 4926 8200
Share registry	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Telephone: +61 2 8280 7519
Auditor	Ernst & Young 200 George Street Sydney NSW 2000
Stock exchange listings	Bradken Limited shares are listed on the Australian Stock Exchange. The home exchange is Sydney.
Website 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 and the entities it controlled at the end of, or during, the year ended 30 June 2016.

This report has been divided into the following sections:

A. General information
B. Operational and financial review
C. Remuneration report
D. Other information

A. General information

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:

Phil Arnall Non-Executive Chairman	Greg Laurie Non-Executive Director	David Smith Non-Executive Director
Rupert Harrington Non-Executive Director (appointed 1 Dec 2015)	Brian Hodges Managing Director (resigned 31 December 2015)	Nick Greiner Non-Executive Chairman (resigned 10 November 2015)
Peter Richards Non-Executive Director (resigned 6 November 2015)	Eileen Doyle Non-Executive Director (resigned 6 November 2015)	

Principal activities

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

- supply and service of wear components for mining and earthmoving equipment
- manufacture and maintenance of freight rolling stock products
- 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, oil & gas and rail transport industries
- 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.

Dividends - Bradken Limited

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

	2016 **$'000**	2015 $'000
Final dividend for the year ended 30 June 2015 of zero cents per fully paid share (2014: 11.0 cents per fully paid share paid 9 September 2014)	**-**	18,813
	-	18,813

Significant changes in the state of affairs

During the year ended 30 June 2016 the Group continued to incur significant restructuring costs and has again materially written down the value of many of the Group's assets.

In 2016, Mr. Paul Zuckerman was appointed CEO and commenced a strategic review of the operations of Bradken. Boston Consulting Group was engaged to assist in certain accounts of his review.

Significant events after the balance date

On the 27th of July 2016 the Group announced a business restructure designed to reduce overhead costs further, better deliver its capabilities to customers and set the Group up for future growth. The Group will now have three business units (down from five) and two new global support functions. Moblie Plant (formerly Mining and Transport), Mining Fixed Plant (combining former business units Minerals Processing with Fixed Plant) and Engineered Products, with support groups Technology/Operational Excellence and Supply Chain.

A. General information (continued)

Apart from these changes 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.

Corporate activity

On 26 June 2015, Bradken Ltd announced that a consortium comprising the SK Group and CHAMP Private Equity had approached the company regarding a possible merger between Bradken and Magotteaux, a wholly owned subsidiary of the SK Group. The parties agreed to work together during a 60-day exclusivity period to review the strategic and financial merits of a merger, this exclusivity period expired on 29 August 2015. On the 7th September 2015 Bradken announced that it had received written notice from the consortium of Sigdo Koppers and CHAMP terminating merger discussions between the Magotteaux Group and Bradken.

Likely developments and expected results of operations

Additional comments on expected results of certain operations of the Group are included in this annual report under the Operating and Financial Review section on pages 6 to 8.

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.

Environmental regulation and performance

The Group's operations are subject to significant environmental laws and regulation. The Group has devoted and will continue to devote resources to environmental compliance and management in each of the jurisdictions in which it operates.

In Australia, the Group's energy related requirements have corporate thresholds and the Group's operations are subject to the reporting requirements of the *Energy Efficiency Opportunities Act 2006*, the *National Greenhouse and Energy Reporting Act 2007* and the *National Pollutant Inventory*.

In the USA, the Group's Atchison site will be reporting its greenhouse gas (GHG) emissions as it exceeds the US Greenhouse Gas Reporting Rule threshold of 25,000 tpa CO2e. The Atchison site is also participating voluntarily in the US Department of Energy Better Plants program with a pledge to reduce energy intensity by 25% over 10 years. The Group's other US sites do not exceed the reporting threshold.

The Group's United Kingdom sites have been exempted from UK Climate Change Agreements in early 2014. The Bradken UK sites will no longer have to submit the Climate Change Agreement reports.

None of the Group's Canadian facilities exceed the 50,000 t CO2e threshold for reporting under the Canadian GHGRP program. No mandatory GHG or energy reporting requirements apply to the Group's operations in New Zealand, Malaysia or China.

The Group has established data collection systems and processes are in place to meet all requirements.

There have been no significant known breaches of the Group's obligations or environmental regulations to which it is subject.

Corporate governance

The Bradken Limited Board of Directors (Board) believes high standards of corporate governance are essential for sustainable long-term performance and creating value for shareholders. The Board is committed to delivering a robust governance system and fosters a culture that values ethical behaviour and integrity.

Throughout the financial year ended 30 June 2016 and at the date of this statement, the Board believes the Bradken Group has complied with the third edition of the ASXCGC Principles and Recommendations, with effect from 1 August 2014.

More complete information on key risk categories, risk management and the overall Bradken Group governance framework is in the Company's detailed Corporate Governance Statement available on the website at bradken.com.

Information on directors

Phil Arnall, B.Com. *Non-Executive Chairman.*

Experience and expertise

Director of Bradken Limited since 2004, appointed Chairman in 2015. 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 AJ Lucas Group Limited.

Former directorships in the last three years

Chairman of Ludowici Limited and Non-Executive Director of Macquarie Generation.

Special responsibilities

Member of Audit and Risk Committee.

Member of Human Resources Committee.

Interest in shares

524,040 ordinary shares in Bradken Limited.

A. General information (continued)

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

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, Shriro Holdings Limited and various private groups.

Former directorships in the last three years

None.

Special responsibilities

Chairman of Audit and Risk Committee.
Member of Human Resources Committee.

Interest in shares

74,667 ordinary shares in Bradken Limited.

David Smith, B.Sc., PhD, *Independent Non-Executive Director.*

Experience and expertise

Appointed director of Bradken Limited on 1 February 2014. More than 30 years of experience within Rio Tinto including 2001 to 2008 as Managing Director of its Australian iron ore business and President of Rio Tinto Atlantic until 2009.

Other current directorships

None

Former directorships in the last three years

Independent Chairman of Bannerman Resources, Independent Non-Executive Director of Macmahon Holdings, ERA Limited and Lead Independent Non-Executive Director of Atlas Iron Limited.

Special responsibilities

Member of Audit and Risk Committee.
Chairman of the Human Resources Committee.

Interest in shares

No ordinary shares in Bradken Limited.

Rupert Harrington B.Tech, MSc, CDipAF, MAICD, *Independent Non-Executive Director.*

Experience and expertise

Appointed director of Bradken Limited on 1 December 2015. Rupert has experience in capital markets and a broad range of skills including a deep understanding of mining services and a proven track record of shareholder value creation. He is currently Executive Chairman of Advent Private Capital.

Other current directorships

Non-Executive Director Integral Diagnostics Limited and Clover Corporation Limited.

Former directorships in the last three years

None.

Special responsibilities

Member of Audit and Risk Committee.
Member of the Human Resources Committee.

Interest in shares

400,000 ordinary shares in Bradken Limited.

DIRECTORS' REPORT

A. General information (continued)

Company Secretary

The Company Secretary is Mr Steven Perry, B.Com, MBA, CPA. Mr Perry joined the Group in 1990 and progressed through a number of financial roles most recently spending nine years as Commercial Manager Mining Products. As Company Secretary and Chief Financial Officer (CFO) Mr Perry is responsible for finance, treasury, taxation, investor relations, investments, audit and insurance. The Joint Company Secretary is Mr David Chesterfield, MBA.

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 2016, and the number of meetings attended by each director were:

Director	Full meetings of directors *		Audit and Risk Committee meetings		Human Resources Committee meetings		Non-executive directors meetings	
	A	B	A	B	A	B	A	B
Nick Greiner	4	6	**	**	2	2	2	2
Brian Hodges	9	9	**	**	**	**	**	**
Phil Arnall	14	14	4	4	5	5	4	4
Eileen Doyle	5	5	1	1	2	2	2	2
Rupert Harrington	7	7	2	2	2	2	2	2
Greg Laurie	13	14	4	4	3	5	4	4
Peter Richards	5	5	1	1	**	**	2	2
David Smith	13	14	4	4	5	5	4	4

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 fulfil its corporate governance responsibilities.

** Not a member of the relevant committee.

B. Review of operations

Operating and Financial Review

	2016	2015	Change
NPAT	($195.9)	($241.3m)	18.8%
EBITDA	$49.2m	$109.7m	(62.5%)
Underlying NPAT	$29.5m	$33.9m	(13.1%)
Underlying EBITDA	$108.4m	$136.1m	(20.3%)
Underlying EBITDA Margin	13.2%	14.1%	
Sales Revenue	$820.6m	$965.9m	(15%)
Operating Cash Flow	$92.0m	$81.2m	13.3%
Underlying Earnings per Share	17.2 cents	19.8 cents	(13.1%)
Dividends per Share	Nil	Nil	

After a challenging first half, the 2016 financial year ended positively for Bradken. While the likelihood of a resurgence of the global mining capital market remains uncertain, and despite a significant falling away of Rail Capital and Maintenance sales and reduced demand from energy markets, trading conditions stabilised and the Company's overall order book, bolstered by consistent sales of its base mining consumable products, ended the period at A$390 million.

Over the last 12 months the Company has held firm on its cost reduction and restructuring strategies with several initiatives having been completed and others commenced during the period. Consolidation of Bradken's manufacturing footprint continued with confirmation provided to the market in March 2016 of the completion of its acquisition of a 17,000m^2 foundry facility located in Coimbatore, India. This facility will provide the Company with long-term value as a low-cost manufacturing facility with capacity for the manufacture of a range of existing key products in addition to the existing volume of energy products made in the facility, which accounted for a A$5 million boost to overall FY16 sales for the Mineral Processing Division.

This consolidation continued with the announced closure of the Acacia Ridge manufacturing facility and ramping down of production at the Launceston foundry on the back of continued subdued sales of mining and general industrial products particularly in the Australian and New Zealand markets, while current plans see the Company's foundry in Adelaide, South Australia continuing to operate well into FY18. The divestment of the Company's European business, including the Darlaston and Scunthorpe manufacturing facilities remains on track.

The operational restructuring program implemented in FY15 which saw the formation of the Mining & Transport Division, brought a focus on customer satisfaction targeted at implementing the Company's successful strategy of selling and supporting products regionally in key overseas markets.

Further restructuring measures were announced in July 2016 which are delivering a reorganisation of Bradken's business model and Executive Management team designed to better deliver the Company's capabilities to customers and set the Group up for future growth.

Operational Restructure

Throughout the 2016 fiscal year, Bradken continued its program of restructuring the business to better align its operations to reflect the changing demand of its customers and markets. The Company undertook a review of its current manufacturing operations and identified opportunities to further refine its manufacturing operations and dispose of surplus properties. This resulted in the closure and disposal of a number of small and mid-sized manufacturing facilities and sales offices. In June 2016, the Company commenced the process of integrating the existing Cast Metal Services business into a cross-functional global sourcing group enabling the Company to use the benefits of scale and internal expertise across the organisation to manage and administer its purchasing functions. At the same time, a Bradken Technical Leadership Function was established to allow the Company to leverage best practice and pursue continuous improvement opportunities across its manufacturing and product development groups.

Mineral Processing Division

The Mineral Processing Division is a global manufacturer of custom designed products for grinding mills, crushing and conveying equipment predominantly for the hard rock mining industry. The Division's customers include some of the world's largest mining companies, as well as the range of industry OEMs. The business serves customers through the provision of design, manufacture and aftermarket support and optimisation in their mining operations across five continents and more than 30 countries.

B. Review of operations (continued)

Operating and Financial Review (continued)

Mineral Processing Division (continued)

Against the backdrop of a subdued market, FY16 sales of A$240 million represented a A$22 million or 10% increase on the previous year. The market was characterised by limited greenfield project development along with a commensurate wind-back in OEM demand for first fitment products. A continuation of customer austerity initiatives and constrained production also reflected in a sluggish after-market. Notwithstanding, the Division's push into CIS, Africa and the Americas has delivered material new business, which will repeat in years to come. Execution of a strategy to re-base cost structures continued throughout the year, with completion of the India foundry acquisition occurring in March 2016. Capability to manufacture mill liner products will be developed during the coming year to augment the already substantial volume of energy products made in this facility.

Mining & Transport Division

The Mining & Transport Division designs, manufactures and supplies consumable wear products for all types of earthmoving equipment to the global mining industry. The Division's products include Ground Engaging Tools (GET) and associated wear parts, dragline rigging packages and a range of buckets for dragline, front-end loader, face shovel and hydraulic excavator equipment as well as crawler system products for hydraulic mining excavators and electric rope shovels. The Division also provides industrial cast products for general industry and mining OEMs. It designs, manufactures and sells freight rollingstock products and services including freight wagons, bogies and associated spare and renewed parts and provides maintenance services.

With the continued subdued demand for new mining class excavators, OEM Crawler System sales decreased by 78%, a drop of A$4.8 million on FY15. The business strategy to focus on direct aftermarket sales for certain product platforms continues to yield strong results with those sales reducing only slightly (5%) despite the continued tough market conditions. The Division is further narrowing its focus to aftermarket consumable products which are differentiated and valuable to its customers. Sales growth is expected as new products become available, increasing the number of machine platforms Bradken is able to compete on. The Division also continues to benefit from increased utilisation of the high-quality, low-cost manufacturing capacity at Bradken's Xuzhou, China foundry.

Fixed Plant Division

The Fixed Plant Division creates customised wear solutions through the design and manufacture of a wide range of wear resistant products to protect fixed plant equipment in both mining and port operations. The Division's customers include some of the world's largest mining and oil companies with products supplied from manufacturing facilities in Australia, China and Canada.

The Fixed Plant Division experienced lower sales figures in 2016, reducing from A$135 million to A$110 million. This represented a decrease of 19%, reflective of the loss of capital project sales, with the base sales increasing by 20% from A$79 million to A$95 million). The Division continued to focus on reducing manufacturing costs and lead-times by introducing capital expenditure initiatives that reduced both internal labour and our reliance on sub-contractors. Small but important sales were made into the North and South American markets, which is a further progression to becoming a valued supplier into these regions.

Engineered Products Division

The Engineered Products Division is a North American based manufacturer of large, highly-engineered steel castings and differentiated consumable products to the mining, resource, transportation, structural, energy, and military industries. The Division is a leader in the North American market for large, complex steel castings (over 10,000 lbs.) supplying a broad range of key industry segments including mining and heavy construction, locomotive rail, transit rail, power generation, nuclear, oil & gas and military. The Division's revenue is primarily based on the sale of products to large, international OEMs including well-known, blue-chip customers such as General Electric, Caterpillar, Sulzer, Northrop Grumman, General Dynamics, EMD, Bombardier and Solar Turbines.

Overall sales for the Division were down 26% in FY16 on the previous year. This net change reflects further softening in mining markets through the year and reduced demand from energy markets following the significant decline in oil and natural gas prices. Partially offsetting these declines was increases to the sea-based military market. The Division responded to the reduction in demand in FY16 by matching the workforce size to order levels, controlling overheads, managing working capital and rationalizing capacity. Total Division employment declined 312 employees, or 28%, while total cash overheads decreased A$9.9 million, or 23%. With the decline in the mining market likely to continue to be soft in the coming financial year the Division remains well-positioned to service the future needs of its customers when a rebound occurs.

B. Review of operations (continued)

Operating and Financial Review (continued)

Cast Metal Services Business

The Cast Metal Services Business is a manufacturer and supplier of consumable products to the global cast metals industry operating in regions where Bradken has an established manufacturing footprint. The Business also incorporates a metal recycling operation which sources mild steel, stainless steel and alloy scrap steel largely from mine sites and industrial operations to supply Bradken's foundry operations.

Overall sales for FY16 were up slightly on the previous year. Sales in North America and China were up on the back of new business and increased volumes. In Australia, further contraction in the resources sector has resulted in a significant decrease in foundry activity. A subsequent decrease in the consumption of manufacturing consumables during this period saw the Business' sales into this region fall 6.5% from the FY15 figure. In response to the tough market conditions and with limited opportunities for future growth in the region due to the already high level of market penetration, Cast Metal Services Australian operations were restructured.

Business Risks

The Company maintains an Enterprise Risk Management System, which identifies potential risks by site, business, region and function and actively pursues the minimisation of identified business interruption risks. While each of the Company's Divisions has its own discrete business risks, as a group the Company's Executive Management Team identify high-level business risks which have the potential of a material impact on the financial prospects of the Company. The most significant business risks for FY17 will be the continued pricing pressures exerted by major mining customers, particularly in the iron ore and coal sectors, the significant fall in oil and gas prices and pressure on the Australian dollar.

Business Strategies and Outlook

The Company's Vision and Values for sustainability are core to its strategy of integrating health, safety, environmental, social and economic factors into our decision-making processes. Maintaining our licences to operate as a global company is dependent upon gaining access to raw materials and ensuring Bradken maintains the trust of its shareholders, employees, contractors, communities, customers and suppliers.

The restructure of manufacturing to materially lower costs is close to completion, positioning the Company well to gain volume when the market improves. The new foundry in India, which was acquired in May 2016 will contribute to further cost reductions in F17 and will recover any lost capacity as a result of the prior plant closures.

The Company's short-term strategy is to focus on maintaining sales revenue through market share for consumable products and new product development in preparation for an eventual uplift in global mining demand.

The Company's business strategy for the mining industry remains focused on growing the mining consumables business by designing, manufacturing and selling differentiated consumable wear products throughout the major global mining regions. A number of discrete strategies are being implemented to aid this focus including:

- expanding Bradken's sales presence direct to regional mining customers;
- new product design and innovation;
- further reducing manufacturing costs by transferring product manufacture to targeted low-cost facilities; and
- developing a global sourcing and distribution network to include stock holdings in key mining regions to support direct sales.

C. Remuneration report

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

(a) Introduction
(b) Principles used to determine the nature and amount of remuneration
(c) Key management personnel remuneration disclosure
(d) Service agreements
(e) Share-based compensation
(f) Additional information

(a) *Introduction*

The information provided under headings (b) to (e) 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. Information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

This report details the Bradken Group's remuneration objectives, practices and outcomes for Non-Executive Directors, the Chairman, Chief Executive Officer and other key management personnel of the Group for the year to 30 June 2016.

In the 2016 financial year there was no external benchmarking conducted to provide remuneration recommendations as defined in section 9B of the *Corporations Act 2001*. No external benchmarking took place during the period as the Company did not plan to provide salary increases due to the prevailing economic conditions in which it operated.

There were no changes to the remuneration framework in the current period compared to the previous period. The framework is currently being reviewed by the new CEO and Human Resources Committee.

In response to the lower financial performance of the Company the Directors have taken steps to restructure and reduce remuneration costs and salary increases granted during the year have been negligible. In some cases reductions have taken place. No short term incentives (STI) have been paid out. No long term incentives (LTI) have become payable in the period. In addition director's fees have been reduced by 15.4%, the Chairman's fee reduced by 28.6% and the salary package for the new CEO is considerably less than the previous incumbent.

Role of the Human Resources Committee

The Human Resources Committee is a Committee of the Board. It assists the Board to exercise sound governance in Human Resources matters. In the remuneration area it is primarily responsible for making recommendations to the Board on:

- Non-Executive Director fees
- remuneration levels of the Chairman, executive directors, CEO and other key management personnel; and
- the over-arching executive remuneration framework and incentive plans.

Its objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. In doing this, the Human Resources Committee seeks advice from independent remuneration consultants. Independent remuneration consultants were not used in the current period.

The Corporate Governance Statement provides further information on the role of this Committee.

Voting and comments made at the company's 2015 Annual General Meeting

Bradken Limited received 41% of "no" votes on its remuneration report for the 2015 financial year.

In addition the Company did not receive any specific feedback at the AGM or any other correspondence throughout the year pertaining to the remuneration report. However in response to the market the Company has made significant reductions to the remuneration of the Board Chairman, Non-executive Directors, and CEO. In addition the Governance section of our website has been strengthened to provide more information.

(b) *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 whilst maintaining competitiveness with the market and appropriateness 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.

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.

C. Remuneration report (continued)

Alignment to 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.

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

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 cash or share rights over ordinary shares of Bradken Limited under the rules of the Performance Rights Plan (PRP).

No key management personnel 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 January 2016. Total aggregate remuneration for all Non-Executive Directors, last voted upon by shareholders in October 2011, is not to exceed $1,200,000 per annum.

In recognition of the prevailing external economic market conditions and associated company performance, the Chairman, and the Non-Executive Directors decided to accept a voluntary fee reduction effective from the 1st January 2016.

Directors' base fees are presently $110,000 (2015: $130,000) per annum. The Chairman's fee is currently $200,000 (2015: $280,000) per annum. Non-Executive Directors do not receive performance related remuneration. Directors' fees are inclusive of superannuation and cover all main Board activities and membership of any Board committee.

(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 NED plan is voluntary.

Executive pay

In addition to base pay, at risk short-term salary and benefits including superannuation, key management personnel are invited to participate in a long term (3 year) incentive scheme. The combination of these comprise 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 it 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 and reflects the individual's performance. An executive's pay is also reviewed on promotion. No significant changes were made to Executive salaries during the current period.

Each year the Board sets the job goals for the CEO. The senior executives' job goals are set and managed by the CEO. 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.

C. Remuneration report (continued)

(b) Principles used to determine the nature and amount of remuneration (continued)

(ii) At risk short-term salary

This scheme is designed to align the financial interests of personnel with shareholders. 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 the at risk short-term salary is awarded depending on performance. At risk short-term salary is not awarded where there is no year on year growth for the financial year. It is designed to provide differentiated levels of remuneration based on leadership potential and level of responsibility in the Company.

The at risk short-term salary is paid wholly on actual improvement in profitability. The value of the at risk short-term salary payable is set within a range of 30% to 60% of the executive's total cash base remuneration depending on the position held by the executive. In calculating the at risk short-term salary the growth in year on year NPAT is calculated and where applicable the EBITDA of the executive's business. To achieve the full at risk short-term salary value a growth of 15% on the previous year profitability must be achieved. There were no STI payouts during the year as targets were not achieved.

The Human Resources Committee recommends the at risk short-term salary to be paid to the CEO for approval by the Board. For other senior executives the CEO recommends the at risk short-term salary to be paid, and seeks approval from the Human Resources 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 14.

The long-term incentive (LTI) for executives is paid wholly on relative total shareholder return (TSR) performance over a 3 year period. The initial rights are provided based on a set range of 30% to 50% of the executive's total cash base remuneration depending on the position held by the executive. No rights vest to the executive if Bradken's TSR over a 3 year period is below the 50th percentile of the ASX Small Ordinaries Index and no re-testing occurs.

For all other key personnel the long-term incentive (LTI) is paid wholly on Earnings Per Share (EPS) performance over a 3 year period. The initial rights for these personnel are provided based on a range of 20% to 30% of the key personnel's total cash base remuneration depending on the position held. No rights vest to the key personnel if Bradken's EPS growth over a 3 year period is below 5% and no re-testing occurs.

(c) Key management personnel remuneration disclosure

Following the announcement of the retirement of the former Managing Director (Brian Hodges) in June 2015, a review of the roles and responsibilities of executives across the Group was undertaken by the Human Resources Committee. The review determined that the roles and responsibilities assigned to Enda Sheridan, Craig Lee and Andrew Allen no longer had authority and responsibility for planning, directing and controlling the principal activities of the Group. Accordingly, no remuneration disclosures for these individuals have been included in the 2016 Remuneration Report.

The key management personnel of Bradken Limited and the Group are the directors of Bradken Limited (see page 2), and the executives who have authority and responsibility for planning, directing and controlling the principal activities of the Group. These include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer of Engineered Products and the General Managers of the most significant operating units of the Group.

- Paul Zuckerman - *CEO*
- Steven Perry - *CFO and Company Secretary*
- Brad Ward - *Executive General Manager Mining & Transport*
- Stephen Cantwell - Executive *General Manager Mineral Processing*
- Kevin McDermed - *Chief Operating Officer Engineered Products*

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 Group are set out in the following tables.

The values in column (A) of each table below are remuneration as defined in Australian Accounting Standard AASB2 *Share-based payment*. This consists of share rights. These values are calculated based on a Monte Carlo Simulation Method valuation of the rights in the year in which they are granted and are amortised over the performance period to which they relate, which is typically a 3 year period. The degree to which performance conditions will be met is unclear until the end of the relevant performance periods. There is no certainty performance conditions will be met and there is therefore no direct correlation of these values to the remuneration received by the executive in any period.

The values in column (B) of each table shows the value of the rights that were granted to the executive for the performance periods 1 July 2013 to 30 June 2016 (2016) and 1 July 2012 to 30 June 2015 (2015).

For the performance period 1 July 2013 to 30 June 2016 the performance conditions were not met and no rights are eligible to vest for that period.

C. Remuneration report (continued)

2016

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payment allocation (A)		Share-based payment (B)
	Cash salary and fees $	At risk short term salary $	Termination Payments $	Super-annuation $	Long service leave accrued $	Share Rights accrued in period $	Total $	Share Rights to vest for period $
Non-executive directors								
Nick Greiner - *Chairman*	100,800	-	-	-	-	-	100,800	-
Phil Arnall*	182,500	-	-	-	-	-	182,500	-
Eileen Doyle	59,361	-	-	5,639	-	-	65,000	-
Greg Laurie	109,589	-	-	10,411	-	-	120,000	-
Rupert Harrington	58,600	-	-	5,567	-	-	64,167	-
Peter Richards	59,361	-	-	5,639	-	-	65,000	-
David Smith	109,589	-	-	10,411	-	-	120,000	-
Total non-executive directors	679,800	-	-	37,667	-	-	717,467	-
Executive directors								
Brian Hodges **	691,987	-	1,000,000	24,342	12,129	440,778	2,169,236	-
Other key management								
Paul Zuckerman **	376,064	-	-	6,759	866	-	383,689	-
Stephen Cantwell	441,434	-	-	31,200	6,816	118,241	597,691	-
Kevin McDermed	438,003	-	-	23,113	-	78,737	539,853	-
Steven Perry	422,280	-	-	29,235	7,683	110,689	569,887	-
Brad Ward	385,627	-	-	30,053	7,003	128,921	551,604	-
*** Total key management compensation (group)**	2,755,395	-	1,000,000	144,702	34,497	877,366	4,811,960	-

* On 1 January 2016, Mr Phil Arnall assumed the position of the Acting Chief Executive Officer and Managing Director until 1 March 2016. During this period, Mr Arnall did not receive any additional financial benefit, nor was there a change of his contractual arrangements with Bradken.
** Brian Hodges ceased employment on the 31st December 2015. Paul Zuckerman became a Key Management Person on 1st March 2016 when he was appointed CEO.
*** No share rights vested for the period. This is reflective of the quantum of year on year growth achieved and the current share price performance of Resource related stocks.
Changes to business structures from 1 July 2015 resulted in Enda Sheridan, Craig Lee and Andrew Allen no longer being considered a key management person of the Group.

2015

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits	Share-based payment allocation (A)		Share-based payment (B)
	Cash salary and fees $	At risk short term salary $	Termination Payments $	Super-annuation $	Long service leave accrued $	Share Rights accrued in period $	Total $	Share Rights to vest for period $
Non-executive directors								
Nick Greiner - Chairman	280,000	-	-	-	-	-	280,000	-
Phil Arnall	130,000	-	-	-	-	-	130,000	-
Eileen Doyle	118,721	-	-	11,279	-	-	130,000	-
Greg Laurie	118,721	-	-	11,279	-	-	130,000	-
Peter Richards	118,721	-	-	11,279	-	-	130,000	-
David Smith	118,721	-	-	11,279	-	-	130,000	-
Total non-executive directors	884,884	-	-	45,116	-	-	930,000	-
Executive directors								
Brian Hodges	1,386,757	-	-	45,358	24,072	484,698	1,940,885	-
Other key management								
Andrew Allen	396,689	-	-	37,685	7,298	127,611	569,283	-
Stephen Cantwell	434,509	-	-	37,537	3,727	173,217	648,990	-
Craig Lee **	297,957	-	-	27,850	5,647	83,134	414,588	-
Kevin McDermed	387,461	-	-	20,430	-	86,377	494,268	-
Steven Perry	420,114	-	-	29,187	8,694	128,359	586,354	-
Enda Sheridan	600,928	-	-	39,631	10,216	235,231	886,006	-
Brad Ward	385,155	-	-	30,008	6,548	149,918	571,629	-
*** Total key management compensation (group)**	4,309,570	-	-	267,686	66,202	1,468,545	6,112,003	-

** Craig Lee became a Key Management Person in May 2015 when his position of managing the Fixed Plant business became directly reportable to the CEO. There was no change to his base salary at the time of this change and the values reported above are for the period 1 July 2014 to 30 June 2015.

C. Remuneration report (continued)

Relationship between remuneration and Bradken Limited's performance

The following table shows key performance indicators for the group over the last five years:

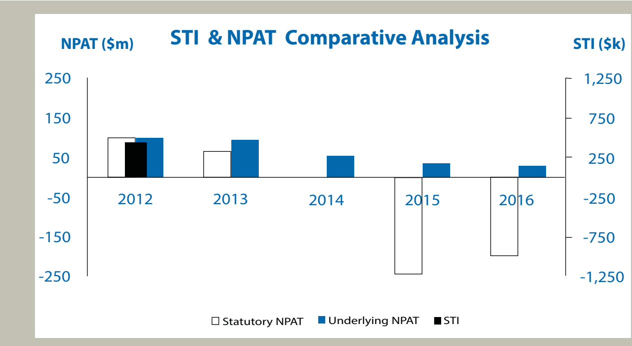
	2012	2013	2014	2015	2016
Unadjusted EBITDA ($'000)	220,402	183,604	143,004	109,700	49,200
Underlying EBITDA ($'000)	220,402	214,016	173,289	136,119	108,414
Profit / (Loss) for the year attributable to owners of Bradken Limited ($'000)	100,533	66,937	21,480	(241,295)	(195,941)
Underlying profit / (loss) for the year attributable to owners of Bradken Limited ($'000)	100,533	96,054	55,079	33,900	29,468
Basic earnings / (loss) per share (cents)	60.5	39.6	12.7	(141.1)	(114.6)
Dividends ($'000)	68,747	64,311	44,199	-	-
Dividend payout ratio (%)	68.4%	96.1%	205.8%	0.0%	0.0%
BKN Y/E Share Price ($'s)	5.19	4.31	3.80	1.435	1.00
Increase/(decrease) in share price (%)	-35%	-17%	-12%	-62%	-30%
Total KMP incentives as percentage of underlying profit/ (loss) for the year (%)	1.7%	1.2%	2.5%	4.3%	3.0%

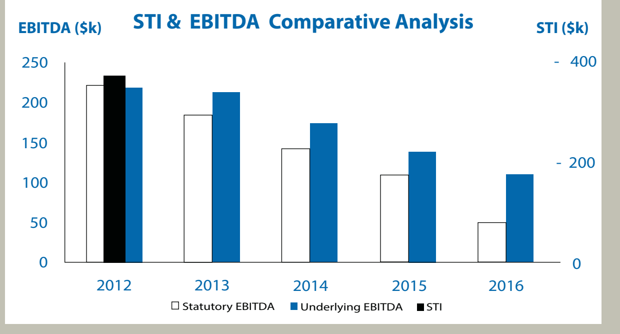
"Underlying EBITDA is a non-IFRS measure and represents Statutory Profit Before Tax adjusted for Amortisation, Depreciation and Interest (refer to Note 6) and significant items (refer to Note 7), $4.9m unrealised foreign exchange losses (June 2015 $0.6m loss) and the $2.2m loss incurred by the Group's UK Operations which are currently being divested."

Dividends shown above and the payout ratio calculated is in respect to profit earned for the year.

The graphs below illustrate two of the key links between key management personnel remuneration and Bradken Limited's performance.

The first two graphs illustrate the link between Bradken Limited's net profit before tax and EBITDA, both unadjusted and underlying, compared to payments made under the STI plan. No LTI or STI payments have been made since 2012.

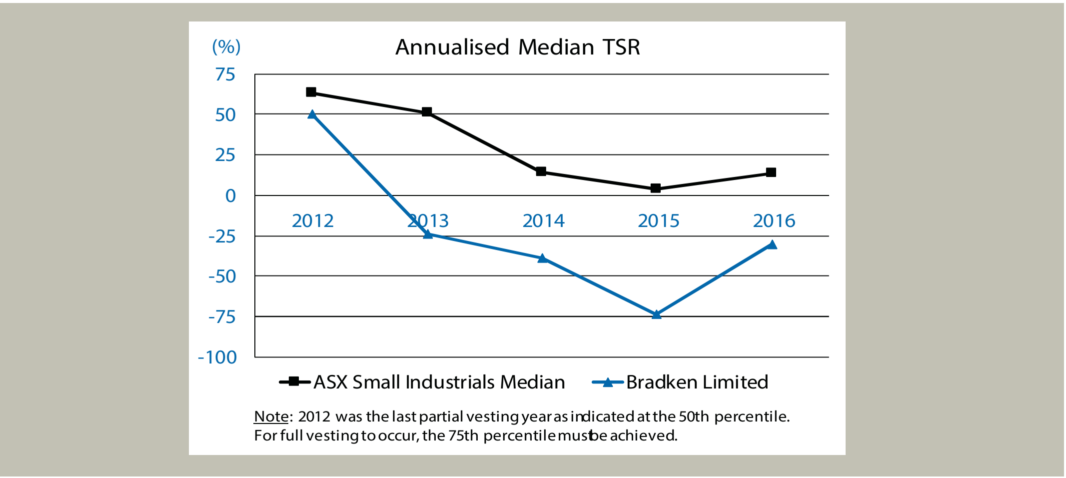




* Profit before tax is profit from continuing operations before income tax expense.

** STI % of target reflects the percentage of the target STI pool that was paid out to executives.

The graph below illustrates the operation of the long-term incentive plan by comparing Bradken Limited's TSR performance to the median TSR of the ASX Small Industrials Index over the last five years."



C. Remuneration report (continued)

(d) *Service agreements*

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

Name	Term of Agreement	* Base salary including superannuation	** Termination Benefit
Paul Zuckerman, *Chief Executive Officer*	Ongoing commencing 1 March 2016	$935,000	Between 6 and 12 months base salary dependent on years of service
Steven Perry, *Chief Financial Officer and Company Secretary*	Ongoing commencing 1 December 2011	$451,515	3 months base salary
Brad Ward, *Executive General Manager Mining & Transport*	Ongoing commencing 26 May 2015	$415,680	3 months base salary
Stephen Cantwell, *Executive General Manager Mineral Processing*	Ongoing commencing 26 May 2015	$472,634	6 months base salary
Kevin McDermed, *Chief Operating Officer Engineered Products*	Ongoing commencing 15 October 2013	$438,003	12 weeks base salary

* Base salaries quoted are as at 30 June 2016; they are reviewed annually by the Human Resources Committee.

** Termination benefits are payable on early termination by the Company, other than for gross misconduct; unless otherwise indicated, they are equal to the base salary for the remaining term of the agreement. There have been no changes to termination benefits during the year.

(e) *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 NED plan in the financial period.

Rights

The Performance Rights Plan (PRP) is the Company's long-term incentive (LTI) scheme for selected key executives and is aligned with shareholder value. The CEO 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 or key personnel according to scheme rules. 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.

There are 2 schemes in operation which are based on different performance conditions.

1. For the executive scheme 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 shareholder return value of the investment taking into account capital appreciation, capital return and dividend income.

DIRECTORS' REPORT

C. Remuneration report (continued)

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

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

2. For all other personnel the long term incentive (LTI) is paid wholly on Earnings Per Share (EPS) performance over a 3 year period. The initial rights for these personnel are provided based on a range of 20% to 30% of the key personnel's total cash base remuneration depending on the position held. No rights vest to the key personnel if Bradken's average EPS growth over a 3 year period is below 5% and no re-testing occurs. The Average EPS Growth for the Company for the Performance Period is determined by:
   (a) adding the EPS Growth for each of the 3 financial years comprising the Performance Period; and
   (b) dividing that figure by three, being the number of financial years comprising the Performance Period.

   The EPS performance conditions in relation to the grants issued are:

Result for performance period	Percentage of Rights available in given year to vest
The Company's average EPS growth is below 5%	0
The Company's average EPS growth equals 5%	50
The Company's average EPS growth is between 5% and 15%	Pro rata between 50 and 100
The Company's average EPS growth equals or exceeds 15%	100

In assessing whether the performance hurdles have been met, the Human Resources Committee receives independent data from an investment bank which provides the Company's TSR from previous financial years and that of the performance of the ASX Small Cap Industrial Index. In the case of the TSR hurdle the Company's performance is then compared with each company in the ASX Small Cap Industrial Index and Bradken is ranked in order of TSR in results from previous financial years. The Company's TSR percentile ranking is determined by aggregating the weighting within the ASX Small Cap Industrial Index (based on market capitalisation) of each company ranked below Bradken. The method of assessment was chosen for executives 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. With respect to the EPS measure, the EPS of the Company for a financial year is the amount determined by the Board to be the NPAT of the Company for the financial year divided by the weighted average number of Shares in the Company over the financial year. This measure ensures alignment of key personnel with shareholder returns.

Once vested the Performance Rights are exercised on the final test date depending on the conditions of the grant.

New entrants to the schemes are provided with a transition to the 3 year plan. Rights granted under the PRP carry no dividend or voting rights. The terms and conditions of each grant of Rights affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Exercise price	Fair value per Right	Performance Period	Test Date (date vested and exercisable)	Expiry Date
23 October 2012	$0.00	$3.39	1 Jul 12 to 30 Jun 15	Result announcement y/e 15	1/07/2015
19 September 2013	$0.00	$4.53	1 Jul 13 to 30 Jun 15	Result announcement y/e 15	1/07/2016
19 September 2013	$0.00	$3.96	1 Jul 13 to 30 Jun 16	Result announcement y/e 16	1/07/2016
22 October 2013	$0.00	$4.43	1 Jul 13 to 30 Jun 16	Result announcement y/e 16	1/07/2016
21 August 2014	$0.00	$4.11	1 Jul 14 to 30 Jun 15	Result announcement y/e 15	1/07/2017
21 August 2014	$0.00	$4.11	1 Jul 14 to 30 Jun 16	Result announcement y/e 16	1/07/2017
21 August 2014	$0.00	$4.11	1 Jul 14 to 30 Jun 17	Result announcement y/e 17	1/07/2017
21 August 2014	$0.00	$3.05	1 Jul 14 to 30 Jun 17	Result announcement y/e 17	1/07/2017
21 October 2014	$0.00	$1.98	1 Jul 14 to 30 Jun 17	Result announcement y/e 17	1/07/2017
10 August 2015	$0.00	$0.93	1 Jul 15 to 30 Jun 18	Result announcement y/e 18	1/07/2018
10 August 2015	$0.00	$0.53	1 Jul 15 to 30 Jun 18	Result announcement y/e 18	1/07/2018

Details of Rights over ordinary shares in the Company provided as remuneration to each director of Bradken Limited and each of the key management personnel are set out below. When exercisable, each Right is convertible into one ordinary share of Bradken Limited. Further information on the Rights is set out in note 34 to the financial statements.

C. Remuneration report (continued)

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

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 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. Former Managing Director Brian Hodges did not have any rights granted, vested or exercised during the period.

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	Value at exercise date *
Key management personnel of the Group				
Stephen Cantwell	**124,119**	**0**	**0**	**$ -**
Kevin McDermed	**84,139**	**0**	**0**	**$ -**
Steven Perry	**118,573**	**0**	**0**	**$ -**
Brad Ward	**136,453**	**0**	**0**	**$ -**

* The value at exercise date is deemed to be the closing price of the security on date exercised.

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 Monte Carlo Simulation Method 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.

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 share remuneration: Rights

For each grant of Rights included in the tables on pages 12 to 20, the percentage of the available 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 3 years, provided the vesting conditions are met (see page 14). Rights not vested when performance hurdles are not met do not carry forward to future periods.

DIRECTORS' REPORT

C. Remuneration report (continued)

(f) *Additional information*

Name	Rights						
	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) $
Brian Hodges*	2015	-	-	-	30/06/2018	-	174,900
	2014	-	-	-	30/06/2017	-	142,151
	2013	-	-	100	30/06/2016	-	-
Stephen Cantwell	2016	-	-	-	30/06/2019	-	124,119
	2015	-	-	-	30/06/2018	-	45,930
	2014	-	-	-	30/06/2017	-	37,589
	2013	-	-	100	30/06/2016	-	-
Kevin McDermed	2016	-	-	-	30/06/2019	-	84,139
	2015	-	-	-	30/06/2018	-	32,991
	2014	-	-	-	30/06/2017	-	22,978
	2013	-	-	100	30/06/2016	-	-
Steven Perry	2016	-	-	-	30/06/2019	-	118,573
	2015	-	-	-	30/06/2018	-	43,232
	2014	-	-	-	30/06/2017	-	34,688
	2013	-	-	100	30/06/2016	-	-
Brad Ward	2016	-	-	-	30/06/2019	-	136,453
	2015	-	-	-	30/06/2018	-	50,494
	2014	-	-	-	30/06/2017	-	40,514
	2013	-	-	100	30/06/2016	-	-

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 2016 of $1.00.

* Former Managing Director Brian Hodges did not receive a grant of rights in the 2016 period. Rights granted to him in prior periods are shown in the table above.

C. Remuneration report (continued)

(f) *Additional information (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 $
Stephen Cantwell	19.8%	65,783	-	125,542
Brian Hodges	20.3%	-	-	478,061
Kevin McDermed	14.6%	44,594	-	67,515
Steven Perry	19.4%	62,844	-	115,853
Brad Ward	23.4%	72,320	-	135,312

A The percentage of the value of remuneration consisting of Rights, based on the value at grant date set out in column B. Remuneration percentage refers to the AASB 2 Share-based payment values reported in the table in section (b) above and does not correlate to the remuneration received by the executive in the period.

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
19 September 2013	1/07/2016	Nil	29,936
19 September 2013	1/07/2016	Nil	819,662
22 October 2013	1/07/2016	Nil	142,151
21 August 2014	1/07/2017	Nil	451,335
21 August 2014	1/07/2017	Nil	354,538
21 October 2014	1/07/2017	Nil	174,900
10 August 2015	1/07/2018	Nil	958,449
10 August 2015	1/07/2018	Nil	1,034,270

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 unless otherwise agreed by the board. 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.

(f) ***Additional information (continued)***

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.

2016 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Lapse of rights due to not meeting vesting criteria	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Bradken Limited						
Brian Hodges	458,072	-	-	(141,021)	317,051	-
Other key management personnel of the Group						
Stephen Cantwell	120,552	124,119	-	(37,033)	207,638	-
Kevin McDermed	75,885	84,139	-	(19,916)	140,108	-
Steven Perry	112,095	118,573	-	(34,175)	196,493	-
Brad Ward	130,923	136,453	-	(39,915)	227,461	-

2015 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Lapse of rights due to not meeting vesting criteria	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Bradken Limited						
Brian Hodges	368,035	174,900	-	(84,863)	458,072	-
Other key management personnel of the Group						
Andrew Allen	89,666	42,423	-	(20,742)	111,347	-
Stephen Cantwell	115,310	45,930	-	(40,688)	120,552	-
Craig Lee	53,608	30,859	-	(8,864)	75,603	3,185
Kevin McDermed*	10,619	32,991	-	32,275	75,885	-
Steven Perry	75,625	43,232	-	(6,762)	112,095	-
Brad Ward	97,493	50,494	-	(17,064)	130,923	-

* Kevin McDermed 32,275 lapse of rights include adjustment to opening balance of rights recorded

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.

2016 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	371,272	-	-	(371,272)	-
*Brian Hodges	2,316,630	-	-	(2,316,630)	-
Phil Arnall	387,040	-	-	137,000	524,040
*Eileen Doyle	17,650	-	-	(17,650)	-
Rupert Harrington	-	-	-	400,000	400,000
Greg Laurie	44,667	-	-	30,000	74,667
*Peter Richards	42,099	-	-	(42,099)	-
David Smith	-	-	-	-	-
Other key management personnel of the Group					
Paul Zuckerman	-	-	-	100,000	100,000
Stephen Cantwell	-	-	-	-	-
Kevin McDermed	23,581	-	-	-	23,581
Steven Perry	57,461	-	-	50,265	107,726
Brad Ward	81,942	-	-	-	81,942

* These directors left the company during the year

(f) ***Additional information (continued)***

Share holdings (continued)

2015 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	371,272	-	-	-	371,272
Brian Hodges	2,316,630	-	-	-	2,316,630
Phil Arnall	387,040	-	-	-	387,040
Eileen Doyle	17,650	-	-	-	17,650
Greg Laurie	44,667	-	-	-	44,667
Peter Richards	42,099	-	-	-	42,099
David Smith	-	-	-	-	-
Other key management personnel of the Group					
Andrew Allen	339,743	-	-	44	339,787
Stephen Cantwell	-	-	-	-	-
Craig Lee	-	-	-	3,955	3,955
Kevin McDermed	23,581	-	-	-	23,581
Steven Perry	57,461	-	-	-	57,461
Enda Sheridan	482,781	-	-	323	483,104
Brad Ward	81,920	-	-	22	81,942

D. Other information

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.

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.

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia and related practices of Ernst & Young Australia received or are due to receive the following amounts for the provision of non-audit services:

	$
Indirect tax compliance services	61,604
	61,604

D. Other information (continued)

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, 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.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount) – except for any loss in respect of any matters which are finally determined to have resulted from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the financial year.

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.*

Auditors' independence declaration

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

Rounding of amounts

The Company is of a kind referred to in Class Order 2016/191, 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

Ernst & Young 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:

Phil Arnall
Non-Executive Chairman

Sydney
22 August 2016

200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Bradken Limited

As lead auditor for the audit of Bradken Limited for the financial year ended 30 June 2016, I declare 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 financial year.

Ernst & Young

Trent van Veen
Partner
22 August 2016

FINANCIAL REPORT CONTENTS

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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:

20 McIntosh Drive

Mayfield West NSW 2304

A description of the nature of the consolidated entity's principal activities and an operating and financial review is included on page 2 and pages 6 to 8 respectively of the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 22 August 2016. 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

	Notes	2016 $'000	2015 $'000
Revenue from continuing operations	6	**820,619**	968,358
Cost of sales		**(689,807)**	(783,988)
Gross profit		**130,812**	184,370
Other income	6	**15,618**	29,750
Selling and technical expenses		**(48,082)**	(55,982)
Administration expenses		**(55,283)**	(60,236)
Finance costs	6	**(41,323)**	(34,096)
Restructuring and fixed asset impairment costs	7	**(194,415)**	(106,354)
Goodwill and intangible asset impairment	7	**(64,103)**	(167,182)
Impairment of available for sale financial assets	38	**(7,151)**	-
Share of net profit / (loss) of associates accounted for using the equity method and impairment expense		**-**	(45,110)
Net profit / (loss) before income tax		**(263,927)**	(254,840)
Income tax (expense) / benefit	8	**67,986**	13,545
Net profit / (loss) for the year		**(195,941)**	(241,295)
Net profit / (loss) attributable to:			
Owners of Bradken Limited		**(195,941)**	(241,295)
		(195,941)	(241,295)
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings / (loss) per ordinary share: (cents per share)	33	**(114.6)**	(141.1)
Diluted earnings / (loss) per ordinary share: (cents per share)	33	**(114.6)**	(141.1)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2016** **$'000**	2015 $'000
Net profit / loss for the year		**(195,941)**	(241,295)
Other comprehensive income / loss			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	23(a)	**2,033**	1,946
Exchange differences on translation of foreign operations	23(a)	**(3,243)**	65,961
Changes in fair value of available for sale financial assets	38	**6,583**	-
Impairment of available for sale financial assets	38	**(6,583)**	-
Income tax expense / (benefit) relating to these items	8(d)	**651**	(584)
Items that will not be reclassified to profit or loss			
Actuarial gains / (losses) on retirement benefit obligations	23(b)	**(12,016)**	(3,902)
Income tax expense / (benefit) relating to these items		**3,359**	1,983
Other comprehensive income / (loss) for the year net of tax		**(9,216)**	65,404
Total comprehensive income / (loss) income for the year		**(205,157)**	(175,891)
Total comprehensive income / loss for the year is attributable to:			
Owners of Bradken Limited		**(205,157)**	(175,891)
		(205,157)	(175,891)

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

CONSOLIDATED BALANCE SHEET

	Notes	**2016 $'000**	2015 $'000
Current assets			
Cash and cash equivalents	9	**65,536**	278,408
Trade and other receivables	10	**136,052**	166,647
Finance lease assets	11	**645**	573
Inventories	12	**176,836**	211,035
Current tax assets		**12,379**	9,857
Derivative financial instruments	13	**4,482**	1,332
Assets held for sale	37	**14,858**	13,581
Total current assets		**410,788**	681,433
Non-current assets			
Trade and other receivables	10	**2,587**	2,843
Finance lease assets	11	**4,146**	4,493
Property, plant and equipment	14	**387,017**	566,622
Deferred tax assets	15	**79,505**	25,880
Intangible assets	16	**167,836**	233,859
Investments accounted for using the equity method	38	**-**	8,683
Available for sale financial assets	38	**1,532**	-
Total non-current assets		**642,623**	842,380
Total assets		**1,053,411**	1,523,813
Current liabilities			
Payables	17	**144,997**	153,844
Borrowings	20	**7,547**	54,042
Redeemable convertible preference shares	20	**-**	63,700
Current tax liabilities		**805**	6,176
Provisions	18	**59,377**	62,712
Derivative financial instruments	13	**2,697**	5,556
Total current liabilities		**215,423**	346,030
Non-current liabilities			
Payables	17	**8,724**	9,371
Borrowings	20	**359,306**	571,514
Redeemable convertible preference shares	20	**64,750**	-
Deferred tax liabilities	21	**17,154**	36,977
Provisions	18	**51,992**	21,416
Total non-current liabilities		**501,926**	639,278
Total liabilities		**717,349**	985,308
Net assets		**336,062**	538,505
Equity			
Contributed equity	22	**549,671**	549,671
Reserves	23(a)	**92,600**	90,445
Retained earnings / (accumulated deficit)	23(b)	**(306,209)**	(101,611)
Capital and reserves attributable to owners of Bradken Limited		**336,062**	538,505
Total equity		**336,062**	538,505

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Attributable to owners of Bradken Limited			
		Contributed Equity	Reserves	(Accumulated deficit) / Retained earnings	Total
		$'000	$'000	$'000	$'000
Total equity at the beginning of the financial year 1 July 2014		**549,671**	**19,730**	**160,416**	**729,817**
Net profit / (loss) for the year		**-**	**-**	**(241,295)**	**(241,295)**
Other comprehensive income / (loss)		**-**	**67,323**	**(1,919)**	**65,404**
Total comprehensive income / (loss) for the year as reported in the 2015 financial statements		**-**	**67,323**	**(243,214)**	**(175,891)**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	24	-	-	(18,813)	**(18,813)**
Employee share rights - value of employee services	23	-	3,392	-	**3,392**
		-	3,392	(18,813)	(15,421)
Balance at 30 June 2015		**549,671**	**90,445**	**(101,611)**	**538,505**
Net profit / (loss) for the year		**-**	**-**	**(195,941)**	**(195,941)**
Other comprehensive income / (loss)		**-**	**(559)**	**(8,657)**	**(9,216)**
Total comprehensive income / (loss) income for the year		**-**	**(559)**	**(204,598)**	**(205,157)**
Transactions with owners in their capacity as owners:					
Employee share rights - value of employee services	23	-	2,714	-	**2,714**
		-	2,714	-	2,714
Balance at 30 June 2016		**549,671**	**92,600**	**(306,209)**	**336,062**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**2016** **$'000**	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**937,561**	1,070,305
Payments to suppliers and employees (inclusive of goods and services tax)		**(816,826)**	(976,492)
Transaction costs relating to acquisition of subsidiary and acquisition of business		**(2,200)**	-
		118,535	93,813
Interest received		**7,388**	1,049
Interest paid		**(38,782)**	(28,891)
Income taxes paid		**(13,213)**	(11,688)
Net cash inflow / (outflow) from operating activities	31	**73,928**	54,283
Cash flows from investing activities			
Payment for property, plant and equipment		**(19,869)**	(48,876)
Payment for businesses		**(10,146)**	(491)
Increase in investments by way of share purchases		**-**	(622)
Proceeds from sale of assets held for sale		**16,906**	-
Proceeds from sale of property, plant and equipment		**526**	40,407
Payment for capitalised design costs		**(428)**	(6,731)
Net cash inflow / (outflow) from investing activities		**(13,011)**	(16,313)
Cash flows from financing activities			
Proceeds from issue of redeembale preference shares		**-**	70,000
Transaction costs from issue of redeemable preference shares		**-**	(2,100)
Payment of finance lease liabilities		**(11,619)**	(10,315)
Repayment of borrowings		**(349,171)**	(73,177)
Proceeds from borrowings		**86,391**	118,660
Dividends paid to Company's shareholders	24	**-**	(18,813)
Net cash inflow / (outflow) from financing activities		**(274,399)**	84,255
Net increase (decrease) in cash and cash equivalents		**(213,482)**	122,225
Cash and cash equivalents at the beginning of the year		**278,220**	144,479
Effects of exchange rate changes on cash and cash equivalents		**(1,655)**	11,516
Cash and cash equivalents at the end of the year	9	**63,083**	278,220
Financing arrangements	20		
Non-cash financing and investing activities	32		

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

The consolidated financial statements of Bradken Limited and its subsidiaries (collectively referred to as the Group) for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 22 August 2016.

Bradken Limited (the Company or the parent) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' report.

2 Summary of significant accounting policies

(a) Basis of preparation

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.

(i) Compliance with AASB

The consolidated financial statements of the Bradken Limited group also comply with International Financial Reporting Standards (AASB) as issued by the International Accounting Standards Board (IASB). These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

(ii) Changes in accounting policies, disclosures, new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

New and amended standards and interpretations

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

AASB 2014-1 Amendments to Australian Accounting Standards - Part A Annual Improvements to AASBs 2010 - 2012 Cycle and 2011 - 2013 Cycle

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 1031 Materiality

The adoption of these standards did not have a significant impact on the Group's financial results, balance sheet or disclosures. All other accounting policies are consistent with those adopted and disclosed in the annual financial report for the year ended 30 June 2016. Accounting policies are applied consistently by each entity in the Group.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value.

(iv) 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 4 and in the individual notes to the financial statements where such judgement is exercised.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

2 Summary of significant accounting policies (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 2(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.

(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 Chief Executive Officer.

(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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(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 investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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.

2 Summary of significant accounting policies (continued)

Any change in the Group companies functional currency is applied prospectively from the date of the change. All items are translated into the new functional currency using the exchange rate at the date of the change. The resultant translated amounts for non-monetary items are thereafter treated as their historical cost.

As a result of certain changes to the Canadian operations during the year, the primary economic environment in which the Company operates has changed. Management performed a functional currency review and concluded that the functional currency of the Canadian business should change prospectively to Canadian Dollars from 1 July 2015. Prior to this date the functional currency of the Canadian business was United States Dollars.

(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 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 components completed to date as a percentage of the total components for each contact, or measured by reference to an assessmetn of the percentage of costs incurred to date, as a percentage of the total contract costs.

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 2(m).

2 Summary of significant accounting policies (continued)

(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.

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 14). 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, if there is no reasonable certainty that the Group will obtain ownership at the end of 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 28). 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 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 receivable for each period (note 11). The respective lease receivable is included in the balance sheet.

2 Summary of significant accounting policies (continued)

Sale & Lease Back transactions

The Group accounts for sale and leaseback transactions depending upon the type of lease involved.
If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not be immediately recognised as income by a seller-lessee. Instead, it is deferred and amortised over the lease term.
If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.
For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

(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.

(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.

2 Summary of significant accounting policies (continued)

Collectability 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.

(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 10).

(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 (AFS) include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit and loss.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

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. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

(n) Derivatives and hedging activities

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 13. Movements in the hedging reserve in shareholders' equity are shown in note 23.

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.

2 Summary of significant accounting policies (continued)

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.

(o) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation where appropriate. 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	20 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 2(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 2(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. 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 5).

(ii) Patents, trademarks and brand names

Patents are carried at fair value 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. Brand names are not amortised if they continue to be used and add value. Discontinued brand names are amortised over a period of 10 years as they are phased out.

(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.

2 Summary of significant accounting policies (continued)

(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.

(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 profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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 reporting period.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(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.

2 Summary of significant accounting policies (continued)

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 Monte Carlo Simulation Model, taking into account the terms and conditions attached to the Rights. The amount recognised as an expense is adjusted to reflect the actual number of Rights that vest except where forfeiture is due to market related conditions.

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

(v) Retirement benefit obligations

All employees of the Group are entitled to benefit from various superannuation or pension plans on retirement, disability or death. The Group operates three defined benefit plans in its North American operations, two in the United States and the other in Canada. The United States plans are closed to new members and cover hourly employees hired before May 10, 1993 at one of the US subsidiaries. The Canadian plan is currently active at one of the Canadian subsidiaries for hourly employees but closed on March 1, 2010 to salaried employees.

The Group recognises a liability or asset in respect of defined benefit superannuation plans in the statement of financial position measured as the present value of the defined benefit obligation at the end of the reporting period less the fair value of the superannuation fund's assets at that date. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the end of the reporting period, calculated on a regular basis by independent actuaries using the projected unit credit method.

Expected future payments are discounted using market yields at the end of the reporting period using high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

(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.

2 Summary of significant accounting policies (continued)

(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 2016/191, 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.

(aa) Amended accounting standards

Certain amended accounting standards and interpretations have been published that are not mandatory for 30 June 2016 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 (effective for annual periods beginning on or after 1 January 2018)
In January 2015 the IASB issued the final version of AASB 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses.

A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The Group has not yet decided when to adopt AASB 9.

AASB 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)
AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The International Accounting Standards Board ("IASB") has agreed in principle to defer the application of this standard to annual periods beginning on or after 1 January 2018. The Australian Accounting Standards Board will amend the Australian standard accordingly when the IASB has finalised this change. The Group is currently assessing the impact of AASB 15 and has not yet decided when to adopt it.

AASB 16 Leases. In January 2016, the International Accounting Standards Board issued AASB 16 Leases which replaces IAS 17. The new standard requires lessees to have a single balance sheet accounting model to be adopted for all leases, except for leases of 'low value assets'. The lease accounting for lessor's is substantially unchanged. There will also be additional disclosure requirements for both lessors and lessees. The new standard is not effective until annual periods beginning on or after 1 January 2019. However, early adoption is permitted if an entity early adopts AASB 16. The corresponding Australian accounting standard has not yet been issued by the Australian and Accounting Standards Board.

There are no other standards that are not yet effective and that are expected to have a material impact on the group in the current or future reporting periods on foreseeable future transactions.

2 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) 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 entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Bradken Limited for any current tax payable assumed and are compensated by Bradken Limited for any current tax receivable and deferred tax assets relating to 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 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.

(ii) 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. The parent entity is also guarantor under the terms of the Redeemable Preference Shares Investment Agreement to unconditionally and irrevocably guarentee all payments due in respect of the redeemable preference shares.

3 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, not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which is it 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.

The maximum exposure to credit risk best represents the carrying value of the financial assets at balance date.

The standard terms and conditions on sale of goods includes a clause which allows Bradken to repossess goods which have not been consumed should Bradken require it necessary to recoup unpaid debts owed to them.

Bradken's global customer base is large and diverse and subject to strict credit application and assessment criteria to minimise impairment risk.

Details on the past due but not impaired trade receivables are disclosed at note 10(b).

(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 20(d) for details of available facilities.

3 Financial risk management (continued)

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 - 2016	Less than 1 year $'000	Between 1 and 3 years $'000	Between 3 and 5 years $'000	Between 5 and 8 years $'000	Over 8 years $'000
Non-derivatives					
Payables	144,997	-	-	-	-
Borrowings (excluding finance leases)	19,340	172,423	19,662	216,223	-
Redeemable convertible preference shares	-	64,750	-	-	-
Finance lease liabilities	3,471	5,770	3,734	719	-
Derivatives					
Net settled interest rate swaps and caps	284	-	-	-	-
Forward foreign exchange contracts	913	-	-	-	-
Redemable preference shares - option	1,500	-	-	-	-

Group - 2015	Less than 1 year $'000	Between 1 and 3 years $'000	Between 3 and 5 years $'000	Between 5 and 8 years $'000	Over 8 years $'000
Non-derivatives					
Payables	153,844	-	-	-	-
Borrowings (excluding finance leases)	52,488	189,057	237,889	147,984	66,226
Redeemable convertible preference shares	63,700	-	-	-	-
Finance lease liabilities	4,261	5,547	4,477	2,132	-
Derivatives					
Net settled interest rate swaps and caps	1,356	-	-	-	-
Redemable preference shares - option	4,200				

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

Refer to note 10(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 and 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.

Refer to note 20 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 3(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 10 and 17 for receivables and payables denominated in foreign currencies.

A sensitivity analysis of foreign exchange risk on the Group's financial assets and liabilities is provided in the table at note 3(c)(iv).

3 Financial risk management (continued)

(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 and foreign exchange risk. These sensitivities are prior to the offsetting impact of hedging instruments.

2016		Interest rate risk				Foreign exchange risk			
	Carrying	-100 bps		+100 bps		-10%		+10%	
	amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets									
Cash and cash equivalents	65,536	(655)	(655)	655	655	3,756	3,756	(3,756)	(3,756)
Accounts receivable	121,494	-	-	-	-	8,391	8,391	(8,391)	(8,391)
Receivables under finance leases	4,791	-	-	-	-	-	-	-	-
Derivatives - cashflow hedges	4,482	-	(2,032)	-	2,032	-	-	-	-
Financial liabilities									
Derivatives - cashflow hedges	(1,197)	-	(1)	-	1	-	1,495	-	1,495
Derivative - Redeemable preference shares	(1,500)	-	(54)	-	54	-	-	-	-
Trade payables	(84,204)	-	-	-	-	(5,702)	(5,702)	5,702	5,702
Borrowings	(366,853)	3,021	3,021	(3,021)	(3,021)	(25,449)	(25,449)	25,449	25,449
Redeemable preference shares	(64,750)	648	648	(648)	(648)	-	-	-	-
Total increase/(decrease)		3,014	927	(3,014)	(927)	(19,004)	(17,509)	19,004	20,499

2015		Interest rate risk				Foreign exchange risk			
	Carrying	-100 bps		+100 bps		-10%		+10%	
	amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets									
Cash and cash equivalents	278,408	(2,784)	(2,784)	2,784	2,784	8,833	8,833	(8,833)	(8,833)
Accounts receivable	151,837	-	-	-	-	11,089	11,089	(11,089)	(11,089)
Receivables under finance leases	5,066	-	-	-	-	-	-	-	-
Derivatives - cashflow hedges	1,332	-	(4,542)	-	4,271	-	1,194	-	(1,194)
Financial liabilities									
Derivatives - cashflow hedges	(1,356)	-	(10)	-	10	-	-	-	-
Derivative - Redeemable preference shares	(4,200)	300	-	(300)	-				
Trade payables	(96,557)	-	-	-	-	(6,330)	(6,330)	6,330	6,330
Borrowings	(625,556)	5,619	5,619	(5,619)	(5,619)	(29,964)	(29,964)	29,964	29,964
Redeemable preference shares	(63,700)	637	637	(637)	(637)				
Total increase/(decrease)		3,772	(1,080)	(3,772)	809	(16,372)	(15,178)	16,372	15,178

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

(d) Fair value measurements

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

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurement 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).

3 Financial risk management (continued)

The following table presents the group's assets and liabilities measured and recognised at fair value at 30 June 2016 and 30 June 2015.

2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for-sale financial assets				
Equity Securities	1,532	-	-	1,532
Derivatives used for hedging	-	4,482	-	4,482
Total assets	1,532	4,482	-	6,014
Liabilities				
Derivatives used for hedging	-	1,197	-	1,197
Redemable preference shares - option	-	-	1,500	1,500
Total liabilities	-	1,197	1,500	2,697

2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	-	1,332	-	1,332
Total assets	-	1,332	-	1,332
Liabilities				
Derivatives used for hedging	-	1,356	-	1,356
Redemable preference shares - option	-		4,200	4,200
Total liabilities	-	1,356	4,200	5,556

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. The fair value of the redeemable preference shares is determined using the binomial tree lattice methodology. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

Level 3 Financial Instruments

For the purposes of identifying transactions which are required to be categorised as level 3, the group applies judgement to assess both the observability of input to the valuation technique applied, and the significance of the input to the overall valuation of the transaction. The redeemable preference shares conversion option is recognised as level 3 financial instrument, due to the presence of significant unobservable inputs used in the binomial tree lattice valuation methodology. The significant unobservable inputs are as follows:

Asset Volatility	70%
Asset Default Threshold	$35,000,000

A description of the valuation process for the conversion option associated with the redeemable preference shares is summarised below. The estimation of the fair value of the conversion option requires judgement with respect to the appropriate valuation methodology. To value the conversion option a binomial tree lattice methodology has been used which is underpinned by a theoretical 'risk neutral' probability framework and the assumption of a lognormal distribution for asset values. This methodology involves the following steps:

1. Propagate the asset value of the company through a binomial tree lattice methodology.
2. Calculate the payoff of the conversion option and RPS at maturity and other key dates of the RPS.
3. Probability weight and discount all potential conversion option values back to the valuation date.

The value of the conversion option is sensitive to changes in volatility. The asset volatility assumption is representative of the level of uncertainty expected in the movements in the value of the company's assets over the life of the RPS.

A volatility of 60% would result in a conversion option value of $0.8m (decrease of $0.7m) and a volatility of 80% would result in a conversion option value of $2.3m (increase of $0.8m).

4 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 disclosed and discussed within the notes to the accounts where such judgements are required. This includes warranty and restructuring provision (Note 18), impairment of Intangibles (Note 16), impairment of property plant and equipment (Note 14), taxes (Note 8 and Note 15), share based payments (Note 34) and percentage completion for major contracts (Note 12).

5 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 Chief Executive Officer.

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. The Group manages income taxes on a Group basis and this measure is therefore not reported internally at a segment level.

(a) Description of segments

Mining & Transport designs, manufactures, supplies and services wear components for all types of earth moving equipment in the Mining and Quarry industries as well as Industrial type cast products. This segment also contains the Rail business which 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.

Mineral Processing designs, manufactures, supplies and services mill liner products in the Mineral Processing industry.

Fixed Plant designs, manufactures and supplies an extensive range of customised wear plate and liner products in materials from quenched and tempered steel to rubber and ceramics.

Engineered Products, based in North America, is a manufacturer and supplier of cast parts to the Energy, Power, Cement, Industrial and Rail Transport industries specialising in large (greater than 4,500 kg) highly engineered steel castings.

CMS represents other smaller businesses including Scrap Processing and Cast Metal Services.

Responsibility for the China facility previously included in the Mining and Transport segment has been moved to the Mineral Processing segment. Comparative disclosures have also been amended to reflect this change.

(b) Segment information provided to the Chief Executive Officer

The segment information provided to the Chief Executive Officer based on segments at year end 30 June 2016 and for the comparative year end 30 June 2015 are as follows:

5 Segment information (continued)

(b) Segment information provided to the Chief Executive Officer (continued)

2016	Notes	Mining & Transport $'000	Mineral Processing $'000	Engineered Products $'000	Fixed Plant $'000	CMS $'000	Total $'000
Total segment revenue		223,970	274,629	236,890	110,347	121,689	967,525
Inter-segment revenue		4,363	(35,211)	(9,714)	(199)	(107,791)	(148,552)
Revenue from external customers		**228,333**	**239,418**	**227,176**	**110,148**	**13,898**	**818,973**
Gross margin		**61,138**	**85,369**	**65,398**	**39,630**	**15,534**	**267,069**
Depreciation expense		10,150	10,975	12,939	3,054	807	37,925
Amortisation expense		260	880	4,418	-	-	5,558
Goodwill impairment		-	5,824	43,134	-	-	48,958
Intangibles impairment		2,323	2,833	9,989	-	-	15,145
Net interest expense		34	2,604	1,325	105	14	4,082
Impairment of inventories	Note 6	2,401	2,240	821	110	76	5,648
Impairment of trade receivables expense / (income)	Note 6	24	92	-	-	105	221
Other non cash expenses / (revenue)		14,251	9,497	12,638	18	(63)	36,341
Total segment assets		**189,002**	**386,096**	**181,005**	**63,270**	**38,144**	**857,517**
Total segment assets include:							
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets		7,993	4,274	4,606	2,324	824	20,021
Total segment liabilities		**77,151**	**77,886**	**61,135**	**19,742**	**19,684**	**255,598**

2015	Notes	Mining & Transport $'000	Mineral Processing $'000	Engineered Products $'000	Fixed Plant $'000	CMS $'000	Total $'000
Total segment revenue		284,341	315,326	278,434	136,871	120,466	1,135,438
Inter-segment revenue		44,366	(97,536)	(10,946)	(1,412)	(104,049)	(169,577)
Revenue from external customers		**328,707**	**217,790**	**267,488**	**135,459**	**16,417**	**965,861**
Gross margin		**85,492**	**74,225**	**85,913**	**47,775**	**16,488**	**309,893**
Depreciation expense		12,352	15,003	13,905	4,613	963	46,836
Amortisation expense		2,248	4,255	3,150	1,627	-	11,280
Goodwill Impairment expense		29,039	45,503	37,806	29,012	-	141,360
Intangibles impairment		16,685	1,469	1,726	5,942	-	25,822
Net interest expense		1,786	5,228	(20)	(8)	-	6,986
Impairment of inventories	Note 6	296	233	543	(2)	52	1,122
Impairment of trade receivables	Note 6	(4)	426	42	-	-	464
Other non cash expenses / (revenue)		(6,725)	1,192	10,120	(618)	107	4,076
Total segment assets		**278,840**	**486,108**	**273,248**	**73,972**	**36,265**	**1,148,433**
Total segment assets include:							
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets		18,568	12,646	7,564	6,062	713	45,553
Total segment liabilities		**14,402**	**42,052**	**55,923**	**14,551**	**16,991**	**143,919**

5 Segment information (continued)

(c) Other segment information

The Group's divisions are managed on a global basis and operate in five main geographical areas, Australia, the home country of the parent entity, the UK, the US, Canada, China and Other countries. The majority of revenue classified within "Other countries" relates to Canada, and various European, African, Asian, 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 CEO is measured in a manner consistent with that in the income statement. Segment revenue reconciles to total revenue from continuing operations as follows:

	2016	2015
	$'000	$'000
Total segment revenue	**967,525**	1,135,438
Intersegment eliminations	**(148,552)**	(169,577)
Total external segment revenue	**818,973**	**965,861**
Rental income	**336**	366
Royalty income	**63**	88
Sale of scrap	**226**	590
Commission income	**39**	41
Other	**982**	1,412
Total revenue from continuing operations (note 6)	**820,619**	968,358

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

	2016	2015
Australia	**325,279**	432,914
US	**218,526**	269,367
Other countries	**275,168**	263,580
Revenue from external customers	**818,973**	965,861

(ii) Gross margin

The CEO 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:

	2016	2015
	$'000	$'000
Gross margin	**267,069**	309,893
Fixed manufacturing overheads and other cost of sale adjustments	**(137,903)**	(128,020)
Other revenue	**1,646**	2,497
Other income	**15,618**	29,750
Selling and technical expenses	**(48,082)**	(55,982)
Administration expenses	**(55,283)**	(60,236)
Goodwill and other intangibles impairment	**(64,103)**	(167,182)
Finance costs	**(41,323)**	(34,096)
Restructuring and asset impairment costs	**(194,415)**	(106,354)
Impairment of available for sale financial assets	**(7,151)**	-
Share of net profit/(loss) of associates accounted for using the equity method and impairment	**-**	(45,110)
Profit / (loss) before income tax	**(263,927)**	(254,840)

5 Segment information (continued)

(c) Other segment information (continued)

(iii) Segment assets

The amounts provided to the CEO 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:

	2016	2015
	$'000	$'000
Segment assets	**857,517**	1,148,433
Unallocated:		
Inventories	**-**	(199)
Current receivables	**(5,211)**	(3,187)
Intangibles	**26,135**	42,848
Property, plant and equipment	**16,035**	13,117
Investments accounted for using the equity method	**-**	8,683
Available for sale financial assets	**1,532**	-
Current tax assets	**12,379**	9,857
Deferred tax assets	**79,505**	25,880
Cash and cash equivalents	**65,519**	278,381
Total assets as per the balance sheet	**1,053,411**	1,523,813

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

Australia	**249,461**	328,557
US	**153,747**	229,469
Canada	**230,017**	315,575
China	**139,336**	216,752
India	**35,407**	-
UK	**11,827**	23,718
Other countries	**37,722**	34,362
Total segment assets	**857,517**	1,148,433

(iv) Segment liabilities

The amounts provided to the CEO 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:

	2016	2015
	$'000	$'000
Segment liabilities	**255,598**	143,919
Unallocated:		
Payables	**18,558**	29,438
Derivative financial instruments	**1,197**	5,556
Current provisions	**-**	82,311
Non-current provisions	**3,142**	5,308
Current and non-current borrowings	**420,895**	675,622
Current tax liabilities	**805**	6,176
Deferred tax liabilities	**17,154**	36,978
Total liabilities as per the balance sheet	**717,349**	985,308

6 Profit from ordinary activities

	2016 $'000	2015 $'000
Revenue		
From continuing operations		
Sales revenue		
Sale of goods	**818,973**	965,861
	818,973	965,861
Other revenue		
Rental income	**336**	366
Royalty income	**63**	88
Sale of scrap	**226**	590
Commission received	**39**	41
Other	**982**	1,412
	820,619	968,358
Other income		
Interest	**7,388**	1,049
Gains on derivatives	**2,700**	-
Insurance recoveries	**3,292**	2,209
Net gain on disposal of property, plant and equipment	**2,238**	26,492
	15,618	29,750

Expenses

	2016 $'000	2015 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**5,183**	6,484
Plant & equipment	**29,971**	38,244
Leasehold improvements	**168**	150
Plant & equipment under finance leases	**3,272**	7,177
Total depreciation	**38,594**	52,055
Amortisation		
Customer lists	**5,181**	5,765
Trademarks	**709**	3,266
Licences and other	**260**	2,249
Total amortisation	**6,150**	11,280
Impairment charges		
Goodwill	**48,958**	141,360
Customer lists	**12,822**	9,137
Licences and other	**2,323**	16,685
Total impairment	**64,103**	167,182
Finance costs - net		
Interest and finance charges paid/payable	**38,657**	34,754
Borrowing costs amortisation	**3,064**	1,980
	41,721	36,734
Amount capitalised*	**(398)**	(2,638)
Finance costs expensed	**41,323**	34,096

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

	2016 $'000	2015 $'000
Foreign exchange gains and losses		
Net foreign exchange gains / (losses) (realised)	2,150	(880)
Net foreign exchange gains / (losses) (unrealised)	(4,935)	313
Foreign exchange gains / (losses) recognised in profit before income tax for the year	**(2,785)**	(567)

6 Profit from ordinary activities (continued)

Expenses (continued)

	2016 $'000	2015 $'000
Net loss on disposal of property, plant and equipment	**-**	924
Rental expense relating to operating leases		
Minimum lease payments	**13,017**	9,980
Total rental expense relating to operating leases	**13,017**	9,980
Research and development	**21,000**	20,600
Warranty	**24,856**	4,880
Stock obsolescence	**5,648**	1,122
Net bad and doubtful debts expense (revenue) including movements in doubtful debts provision	**221**	464
Employee benefits expense	**284,729**	350,387

7 Significant items

	Notes	**2016 $'000**	2015 $'000
Gains			
Insurance recoveries in relation to Runcorn fire	(a)	**3,223**	2,209
Net gain on sale of Mittagong property		**-**	2,112
Net gain on sale of Chehalis property		**-**	1,671
Net gain on sale of Bassendean property		**-**	22,812
Net gain on sale of Cannington property		**591**	-
Net gain on sale of Edmonton property		**164**	-
Gain on revaluation of derivative component of Redeemable Preference Shares		**2,700**	-
		6,678	28,804
Expenses			
Operational reoganisation	(b)	**31,192**	50,531
Impairment of property, plant & equipment	(c)	**163,223**	55,823
Impairment of goodwill and intangible assets	(d)	**64,103**	167,182
Due dilligence, acquisition and legal costs	(e)	**5,850**	1,913
Inventory valuation and obsolescence adjustments		**2,132**	1,330
Impairment of investment in Austin Engineering Limited		**7,151**	-
Rail and Crawler Systems warranty expense		**19,472**	-
		293,123	276,779
Total of significant (gains) and expenses		**286,445**	247,975

7 Significant items (continued)

(a) Runcorn fire

In October 2014, a fire destroyed part of the core shop at the Runcorn facility. This resulted in the $0.3 million impairment of plant and equipment. For the period ended 30 June 2016, the company was entitled to net insurance proceeds, after deductibles, of $3.2 million.

(b) Operational reoganisation

The Group has continued to review its operations. During the period the Group incurred $31.1m of redundancy and other restructuring costs. A remaining provision balance of $23.1m exists as at 30 June 2016.

(c) Impairment of property, plant & equipment

Of the $163.2m fixed asset impairment expense recognised during the period $108m related to the Mining and Transport segment, $4.4m related to the Mineral Processing segment and $50.8m to the Engineered Products segment.

(d) Impairment of goodwill and intangible assets

During the period, a total impairment of $64.1m was recorded on goodwill and intangibles broken down as a $49m impairment expense against goodwill, $2.3m impairment expense against Licences and Other and a $12.8m impairment expense against customer lists. Refer to note 16 for a breakdown of these balances by CGU and a description of the circumstances that lead to the impairment charge.

(e) Due dilligence, acquisition and legal costs

During the year Bradken incurred $2.7m of due diligence costs associated with acqusitions that did not proceed, CEO transition costs of $1.7m and further legal costs of $1.5m.

(f) Inventory valuation and obsolescence adjustments

During the period Bradken incurred $2.1m related to inventory obsolescence adjustments in the Mining and Transport business. This expense primarily related to the write off of obolete first generation product.

(g) Impairment of investment in Austin Engineering Limited

On 30 June 2015 the carrying value of the investment in ANG was $8.7m. During July 2015 ANG undertook a capital raising whereby eligible shareholders were entitled to subscribe for 5 new shares for every 6 held as at 29 July 2015. Bradken declined to take up this offer and as a result its shareholding was diluted from 21.7% to 11.8% resulting in a loss of "significant influence". Due to the decline in ownership to less than 20% and the loss of significant influence the equity method of accounting for this investment used in prior periods is no longer applicable. The investment has been reclassified from being an investment in associate to an available for sale financial asset at the date of dilution and a loss of $568k was recognised. Available for sale financial assets are carried at fair value with cumulative fair value adjustments recognised in other comprehensive income until the investment is realised or unless the investment is considered to be impaired. As a result of the prolonged downturn in the resource sector, the Directors have assessed the change in fair value of Austin Engineering Limited during the period to represent an impairment of the investment and the decline in fair value during the period of $6.6m has been transferred from other comprehensive income to impairment expense.

(h) Rail and Crawler Systems warranty expense

During the period the company identified pervasive design and manufacturing issues relating to certain delivered freight rail wagons and conducted analysis to determine the root cause of sporadic failures. Of the $19.4m expense $18.1 million represents the Company’s best estimate of the cost to rectify the wagons over the next five years through the supply of labour & materials including the replacement of any defective third party components. The balance of the expense relates to other Mining and Transport warranty recognised in the period. The closing balance of the warranty provision is $21m of which $16.6m relates to the Rail wagon warranty.

8 Income tax expense

	Notes	2016 $'000	2015 $'000
(a) Income tax expense			
Current tax		**15,429**	8,890
Deferred tax		**(70,811)**	(23,389)
Adjustment for current tax of prior periods		**(4,137)**	1,301
Adjustment for deferred tax of prior periods		**(8,467)**	-
		(67,986)	(13,198)
Income tax expense is attributable to:			
Profit from continuing operations		**(67,986)**	(13,545)
Aggregate income tax (benefit) / expense		**(67,986)**	(13,545)
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets (note 15)		**(44,298)**	(25,675)
(Decrease) increase in deferred tax liabilities (note 21)		**(34,980)**	2,286
		(79,278)	(23,389)
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit from continuing operations before income tax expense		**(263,927)**	(254,840)
		(263,927)	(254,840)
Tax at the Australian tax rate of 30% (2015: 30%)		**(79,178)**	(76,452)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Goodwill impairment		**16,044**	35,704
Entertainment		**13**	35
Impairment of investments		**2,176**	15,808
Unrecognised deferred tax movement		**1,766**	4,879
Research and development		**(2,057)**	(2,064)
Share of net profit of associates		**-**	2,731
Share based payments		**1,536**	1,079
Sundry items		**694**	838
		(59,006)	(17,442)
Difference in overseas tax rates		**(409)**	2,870
Adjustment for tax of prior periods		**(7,794)**	1,027
Deferred tax assets restated for reduction in overseas tax rate		**(777)**	-
Income tax (benefit) / expense		**(67,986)**	(13,545)
(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 15 and 21)		**(3,334)**	(994)
		(3,334)	(994)
(d) Tax expense (income) relating to items of other comprehensive income			
Cash flow hedges (note 23(a))		**(651)**	584
		(651)	584

8 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 2(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.

9 Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank and in hand*	**65,536**	278,408

* As at 30 June 2016, the Group had $5.1m (30 June 2015: $19.2m) of restricted cash and related payables.

(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:

	2016 $'000	2015 $'000
Cash and cash equivalents above	**65,536**	278,408
Bank overdrafts (note 20)	**(2,453)**	(188)
Balances per statement of cash flows	**63,083**	278,220

(b) Interest rate risk exposure

The Group's and parent entity's exposure to interest rate risk is discussed in note 3.

10 Trade and other receivables

	2016 $'000	2015 $'000
Current		
Trade receivables	**121,494**	151,837
Provision for impairment of receivables	**(184)**	(529)
	121,310	151,308
Other receivables	**9,061**	9,661
Prepayments	**5,681**	5,678
	136,052	166,647
Non-current		
Other receivables	**2,587**	2,843
	2,587	2,843

(a) Impaired trade receivables

As at 30 June 2016 current trade receivables of the Group with a nominal value of $184,000 (2015: $529,000) were impaired. The amount of the provision was $184,000 (2015: $529,000).

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

	2016 $'000	2015 $'000
Balance at 1 July	**529**	63
Balances acquired on acquisition	**50**	-
Charge for the year	**221**	468
Receivables written off during the year as uncollectable	**(619)**	(38)
Unused amounts reversed	**-**	(4)
Foreign currency exchange differences	**3**	40
Balance at 30 June	**184**	529

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 past due trade receivables is as follows:

	2016 $'000	2015 $'000
31-60 days	**10,472**	12,921
61-90 days	**482**	6,001
91 + days	**3,348**	4,486
Total	**14,302**	23,408

As at 30 June 2016 trade receivables of $184,000 (2015:$529,000) were past due and considered impaired and trade receivables of $14,118,000 (2015:$22,879,000) 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.

10 Trade and other receivables (continued)

(d) Fair values

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

	2016		2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Other receivables	**2,587**	2,587	**2,843**	2,843
	2,587	2,587	**2,843**	2,843

Due to the relatively 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 3 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.

(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:

	2016	2015
	$'000	$'000
Australian Dollars	**39,946**	47,456
US Dollars	**59,572**	71,853
Canadian Dollars	**19,814**	35,223
Other *	**19,307**	14,958
	138,639	169,490

* Other refers to a basket of currencies (Euros, Great British Pounds, Japanese Yen, New Zealand Dollars, Singapore Dollars, Malaysian Ringgit, South African Rand, Chilean Pesos, Indian Rupee, Chinese Yuan)

Further information about the Group's and the parent entity's exposure to credit risk, foreign exchange risk and interest rate risk in relation to trade and other receivables is provided in note 3.

11 Finance lease assets

	2016 $'000	2015 $'000
Current receivables under finance leases (a)	**645**	573
Non current receivables under finance leases (a)	**4,146**	4,493

(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
2015		
Present value	573	4,493
Unearned interest income	595	1,562
Total future payments	**1,168**	**6,055**
2016		
Present value	645	4,146
Unearned interest income	561	1,001
Total future payments	**1,206**	**5,147**

12 Inventories

	2016 $'000	2015 $'000
Construction work in progress:		
Contract costs incurred and recognised profits less recognised losses	**31,295**	60,236
Progress billing	**(31,215)**	(58,510)
Net construction work in progress	**80**	1,726
Raw materials and stores	**32,604**	34,725
Work in progress	**54,994**	62,204
Finished goods	**89,158**	112,380
	176,836	211,035

(a) Inventory expense

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2016 amounted to $5,648,000 (2015: $1,122,000). The expense has been included in 'cost of sales' in the income statement.

(b) 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 2(e) and note 2(l). These assessments require an estimate of the remaining labour and material costs for the projects.

13 Derivative financial instruments

	2016 $'000	2015 $'000
Current assets		
Cross currency interest rate swap contracts - cash flow hedges ((a)(i))	**4,482**	876
Forward foreign exchange contracts - cash flow hedges ((a)(ii))	**-**	456
Total current derivative financial instrument assets	**4,482**	1,332
Current liabilities		
Interest rate swap and cap contracts - cash flow hedges ((a)(i))	**284**	1,356
Forward foreign exchange contracts ((a)(ii))	**913**	-
Derivative on redeemable preference shares ((a)(iii))	**1,500**	4,200
Total current derivative financial instrument liabilities	**2,697**	5,556

(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 3).

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

Bank loans of the Group had an average variable interest rate of 4.34% at 30 June 2016 (2015: 4.23%). 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.

Swaps currently in place cover approximately 52% of floating rate bank loans (2015: 13%). The average fixed interest for the swaps and caps is 4.88 % (2015: 4.88%). The Group has also entered into Cross Currency Interest Rate Swaps under which it is obliged to receive fixed USD interest and pay variable AUD interest.

At balance date, the notional principal amounts and periods of expiry of the interest rate swap and cap contracts are as follows:

	2016 $'000	2015 $'000
Interest rate swap contracts		
1 year or less	**40,000**	-
1 - 2 years	**-**	40,000
	40,000	-

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

Two cross currency interest rate swaps are in place for USD $50,000,000 each. The first swap has a maturity date between 2 and 3 years. The second swap has a maturity date between 5 and 6 years. The contracts require settlement of receivable interest each 180 days (semi annually) and payable interest each 90 days.

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 assets with fair value of $4,198,000 (2015: $480,000 liability). In the year ended 30 June 2016 there was a gain from the change in fair value of $4,678,000 (2015: $1,345,000 gain).

(ii) Forward exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover all foreign currency exposures greater than $100,000 AUD.

At balance date these contracts were net liabilities of $913,000 (2015: $456,000 asset). The Group has classified these hedging instruments to be effective hedges.

In the year ended 30 June 2016 there was a loss from the change in fair value of the asset of $1,369,000 (2015: gain of $1,440,000)

13 Derivative financial instruments (continued)

(iii) Derivative on redeemable preference shares

The derivative on the Redeemable Preference Shares relates to the ability of the holder to convert a portion of the instrument into ordinary shares of the Group. This value has been determined using the binomial tree lattice methodology with the following assumptions:

Conversion price $2.00

Spot price: $1.00

Stock price volatility 70%

Risk-free interest rate 1.60%

Maturity date: Perpetual

Please refer to note 20 for further details of the Redeemable Preference Share issuance.

(b) Risk exposures and fair values

Further information about the Group's exposure to credit risk, foreign exchange risk and interest rate risk is provided in note 3.

Further information about the fair value of the Group's derivatives is provided in note 3.

(c) Offsetting financial assets and liabilities

Bradken presents derivative assets and liabilities on a gross basis. Certain derivative assets and liabilities are subject to enforceable master netting arrangements with individual counterparites if they were subject to default. As at 30 June 2016, if these netting arrangements were to be applied to the deriviatives portfolio, derivative assets are reduced by $2.75m (30 June 15 $0.84m) and derivative liabilities reduced by $2.75m (30 June 15 $0.84m).

14 Property, plant and equipment

	Note	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 2014								
Cost or fair value		43,152	180,361	4,925	587,711	29,898	58,389	904,436
Accumulated depreciation		-	(33,126)	(955)	(270,329)	(16,666)	-	(321,076)
Net book amount		43,152	147,235	3,970	317,382	13,232	58,389	583,360
Year ended 30 June 2015								
Opening net book amount		43,152	147,235	3,970	317,382	13,232	58,389	583,360
Exchange differences		5,402	22,576	149	43,919	1,459	-	73,505
Additions		-	-	298	(235)	7,834	34,193	42,090
Transfer (to)/from capital work in progress		-	3,072	-	34,309	-	(37,381)	-
Disposals		(3,127)	(6,333)	(104)	(1,310)	-	-	(10,874)
Assets held for sale	37	(3,726)	(6,045)	-	(3,810)	-	-	(13,581)
Impairment (see below)		(417)	(580)		(54,826)			(55,823)
Depreciation charge		-	(6,484)	(150)	(38,244)	(7,177)	-	(52,055)
Closing net book amount		41,284	153,441	4,163	297,185	15,348	55,201	566,622
At 30 June 2015								
Cost or fair value		41,284	193,369	5,953	625,627	36,196	55,201	957,630
Accumulated depreciation		-	(39,928)	(1,790)	(328,442)	(20,848)	-	(391,008)
Net book amount		41,284	153,441	4,163	297,185	15,348	55,201	566,622
Year ended 30 June 2016								
Opening net book amount		41,284	153,441	4,163	297,185	15,348	55,201	566,622
Exchange differences		(365)	(454)	(104)	1,221	396	-	694
Additions		-	62	-	-	2,069	17,738	19,869
Acquisition of business		5,545	5,097	-	10,641	-	-	21,283
Transfer (to)/from capital work in progress		-	19,636	-	35,368	-	(55,004)	-
Disposals		(4,636)	(7,444)	(140)	(1,150)	(260)	-	(13,630)
Assets held for sale	37	(1,398)	(2,480)	-	(2,126)	-	-	(6,004)
Impairment (see below)		(479)	(16,011)	-	(143,605)	(2,605)	(523)	(163,223)
Depreciation charge		-	(5,183)	(168)	(29,971)	(3,272)	-	(38,594)
Closing net book amount		39,951	146,664	3,751	167,563	11,676	17,412	387,017
At 30 June 2016								
Cost or fair value		39,951	201,739	5,597	594,398	33,561	17,412	892,658
Accumulated depreciation		-	(55,075)	(1,846)	(426,835)	(21,885)	-	(505,641)
Net book amount		39,951	146,664	3,751	167,563	11,676	17,412	387,017

During the prior year, the Group reassessed the useful lives of certain assets. The impact of the change of this reassesment is included in the prior period depreciation charge line item above.

An impairment loss of $163.2m was recognised in the year end 30 June 2016 relating to property, plant and equipment held at a number of the Group's sites. This loss is included within the operational reorganisation expense in note 7.

(a) Non current assets pledged as security

Assets under finance lease arrangements are pledged as security by the Group.

15 Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

	2016 $'000	2015 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Doubtful debts	**45**	24
Employee benefits	**11,350**	12,338
Depreciation	**21,789**	5,446
Other provisions	**31,365**	8,855
Unrealised foreign exchange differences	**24,148**	21,133
Other accruals	**3,650**	2,766
Tax losses	**3,077**	12,018
Cash flow hedges	**903**	-
Other	**4,519**	4,032
	100,846	66,612
Amounts recognised directly in equity		
Defined benefits pension liabilities	**6,879**	5,408
	6,879	5,408
Total deferred tax assets	**107,725**	72,020
Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 21)		
Net deferred tax assets	**(28,220)**	(46,140)
	79,505	25,880
Movements:		
Opening balance at 1 July	**72,020**	43,624
Credited/(charged) to the income statement (note 8)	**44,298**	25,675
Utilisation of R&D credits	**(12,200)**	-
Credited/(charged) to other comprehensive income (note 8)	**651**	(584)
Credited/(charged) to equity	**3,334**	994
Net foreign currency movements	**(378)**	2,311
Closing balance at 30 June	**107,725**	72,020

The Group has tax losses which arose in the USA of $9.0m and $3.8m in China. Deferred tax assets have been recognised in respect of these losses as they will be able to be applied against taxable profits in the future. The Chinese tax losses must be utilised within a 5 year period. Management anticipates that they will be utilised in full before their expiry date.

The Group also had tax losses in the UK of $3.5M for which deferred tax assets have not been recognised. This entity has been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

16 Intangible assets

	Goodwill	Customer lists	Patents, trademarks and brands	Licences and other	Total
	$'000	$'000	$'000	$'000	$'000
At 1 July 2014					
Cost	279,962	106,386	12,220	64,230	462,798
Accumulated amortisation and impairment	(8,759)	(33,906)	(5,318)	(47,893)	(95,876)
Net book amount	271,203	72,480	6,902	16,337	366,922
Year ended 30 June 2015					
Opening net book amount	271,203	72,480	6,902	16,337	366,922
Additions	-	-	-	4,752	4,752
Impairment charge	(141,360)	(9,137)	-	(16,685)	(167,182)
Foreign exchange variation	25,709	13,866	1,072	-	40,647
Amortisation charge	-	(5,765)	(3,266)	(2,249)	(11,280)
Closing net book amount	155,552	71,444	4,708	2,155	233,859
At 30 June 2015					
Cost	305,671	120,252	13,292	68,982	508,197
Accumulated amortisation and impairment	(150,119)	(48,808)	(8,584)	(66,827)	(274,338)
Net book amount	155,552	71,444	4,708	2,155	233,859
Year ended 30 June 2016					
Opening net book amount	155,552	71,444	4,708	2,155	233,859
Additions	3,595	-	-	428	4,023
Impairment charge	(48,958)	(12,822)	-	(2,323)	(64,103)
Foreign exchange variation	(242)	459	(10)	-	207
Amortisation charge	-	(5,181)	(709)	(260)	(6,150)
Closing net book amount	109,947	53,900	3,989	-	167,836
At 30 June 2016					
Cost	309,024	120,711	13,282	69,410	512,427
Accumulated amortisation and impairment	(199,077)	(66,811)	(9,293)	(69,410)	(344,591)
Net book amount	109,947	53,900	3,989	-	167,836

Impairment tests and charges for goodwill and other intangibles

The group values identifiable intangibles acquired in a business combination based on a combination of independent valuations in some cases and management's estimate of the net present value of estimated future cash flows of the assets. Identifiable intangible assets are amortised over their estimated useful lives. Given the estimates involved the Group tests annually whether goodwill and other intangibles have suffered any impairment, in accordance with the accounting policy stated in note 2(p). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

Due to the continued adverse market conditions and the continued downturn in the market for mobile plant mining capital parts sales, an assessment of the recoverable amount of the goodwill and other intangibles of each of the Group's CGUs was performed. The recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year peroid. Cash flows beyond the five-year period are extrapolated using perpetual growth rates.

During the period impairment of $49.0m was charged to Goodwill (2015: $141.4m), $12.8m to Customer Lists (2015: $9.1m) and $2.4m to Licences and Other (2015: $16.7m).

Of the CGUs charged with impairment during the period, the recoverable amount of the Mining & Transport CGU was $169m and the recoverable amount of the Engineered Products CGU was $191m as at 30 June 2016.

	FY16 Impairment by segment			Closing
	Goodwill	Other	Total	Goodwill
Mining & Transport	-	(2,413)	(2,413)	
Fixed Plant	-	-	-	8,181
Engineered Products	(48,958)	(12,732)	(61,690)	-
Minerals Processing			-	93,152
CMS	-	-	-	8,614
Total Impairment	(48,958)	(15,145)	(64,103)	109,947

16 Intangible assets (continued)

Key assumptions used for value in use calculations

The calculation of value in use for the CGUs is most sensitive to the following assumptions:

(a) EBITDA/sales margins
(b) Discount rates
(c) Growth rates used to extrapolate cash flows beyond the forecast period

The Company has determined the assumptions based on past performance and expectations for the future. The 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. Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. CGU-specific risk premiums have been incorporated into the calculation of the discount rates.

The post tax discount rate used for the Australian based CGU's, including Mining & Transport, Fixed Plant and CMS is 11.8% (2015: 12.0%), which equates to a pre tax discount rate of 16.8% (2015: 17.1%).

The post tax discount rate used in the United States based Engineering Products CGU is 10.5% (2015: 10.5%), which equates to a pre tax discount rate of 16.2% (2015: 16.2%).

The post tax discount rate used for the Mineral Processing CGU which operates in Canada and Australia is 11.0% (2015: 11.3%), which would translate into a pre tax discount rate of 15.7% (2015: 16.7%).

The perpetual growth rates per CGU are as follows; Mining & Transport 2.6% (2015: 2.6%), Mineral Processing 2.0% (2015: 2.0%), Engineered Products 2.1% (2015: 1.9%), Fixed Plant 3.0% (2015: 3.0%) and Cast Metal Services 2.5% (2015: 2.5%).

Impact of reasonably possible changes in key assumptions

The difference between the carrying value and recoverable amount of the Mineral Processing, Mining & Transport and Engineered Products CGUs as at 30 June 2016 are;

(a) Mineral Processing: $10 million
(b) Mining & Transport: $11.6 million
(c) Engineered Products: $48 million

The directors believe there is a reasonably possible change in assumptions for the Mineral Processing, Mining & Transport and Engineered Products CGUs that may result in an impairment. These changes are listed below. There is no reasonably possible change in assumptions that would result in an impairment of goodwill allocated to the other CGU's.

EBITDA Margin

The following changes in the EBITDA margin would be required to result in impairment for CGU's considered to be significant in comparison with the entity's total carrying amount of goodwill.
Mineral Processing: a sustained reduction of 0.5% in the EBITDA margin used would result in impairment.
Mining & Transport: a sustained reduction of 0.7% in the EBITDA margins used would result in impairment.

Discount rates

The following changes in the post tax discount rate would be required to result in impairment for CGU's considered to be significant in comparison with the entity's total carrying amount of goodwill.

Mineral Processing: an increase of 2.3% in the post tax discount rate would result in impairment.
Mining & Transport: an increase of 0.7% of the post tax discount rate would result in impairment.

Growth rate assumptions

The Company recognises that the volatility of the current economic climate and competitive pressures in the manufacturing industry has an impact on growth rate assumptions.

The following changes in the long-term growth rate would be required to result in impairment for CGU's considered to be significant in comparison with the entity's total carrying amount of goodwill.

Long term growth rate:

Mineral Processing: a reduction of 0.4% in the long-term growth rate would result in impairment.
Mining & Transport: a reduction of 1.1% in the long-term growth rate would result in impairment.

17 Payables

	2016 $'000	2015 $'000
Current		
Trade payables	**84,204**	96,557
Other payables	**60,793**	57,287
	144,997	153,844
Non current		
Other payables	**8,724**	9,371
	8,724	9,371

(a) Foreign currency risk

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

	2016 $'000	2015 $'000
Australian Dollars	**73,195**	67,352
US Dollars	**36,103**	41,324
Chinese Yuan	**23,551**	35,646
Other *	**20,872**	18,893
	153,721	163,215

* Other refers to a basket of currencies (Euros, Chinese Yuan, Indian Rupee ,Great British Pounds, Japanese Yen, New Zealand Dollars, Singapore Dollars, Malaysian Ringgit, South African Rand, Chilean Pesos)

(b) Fair value

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

18 Provisions

	2016 $'000	2015 $'000
Current		
Employee benefits	**36,243**	39,050
Restructuring	**13,660**	20,153
Warranty	**9,474**	3,509
	59,377	62,712
Non-current		
Employee benefits	**29,130**	20,473
Make good provision	**1,783**	802
Restructuring	**9,445**	-
Warranty	**11,496**	-
Environmental	**138**	141
	51,992	21,416

(a) Warranties

Provision is made for known warranty claims at balance date. Most claims are expected to be settled in the next financial year with the exception of the Mining and Transport rail wagon claim which is expected to be settled primarily by 2018. Management estimates the provision based on expected costs to be incurred to resolve the warranty claim.

During the period the company identified pervasive design and manufacturing issues relating to certain delivered freight rail wagons and conducted analysis to determine the root cause of sporadic failures and we have estimated a total cost $18.1 million expense which represents the Company's best estimate of the cost to rectify the wagons. The closing balance of the rail wagon provision is $16.6 million.

(b) Restructuring

A restructuring provision is recognised for the expected costs yet to be incurred associated with restructuring where there is a detailed formal plan for restructure and a valid expectation has been raised to those affected. The group estimates a number of costs including termination benefits and costs associated with decommissioning of the affected sites and does not include costs associated with ongoing activities which are yet to be incurred. Refer to note 7(c) for further details of the restructure expense recognised.

(c) Make good provision

The make good provision represents expected costs to restore the now leased Bassendean facility at the end of the lease.

18 Provisions (continued)

(d) Movements in provisions

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

2015	Warranty $'000	Restructuring $'000	Environmental $'000	Make good $'000
Carrying amount at start of year	6,705	9,292	368	-
Additional provisions recognised	4,880	50,531	-	802
Provision reversal	-	-	(285)	-
Foreign currency exchange differences	-	-	58	-
Amounts used	(8,076)	(39,670)	-	-
Carrying amount at end of year	3,509	20,153	141	802
Current	3,509	20,153	-	-
Non current	-	-	141	802

2016	Warranty $'000	Restructuring $'000	Environmental $'000	Make good $'000
Carrying amount at start of year	3,509	20,153	141	802
Additional provisions recognised	24,856	31,192	(7)	981
Foreign currency exchange differences	315	1,152	4	-
Amounts used	(7,710)	(29,392)	-	-
Carrying amount at end of year	20,970	23,105	138	1,783
Current	9,474	13,660	-	-
Non current	11,496	9,445	138	1,783

(e) 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

	2016 $'000	2015 $'000
Long service leave obligation expected to be settled after 12 months	**334**	504

19 Employee defined benefit liability

(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 two defined benefit retirement plans, one in the United States and the other in Canada. The United States plan at one of the Group's US subsidiaries is closed to new members and covers hourly employees hired before May 10, 1993. The Canadian plan is currently active at one of the Group's Canadian subsidiaries for hourly employees but closed on March 1, 2010 to salaried employees. Benefits for the defined benefit plans 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 of the liabilities in respect of the defined benefit plans only.

	2016	2015
	$'000	$'000
US Defined benefit retirement plan	**(18,064)**	(11,129)
Canadian Defined benefit retirement plans	**(7,182)**	(3,244)
	(25,246)	(14,373)

(b) Changes in the defined benefit plan obligation and fair value of plan assets

	Defined benefit obligation	**Fair value of plan assets**	**Benefit (Liability)**
	$'000	**$'000**	**$'000**
Balance at 1 July 2014	**(60,735)**	**51,618**	**(9,117)**
Pension costs charged to profit or loss			
Service cost	(1,343)	(89)	
Net Interest	(2,658)	2,261	
Subtotal included in profit or loss	**(4,001)**	**2,172**	**(1,829)**
Benefits paid	2,826	(2,826)	**-**
Re-measurement gains/(losses) in other comprehensive income			
Return on plan assets (excluding amounts included in net interest expense)	-	(157)	**(157)**
Actuarial changes arising from changes in demographic assumptions	(4,187)	-	**(4,187)**
Actuarial changes arising from changes in financial assumptions	473	-	**473**
Experience adjustments	(31)	-	**(31)**
Sub-total included in OCI	**(3,745)**	**(157)**	**(3,902)**
Contributions by employer	-	2,278	**2,278**
Foreign currency exchange differences	(8,983)	7,180	(1,803)
Balance at 30 June 2015	**(74,638)**	**60,265**	**(14,373)**

19 Employee defined benefit liability (continued)

	Defined benefit obligation $'000	Fair value of plan assets $'000	Benefit (Liability) $'000
Balance at 1 July 2015	**(74,638)**	**60,265**	**(14,373)**
Pension costs charged to profit or loss			
Service cost	(815)	(74)	
Net interest	(3,159)	2,554	
Subtotal included in profit or loss	**(3,974)**	**2,480**	**(1,494)**
Benefits paid	3,349	(3,349)	**-**
Re-measurement gains/(losses) in other comprehensive income			
Return on plan assets (excluding amounts included in net interest expense)	-	(4,647)	**(4,647)**
Actuarial changes arising from changes in demographic assumptions	1,422	-	**1,422**
Actuarial changes arising from changes in financial assumptions	(9,031)	-	**(9,031)**
Experience adjustments	240	-	**240**
Sub-total included in OCI	**(7,369)**	**(4,647)**	**(12,016)**
Contributions by employer	-	2,867	**2,867**
Foreign currency exchange differences	(1,424)	1,194	(230)
Balance at 30 June 2016	**(84,056)**	**58,810**	**(25,246)**

(c) Categories of the plan assets

The major categories of plan assets included in the fair value of the total plan assets are as follows:

	2016 $'000	2015 $'000
Cash equivalents	**10,059**	13,067
Fixed interest	**7,694**	7,947
Equity securities	**41,057**	39,251
	58,810	60,265

(d) Principal assumptions

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

	2016 $'000	2015 $'000
Discount rate:		
US Defined benefit retirement plan	3.21%	4.09%
Canadian Defined benefit retirement plans	3.40%	4.10%

19 Employee defined benefit liability (continued)

	2016 $'000	2015 $'000
Life expectation for pensioners at the age of 65:		
US Defined benefit retirement plan		
Male	18.72	18.65
Female	21.17	21.11
Canadian Defined benefit retirement plans		
Male	21.57	21.49
Female	24.02	23.96

	2016 $'000
Sensitivity analysis	
Impact of 1% change to the discount rate on defined benefit obligation at 30 June 2016	
Increase in assumption	
US Defined benefit retirement plan	5,573
Canadian Defined benefit retirement plans	5,272
Decrease in assumption	
US Defined benefit retirement plan	(6,808)
Canadian Defined benefit retirement plans	(6,964)
Impact of 1% change in the salary rate increase on defined benefit obligation at 30 June 2016	
Increase in assumption	
Canadian Defined benefit retirement plans	(950)
Decrease in assumption	
Canadian Defined benefit retirement plans	831
The average duration of the defined benefit plan obligation at the end of the reporting period in years is:	
US Defined benefit retirement plan	12.8
Canadian Defined benefit retirement plans	16.7

(e) Employer contributions

Employer contributions to the defined benefit plans are based on recommendations by the plan actuaries. Actuarial assessments are performed annually, and the last such assessments were made during June 2016.

Total employer contributions expected to be paid by Group companies for the year ending 30 June 2017 are $2,174,718

20 Borrowings

	2016 $'000	2015 $'000
Current - secured		
Lease liabilities (note 28)	**3,471**	4,261
Total secured current borrowings	**3,471**	4,261
Current - unsecured		
Bank overdrafts	**2,453**	188
Bank loans	**-**	48,723
Redeemable convertible preference shares	**-**	63,700
Other loans	**1,623**	870
Total unsecured current borrowings	**4,076**	113,481
Total current borrowings	**7,547**	117,742
Non-current secured		
Lease liabilities (note 28)	**10,223**	12,156
Total secured non-current borrowings	**10,223**	12,156
Non-current unsecured		
Bank loans	**75,776**	300,851
Redeemable convertible preference shares	**64,750**	-
US private placement	**273,307**	258,507
Total unsecured non-current borrowings	**413,833**	559,358
Total non-current borrowings	**424,056**	571,514

(a) Secured liabilities

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

	2016	2015
Lease liabilities	**13,694**	16,417
Total secured liabilities	**13,694**	16,417

(b) Other loans

Other loans are repayable within twelve months. The current interest rate on these loans are 2.57% (2015: 2.13%).

(c) Risk exposures

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

	2016	2015
Australian Dollars	**112,367**	325,912
US Dollars	**279,125**	265,364
Great British Pounds	**32,886**	36,706
Canadian Dollars	**4,961**	5,345
Chinese Yuan	**-**	52,928
Malaysian Ringgits	**6**	26
Chilean Pesos	**2,258**	2,787
Euros	**-**	188
	431,603	689,256

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 3.

20 Borrowings (continued)

(d) Financing arrangements

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

	2016 $'000	2015 $'000
Credit standby arrangements		
Total facilities		
Bank overdrafts	**15,985**	16,108
Standby letters of credit and bank guarantees	**100,787**	105,758
	116,772	121,866
Used at balance date		
Bank overdrafts	**2,453**	188
Standby letters of credit and bank guarantees	**83,360**	78,514
	85,813	78,702
Unused at balance date		
Bank overdrafts	**13,532**	15,920
Standby letters of credit and bank guarantees	**17,427**	27,244
	30,959	43,164
Bank loan facilities		
Total facilities	**340,000**	661,646
Used at balance date	**77,553**	352,599
Unused at balance date	**262,447**	309,047
US private placement notes		
Total facilities	**268,402**	259,235
Used at balance date	**268,402**	259,235
Unused at balance date	**-**	-

Working capital facilities comprise bank overdraft facilities and bank guarantee and letter of credit lines. Bank overdraft facilities comprise a AUD 15,000,000 bilateral overdraft facility, a GBP 500,000 multi currency overdraft facility and a NZD 100,000 overdraft facility.

Bank guarantees and letters of credit facilities comprise a AUD 97,000,000 multicurrency revolving bank guarantee facility, a GBP 500,000 bank guarantee facility, a NZD 50,000 bank guarantee facility, a CAD 500,000 standby letter of credit facility, a MYR 7,000,000 bank guarantee facility and bank guarantee and letter of credit lines made available under revolving loan facilities in China (total drawings A$83.4m at 30 June 2016).

Bank loan facilities comprise the following:

(i) a syndicated loan with three, four and five year revolving bullet term loan facilities totalling AUD 340,000,000.00 in multicurrency tranches. Current interest rate is 3.28% (2015: 3.71%).

(ii) a EUR 1,028,685.60 revolving working capital facility. There are no bank loan drawings at 30 June 2016. This loan was denominated in USD at 30 June 2015 with an interest rate of 5.08%

US Private Placement Notes comprise a 7 year USD 50,000,000 tranche, 10 year USD 100,000,000 tranche and 12 year USD 50,000,000 tranche. Current weighted average interest rate is 4.64% (2015: 4.64%).

On 30 June 2015, the Group entered into a Redeemable Preference Share (“RPS”) agreement for cash consideration of $70,000,000. 700,000 RPSs were issued with a face value of $100 per share and have no fixed maturity date. Each RPS confers on its holder the right to semi-annual distributions at step up rate of 7.5% for the first year and up to 13% to year 5, which at the election of the Group, can be waived in the first 12 months through the issuance of additional RPS instruments at an increased distribution rate of 8%.

The RPS holders have an option to convert the RPS for ordinary shares in Bradken at a conversion price of $2 per share. This price is adjusted should certain events occur. The Group can elect to redeem the shares by way of a cash payment after 5 years, or if specified conditions are met at an earlier date. During the year the company has considered the classification of the Redeemable Preference Share instrument which has been reclassified as a non-current liability consistent with the contractual terms of the instrument and the Company’s view that it is unlikely that this instrument will be redeemed within the next 12 months.

At 30 June 2016, the instrument has been split between long term debt and derivative financial liabilities. $64,750,000 has been treated as debt as a non current liability, being a financial liability at amortised cost. This figure is net of $1,050,000 in borrowing costs. In addition, the option to convert the RPS into ordinary shares has been treated as a financial instrument measured at fair value through profit or loss at $4,200,000. Please refer to note 13 for valuation details of the derivative component of this instrument.

20 Borrowings (continued)

(e) Fair value

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

	2016		2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
On balance sheet				
Non traded financial liabilities				
Bank overdrafts	**2,453**	**2,453**	188	188
Bank loans	**75,776**	**70,643**	349,574	316,238
US private placement	**273,307**	**228,042**	258,507	201,841
Redeemable convertiible preference shares	**64,750**	**68,944**	63,700	65,800
Other loans	**1,623**	**1,623**	870	870
Lease liabilities	**13,694**	**13,694**	16,417	16,417
	431,603	**385,399**	689,256	601,354

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. This is catagorised as level 2 within the fair value heirachy.

(ii) Off balance sheet

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 27. As explained in those notes, no material losses are anticipated in respect of any of those contingencies.

21 Deferred tax liabilities

	2016 $'000	2015 $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Prepayments	**433**	494
Design assets	**-**	931
Unrealised foreign exchange differences	**6,827**	22,480
Fixed assets and Intangibles	**27,743**	50,562
Other	**10,371**	8,650
Total deferred tax liabilities	**45,374**	83,117
Set off of deferred tax liabilities of parent entity pursuant to set off provisions (note 15)	**(28,220)**	(46,140)
Net deferred tax liabilities	**17,154**	36,977
Movements:		
Opening balance at 1 July	**83,117**	73,535
Charged/(credited) to the income statement (note 8)	**(34,980)**	2,286
Net foreign currency movements	**(2,763)**	7,296
Closing balance at 30 June	**45,374**	83,117

22 Contributed equity

	Notes	Parent entity 2016 Shares	Parent entity 2015 Shares	Parent entity 2016 $'000	Parent entity 2015 $'000
(a) Share capital					
Ordinary shares	(b),(c)				
Fully paid		**171,027,249**	171,027,249	**715,293**	715,293
Total contributed equity				**715,293**	715,293

The issued capital of the Parent Entity is different to the issued capital of the Group as a result of the reverse acquisition in 2004.

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Parent entity $'000
At 1 July 2014	**Opening balance**		**171,027,249**	**715,293**
At 30 June 2015	**Balance**		**171,027,249**	**715,293**
At 30 June 2016	**Balance**		**171,027,249**	**715,293**

22 Contributed equity (continued)

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

(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.

(e) Performance Rights Plan

Information relating to the Performance Rights Plan, including details of shares issued under the plan, is set out in note 34.

(f) Non-executive director share acquisition plan

Information relating to the non-exective director share acquisition plan, including details of shares issued under the plan, is set out in note 34.

(g) Capital risk management

The group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors it's performance against these objectives in part on the basis of its gearing levels expressed as a ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA).

During 2016, the group's strategy, which was unchanged from 2015, was to aim to maintain the net debt level to around 2.0 times underlying EBITDA. The comparative ratios at 30 June 2016 and 30 June 2015 were as follows:

	Notes	**2016** **$'000**	2015 $'000
Net debt	9, 20	**297,567**	350,487
EBITDA *		**110,637**	139,874
Net debt to EBITDA		**2.69**	2.51

*Underlying EBITDA is a non-IFRS measure. The underlying EBITDA presented above represents Statutory Profit Before Tax adjusted for Amortisation, Depreciation and Interest (refer to Note 6) and significant items (refer to Note 7), $4.9m unrealised foreign exchange losses (June 2015 $0.6m loss) and the $2.2m loss incurred by the Group's UK Operations which are currently being divested. Other adjustments are also included in order to meet the specific requirements of the financial covenants."

Bradken Limited has complied with the financial covenants of its borrowing facilities during the 2016 and 2015 reporting periods.

23 Reserves and retained profits

	2016 $'000	2015 $'000
(a) Reserves		
Hedging reserve - cash flow hedges	**2,100**	(584)
Share based payments reserve	**21,193**	18,479
Foreign currency translation reserve	**69,871**	73,114
Transactions with non-controlling interests	**(564)**	(564)
	92,600	90,445
Movements:		
Hedging reserve - cash flow hedges		
Balance 1 July	**(584)**	(1,946)
Revaluation-gross (note 13)	**2,033**	1,946
Deferred tax (note 15)	**651**	(584)
Balance 30 June	**2,100**	(584)
Share-based payments reserve		
Balance 1 July	**18,479**	15,087
Rights expense	**2,736**	3,392
Transfer to share capital (Rights exercised)	**(22)**	-
Balance 30 June	**21,193**	18,479
Foreign currency translation reserve		
Balance 1 July	**73,114**	7,153
Currency translation differences arising during the year	**(3,243)**	65,961
Balance 30 June	**69,871**	73,114
Available-for-sale financial assets reserve		
Balance 1 July	**-**	-
Changes in fair value of available for sale financial assets	**6,583**	-
Impairment of available for sale financial assets	**(6,583)**	-
Balance 30 June	**-**	-
Transactions with non-controlling interests		
Balance 1 July	**(564)**	(564)
Balance 30 June	**(564)**	(564)
(b) Retained profits		
Balance 1 July	**(101,611)**	160,416
Net profit / (loss) for the year	**(195,941)**	(241,295)
Dividends	**-**	(18,813)
Actuarial (losses) / gains on retirement benefit obligations, net of tax	**(8,657)**	(1,919)
Balance 30 June	**(306,209)**	(101,611)

(c) Nature and purpose of reserves

(i) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 2(n). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(ii) Share-based payments reserve

The share based payments reserve is used to recognise the fair value of rights issued but not exercised.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 2(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(iv) Transactions with non-controlling interests

This reserve is used to record the differences described in note 2(b)(ii) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Dividends

	2016 $'000	2015 $'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2015 of zero cents per fully paid share (2014: 11.0 cents per fully paid share paid 9 September 2014)		
100% unfranked (2014: 100% unfranked)	-	18,813
Total dividends provided for or paid	-	18,813
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2015 and 30 June 2016 were as follows:		
Paid in cash	-	18,813
	-	18,813
(b) Dividends not recognised at year end		
Since the end of the period the directors have determined that no dividend will be paid out of retained profits at 30 June 2016 (2015 - 0.0 cents). The aggregate amount of the dividend paid on 9 September 2014 out of retained profits at 30 June 2014, but not recognised as a liability at the end of the period, was	-	-

(c) Franked dividends

The Company has no franking credits available.

25 Key management personnel disclosures

(a) Directors

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

(i) Chairman - non-executive

Nick Greiner (resigned 10 November 2015)

(ii) Chairman - executive

Phil Arnall (appointed Non-Executive Chairman - 10 November 2015)

(iii) Executive director

Brian Hodges, Managing Director (resigned 31 Dec 15)

(iv) Non-Executive directors

Phil Arnall
Eileen Doyle (resigned 6 November 2015)
Greg Laurie
Peter Richards (resigned 6 November 2015)
Rupert Harrington (appointed 1 December 2015)
David Smith

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	*Position*	*Employer*
Stephen Cantwell	Executive General Manager - Mineral Processing	Bradken Resources Pty Ltd
Kevin McDermed	Chief Operating Officer - Engineered Products	Bradken Inc.
Steven Perry	Chief Financial Officer	Bradken Resources Pty Ltd
Brad Ward	Executive General Manager - Mining & Transport	Bradken Resources Pty Ltd
Paul Zuckerman	Chief Executive Officer (appointed March 2016)	Bradken Resources Pty Ltd

(c) Key management personnel compensation

	2016	2015
	$	$
Short-term employee benefits	**3,435,195**	5,194,454
Post-employment benefits	**182,369**	312,802
Other long-term benefits	**34,497**	66,202
Termination benefits	**1,000,000**	-
Share-based payments	**877,366**	1,468,545
	5,529,427	7,042,003

The company has taken advantage of the relief provided by Corporation and related legislation *Amendment Regulation 2013 (No. 1)* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections (a) to (f) of the remuneration report on pages 9 to 20.

(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 (C) of the remuneration report on pages 11 to 12 and in section (E) of the remuneration report on pages 14 to 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Remuneration of auditors

The current auditor of Bradken Limited is Ernst & Young. It is the Group's policy to employ Ernst & Young on assignments additional to their statutory audit duties where Ernst & Young's expertise and experience with the Group are important. 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:

	2016	2015
	$	$
Amounts received or due and receivable by Ernst & Young for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	**980,000**	970,000
Due diligence services in relation to the entity and any other entity in the consolidated group	**-**	200,000
Other services in relation to the entity and any other entity in the consolidated group	**-**	205,000
	980,000	1,375,000
Amounts received or due and receivable by related practices of Ernst & Young for:		
Indirect tax compliance services	**61,604**	83,727
Assurance related	**-**	-
	61,604	83,727
Amounts received or due and receivable by other audit firms for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	**-**	30,292
	-	30,292
Amounts received or due and receivable by other audit firms for:		
Taxation and tax compliance services	**660,326**	533,268
Other non-audit services.	**-**	19,145
	660,326	552,413

27 Contingencies

(a) Contingent Liabilities

The parent entity and Group had contingent liabilities at 30 June 2016 and 2015 in respect of:

Guarantees and letters of credit

	2016	2015
	$'000	$'000
Bank guarantees for contract performance	**67,508**	73,773
Letters of credit	**15,852**	4,741
Total estimated contingent liabilities	**83,360**	78,514

Information about guarantees given by entities within the Group, including the parent entity are described in note 30. No deficiencies of assets exist in any of these companies.

Claims

The Bradken Group is involved in various claims and lawsuits including worker's compensation claims 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. Based on legal advice obtained, any adverse impact of these claims is unlikely to be material

28 Commitments

(a) Capital commitments

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

	2016	2015
	$'000	$'000
Land & buildings		
Payable:		
Within one year	**-**	126
	-	126
Property, plant and equipment		
Payable:		
Within one year	**4,106**	9,573
Later than one year but not later than five years	**-**	43
	4,106	9,616

(b) Lease commitments

	2016	2015
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**15,920**	14,026
Later than one year but not later than five years	**39,872**	37,110
Later than five years	**50,725**	47,393
	106,517	98,529
Representing:		
Non cancellable operating leases	**104,948**	96,452
Future finance charges on finance leases	**1,569**	2,077
	106,517	98,529

28 Commitments (continued)

(i) Operating leases

Operating leases relate to buildings and plant and equipment with lease terms generally between 1 to 5 years however the lease agreements for the Steel River Corporate Office facility in NSW and the Bassendean facility in Western Australia are up to 15 years in length. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

	2016	2015
	$'000	$'000
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:		
Within one year	**15,320**	13,303
Later than one year but not later than five years	**38,916**	35,830
Later than five years	**50,712**	47,319
	104,948	96,452

(ii) Finance leases

The Group leases various items of plant and equipment with a carrying amount of $14,206,000 (2015: $15,348,000) 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.

	2016	2015
	$'000	$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**4,068**	4,982
Later than one year but not later than five years	**10,463**	11,305
Later than five years	**732**	2,207
Minimum lease payments	**15,263**	18,494
Future finance charges	**(1,569)**	(2,077)
Total lease liabilities	**13,694**	16,417
Representing lease liabilities:		
Current (note 20)	**3,471**	4,261
Non current (note 20)	**10,223**	12,156
	13,694	16,417

The weighted average interest rate implicit in the leases is 7.45**%** (2015: 7.35%).

29 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is Bradken Limited.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 25.

(c) Terms and conditions

Transactions relating to dividends were on the same conditions that applied to other shareholders.

The terms and conditions of the tax funding agreement are set out in note 8(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.

30 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 Resources Pty Limited
- Bradken Finance Pty Limited
- Bradken Operations 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'.

(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 2016 of the Closed Group outlined above.

	2016 $'000	2015 $'000
Income statement		
Revenue from continuing operations	**238,871**	279,523
Cost of sales	**(70,624)**	(183,547)
Gross profit	**168,247**	95,976
Other income	**15,618**	27,691
Selling and technical expenses	**(25,148)**	(33,939)
Administration expenses	**(13,803)**	(30,645)
Finance costs	**(17,400)**	(13,215)
Restructuring and asset impairment costs	**(185,019)**	(69,966)
Goodwill and intangible asset impairment	**(22,296)**	(56,350)
Impairment of investments	**(128,182)**	-
Share of net profit / (loss) of associates accounted for using the equity method	**-**	(45,110)
Profit / (Loss) before income tax	**(207,983)**	(125,558)
Income tax (expense) / benefit	**27,451**	12,615
Profit / (Loss) for the period	**(180,532)**	(112,943)
Statement of comprehensive income		
Profit / (Loss) for the period	**(180,532)**	(112,943)
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**2,033**	1,946
Exchange differences on translation of foreign operations	**231**	(157)
Changes in fair value of available for sale financial assets	**6,583**	-
Impairment of available for sale financial assets	**(6,583)**	-
Income tax relating to these items	**651**	(584)
Other comprehensive income / (loss) for the period, net of tax	**2,915**	1,205
Total comprehensive income / (loss) for the period	**(177,617)**	(111,738)
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the year	**(34,949)**	44,139
Profit / (Loss) for the period	**(180,532)**	(112,943)
Dividends provided for or paid	**-**	(18,813)
Dividends received from companies not in the Closed Group	**4,793**	52,668
Companies joining the Closed Group	**(21,935)**	-
Retained earnings / (Accumulated Deficit) at the end of the year	**(232,623)**	(34,949)

30 Deed of cross guarantee (continued)

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2016 for the Closed Group outlined above.

	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	6,524	126,475
Trade and other receivables	206,282	344,303
Finance lease assets	645	573
Inventories	74,524	82,675
Current tax assets	6,111	9,452
Derivative financial instruments	4,482	1,332
Assets held for sale	10,529	13,581
Total current assets	309,097	578,391
Non-current assets		
Investments	310,302	407,168
Finance lease assets	4,146	4,493
Investments accounted for using the equity method	-	8,683
Property, plant and equipment	94,531	154,007
Intangible assets	16,795	10,768
Available for sale financial assets	1,532	-
Deferred tax assets	52,599	20,818
Total non-current assets	479,905	605,937
Total assets	789,002	1,184,328
Current liabilities		
Payables	59,373	73,135
Borrowings	4,865	488
Provisions	45,484	50,780
Derivative financial instruments	1,197	1,356
Total current liabilities	110,919	125,759
Non-current liabilities		
Borrowings	316,864	521,392
Provisions	25,157	4,906
Total non-current liabilities	342,021	526,298
Total liabilities	452,940	652,057
Net assets	336,062	532,271
Equity		
Contributed equity	549,680	549,679
Reserves	19,005	17,541
Retained earnings / (Accumulated deficit)	(232,623)	(34,949)
Total equity	336,062	532,271

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

	2016 $'000	2015 $'000
Profit / (Loss) for the year	**(195,941)**	(241,295)
Share of losses of associates	**-**	9,102
Impairment of investments	**7,151**	36,008
Depreciation and amortisation of licences and designs	**44,744**	63,335
Impairment of property, plant and equipment	**156,170**	31,022
Impairment of goodwill and customer intangibles	**64,103**	167,182
Amortisation of finance costs	**3,064**	1,980
Non-cash employee benefits expense - share-based payments	**2,659**	3,484
Net (gain) / loss on sale of non-current assets	**(2,238)**	(25,568)
Net exchange differences	**4,935**	(313)
(Increase) / decrease in trade debtors and bills of exchange	**39,035**	(25,779)
(Increase) / decrease in inventories	**36,844**	(1,625)
(Increase) / decrease in deferred tax assets	**(49,585)**	(13,222)
Increase / (decrease) in trade creditors	**(31,848)**	5,244
(Increase) / decrease in other financial liabilities at fair value through profit or loss	**(6,009)**	1,415
Increase / (decrease) in provision for income taxes payable	**(7,893)**	1,661
Increase / (decrease) in provision for deferred income tax	**(19,823)**	(9,675)
Increase / (decrease) in other provisions	**28,560**	51,327
Net cash inflow from operating activities	**73,928**	54,283

32 Non cash investing and financing activities

	2016 $'000	2015 $'000
Acquisition of plant and equipment by means of finance leases	**2,069**	7,834
	2,069	7,834

Dividends satisfied by the issue of shares under the dividend reinvestment plan are shown in note 24 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 34.

33 Earnings per share

	2016 Cents	2015 Cents
(a) Basic earnings / (loss) per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**(114.6)**	(141.1)
Profit attributable to the ordinary equity holders of the company	**(114.6)**	(141.1)
(b) Underlying basic earnings / (loss) per share		
Underlying profit from continuing operations attributable to the ordinary equity holders of the company	**17.2**	19.8
Underlying profit attributable to the ordinary equity holders of the company	**17.2**	19.8
(c) Diluted earnings / (loss) per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**(114.6)**	(141.1)
Profit attributable to the ordinary equity holders of the company	**(114.6)**	(141.1)
(d) Underlying diluted earnings / (loss) per share		
Underlying profit from continuing operations attributable to the ordinary equity holders of the company	**16.8**	19.5
Underlying profit attributable to the ordinary equity holders of the company	**16.8**	19.5

Underlying profit represents statutory profit after tax before significant items, $4.9m unrealised foreign exchange losses (Jun 2015 $0.6m loss) and the $2.2m loss incurred by the Group's UK operations which are currently being divested.

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

	2016 $'000	2015 $'000
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**(195,941)**	(241,295)

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

	2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**171,027,249**	171,027,249
Adjustments for calculation of diluted earnings per share:		
Rights	**3,965,241**	3,167,875
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**174,992,490**	174,195,124

(g) Information concerning the classification of securities

(i) Rights

Rights granted to employees under the Bradken Performance Rights Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The Rights have not been included in the determination of basic earnings per share. Details relating to the Rights are set out in note 35.

34 Share based payments

The Group initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. The Group initially measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed below.

(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 2016 there are no Directors participating in the NED plan.

(b) Performance Rights Plan

The Performance Rights Plan (PRP) is the Company's long-term incentive (LTI) scheme for selected key executives. The CEO 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 or key personnel according to scheme rules. 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.

There are 2 schemes in operation which are based on different performance conditions.

For the executive scheme 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.

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

34 Share based payments (continued)

(b) Performance Rights Plan (continued)

For all other key personnel the long term incentive (LTI) is paid wholly on Earnings Per Share (EPS) performance over a 3 year period. The initial rights for these personnel are provided based on a range of 20% to 30% of the key personnel's total cash base remuneration depending on the position held. No rights vest to the key personnel if Bradken's average EPS growth over a 3 year period is below 5% and no re-testing occurs. The Average EPS Growth for the Company for the Performance Period is determined by:

(a) adding the EPS Growth for each of the three financial years comprising the Performance Period; and

(b) dividing that figure by three, being the number of financial years comprising the Performance Period.

The EPS performance conditions in relation to the grants issued are:

Result for performance period	Percentage of Rights available in given year to vest
The Company's average EPS growth is below 5%	0
The Company's average EPS growth equals 5%	50
The Company's average EPS growth is between 5% and 15%	Pro rata between 50 and 100
The Company's average EPS growth equals or exceeds 15%	100

In assessing whether the performance hurdles have been met, the Human Resources Committee receives independent data from an investment bank which provides the Company's TSR from previous financial years and that of the performance of the ASX Small Cap Industrial Index. In the case of the TSR hurdle the Company's performance is then compared with each Company in the ASX Small Cap Industrial Index and Bradken is ranked in order of TSR in results from previous financial years. The Company's TSR percentile ranking is determined by aggregating the weighting within the ASX Small Cap Industrial Index (based on market capitalisation) of each company ranked below Bradken. The method of assessment was chosen for executives 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. With respect to the EPS measure, the EPS of the Company for a financial year is the amount determined by the Board to be the NPAT of the Company for the financial year divided by the weighted average number of Shares in the Company over the financial year. This measure ensures alignment of key personnel with shareholder returns.

Once vested the performance rights are exercised on the final test date depending on the conditions of the grant.

New entrants to the schemes are provided with a transition to the 3 year plan. Rights granted under the PRP carry no dividend or voting rights. The terms and conditions of each grant of Rights affecting remuneration in the previous, this or future reporting periods are as follows:

Summary of Rights issues in the plan:

Grant date	Number of Rights	Fair value per Right	Financial periods in which Rights may vest
19 September 2013	29,936	$4.53	30 June 2016 / 2017
19 September 2013	819,662	$3.96	30 June 2017
22 October 2013	142,151	$4.43	30 June 2017
21 August 2014	1,503	$4.11	30 June 2017
21 August 2014	3,005	$4.11	30 June 2017
21 August 2014	446,827	$4.11	30 June 2018
21 August 2014	354,538	$3.05	30 June 2018
21 October 2014	174,900	$1.98	30 June 2018
10 August 2015	958,449	$0.93	30 June 2019
10 August 2015	1,034,270	$0.53	30 June 2019

There were no other Rights eligible for issuance under the scheme at 30 June 2016.

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

34 Share based payments (continued)

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
2016						
18 November 2005	10,344	-	(10,344)	-	-	-
30 October 2006	7,340	-	(7,340)	-	-	-
30 October 2006	14,993	-	(14,993)	-	-	-
31 October 2007	3,353	-	(3,353)	-	-	-
17 October 2008	116	-	(116)	-	-	-
17 October 2008	10,269	-	(10,269)	-	-	-
23 October 2012	1,063,701	-	-	(1,063,701)	-	-
19 September 2013	14,968	-	-	(14,968)	-	-
19 September 2013	29,936	-	-	-	29,936	-
19 September 2013	881,326	-	-	(61,664)	819,662	-
22 October 2013	142,151	-	-	-	142,151	-
21 August 2014	493,392	-	-	(42,057)	451,335	-
21 August 2014	354,538	-	-	-	354,538	-
21 October 2014	174,900	-	-	-	174,900	-
10 August 2015	-	1,024,081	-	(65,632)	958,449	-
10 August 2015	-	1,034,270	-	-	1,034,270	-
Total	3,201,327	2,058,351	(46,415)	(1,248,022)	3,965,241	-
Weighted average price	4.21	0.76		4.49	2.34	

Vesting for the performance period to 30 June 2016 will occur following the test date on 23 August 2016.

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
2015						
18 November 2005	10,344	-	-	-	10,344	10,344
30 October 2006	7,340	-	-	-	7,340	7,340
30 October 2006	14,993	-	-	-	14,993	14,993
31 October 2007	3,353	-	-	-	3,353	3,353
17 October 2008	116	-	-	-	116	116
17 October 2008	12,690	-	(2,421)	-	10,269	10,269
7 October 2011	603,519	-	-	(603,519)	-	-
23 October 2012	61,369	-	-	(61,369)	-	-
23 October 2012	1,102,100	-	-	(38,399)	1,063,701	-
19 September 2013	19,384	-	-	(4,416)	14,968	-
19 September 2013	38,769	-	-	(8,833)	29,936	-
19 September 2013	926,328	-	-	(45,002)	881,326	-
22 October 2013	142,151	-	-	-	142,151	-
21 August 2014	-	525,211	-	(31,819)	493,392	-
21 August 2014	-	354,538	-	-	354,538	-
21 October 2014	-	174,900	-	-	174,900	-
Total	2,942,456	1,054,649	(2,421)	(793,357)	3,201,327	46,415
Weighted average price	3.92	3.40		4.47	3.61	3.48

The expiry dates of all grants shown in the tables above are 10 years from the test date. The weighted average share price at the date of exercise of Rights exercised regularly during the year ended 30 June 2016 was $1.17 (2015: $2.44). The weighted average remaining contractual life of share Rights outstanding at the end of the period was 1.67 years (2015: 1.49 years).

34 Share based payments (continued)

Fair value of Rights granted

The assessed fair value at grant date of Rights granted during the year ended 30 June 2016 was between $0.53 and $0.93 per right (2015: between $1.98 and $4.11). The fair value at grant date for rights granted during the years ended 30 June 2015 and 30 June 2016 were determined using a Monte Carlo option pricing model that took 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. In previous periods a Black Scholes option pricing model was used for the valuation using similar inputs.

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%
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	Final test date	3.71	-	6.05	129%	5.52%	0.00%
29/10/2009	Final test date	4.41	-	6.05	129%	5.52%	0.00%
5/11/2010	Final test date	5.13	-	8.60	125%	5.25%	0.00%
5/11/2010	Final test date	6.12	-	8.60	125%	5.25%	0.00%
7/10/2011	Final test date	4.76	-	6.80	121%	4.24%	0.00%
7/10/2011	Final test date	4.01	-	6.80	121%	4.24%	0.00%
23/10/2012	Final test date	2.84	-	4.96	119%	3.08%	0.00%
23/10/2012	Final test date	3.39	-	4.96	119%	3.08%	0.00%
19/09/2013	Final test date	4.96	-	5.99	50%	2.48%	0.00%
19/09/2013	Final test date	4.53	-	5.99	50%	2.76%	0.00%
19/09/2013	Final test date	3.96	-	5.99	50%	2.76%	0.00%
22/10/2013	Final test date	4.43	-	6.45	50%	2.92%	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.

(c) 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:

	2016 $'000	2015 $'000
Rights issued under Performance Rights Plan	**2,659**	3,484
	2,659	3,484

35 Business combination

(a) Summary of acquisitions and assets and liabilities acquired

Current Period

L&T Foundry - Coimbatore India

On 4 March 2016 Bradken India Private Limited (a 100% subsidiary of Bradken Operations Pty Limited and Bradken Finance Pty Limited) acquired the Foundry Business Unit (FBU) in Coimbatore India from Larsen & Toubro Limited.

The total consideration for the acquisition amounted to $33.3m.This was funded from existing facilities with a 20% deposit paid 18 May 2015 and a further 30% paid on the acquisition date. A further 30% instalment is due 1 July 2016 and the final 20% is due the earlier of Government land approvals or the 4 March 2017 (but not prior to 1 July 2016).

The acquired business has been absorbed into the Mineral Processing business. It is not practical to disclose revenues and net profit after tax to the Group for the full year as if the acquisition had taken place on 1 July 2015. Acquisition costs for the period were $2.9m and are included in administration expenses in profit or loss.

	$'000
Purchase consideration	**33,279**
The preliminary fair value of net identifiable assets acquired (refer below)	**29,684**
Goodwill	**3,595**

The goodwill is attributable to the profitability of the acquired business and synergies expected to arise after the acquisition of the business.

The preliminary fair value of assets and liabilities arising from the acquisition are as follows and will be finalised within the next 12 months:

	Fair value $'000
Property, plant and equipment	21,283
Inventories	5,549
Receivables	7,909
Payables	(4,979)
Provisions	(78)
Net identifiable assets acquired	**29,684**

36 Parent entity financial information

(a) Summary financial information

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

	2016 $'000	2015 $'000
Balance sheet		
Total assets	**336,062**	**538,505**
Shareholders' equity		
Issued capital	**715,293**	**715,293**
Share-based payments reserve	**21,193**	**18,479**
Retained earnings	**(400,424)**	**(195,267)**
	336,062	**538,505**
Profit or loss for the year	**(205,157)**	**(350,225)**
Total comprehensive income	**(205,157)**	**(350,225)**

(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. The parent entity is also guarantor under the terms of the Redeemable Preference Shares Investment Agreement to unconditionally and irrevocably guarentee all payments due in respect of the redeemable preference shares.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

(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 2016 or 30 June 2015.

37 Assets held for sale

During the course of the year ended 30 June 2016 the Group has announced continuing plans for restructure which has resulted in the closure of several of the Group's facilities.

Property, plant and equipment at these facilities has been identified as held for sale to external parties to the Group. These asset sales are expected to be completed during the year ended 30 June 2017.

	Note	2016 $'000	2015 $'000
Assets			
Property, plant & equipment	14	**14,858**	13,581

The assets are located in Australia at Muswellbrook in NSW, Launceston in Tasmania, Welshpool in Western Australia and in the UK at Scunthorpe and Darlaston. The Australian assets are part of the Mining and Transport segment and the UK assets are part of the Engineered Products segment.

During the period the Launceston property was sold, a loss of $503k being recognised on the sale.

Henderson and Cannington properties held for sale at June 30 2015 were also sold. A loss of $791k was recognised on the sale of Henderson and a gain on of $591k was recognised on the sale of the Cannington property.

38 Available for Sale Financial Assets - Investment in ANG

	2016	2015
	$'000	$'000
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial period	**-**	-
Reclassification from Investment in Associates to Available for Sale Financial Assets	**8,683**	
Adjustment to fair value on recognition of initial loss of significant influence	**(568)**	-
Share of profits after income tax	**-**	-
Impairment of investment	**(6,583)**	-
Carrying amount at the end of the financial period	**1,532**	-

On 30 June 2015 the carrying value of the investment in ANG was $8.7m. During July 2015 ANG undertook a capital raising whereby eligible shareholders were entitled to subscribe for 5 new shares for every 6 held as at 29 July 2015. Bradken declined to take up this offer and as a result its shareholding was diluted from 21.7% to 11.8% resulting in a loss of "significant influence". Due to the decline in ownership to less than 20% and the loss of significant influence the equity method of accounting for this investment used in prior periods is no longer applicable. The investment has been reclassified from being an investment in associate to an available for sale financial asset at the date of dilution and a loss of $568k was recognised. Available for sale financial assets are carried at fair value with cumulative fair value adjustments recognised in other comprehensive income until the investment is realised or unless the investment is considered to be impaired. As a result of the prolonged downturn in the resource sector, the Directors have assessed the change in fair value of Austin Engineering Limited during the period to represent an impairment of the investment and the decline in fair value during the period of $6.6m has been transferred from other comprehensive income to impairment expense.

39 Events occurring after balance sheet date

On the 27th July 2016 the Group announced a business restructure designed to reduce overhead costs further, better deliver its capabilities to customers and set the Group up for future growth. The Group will now have three business units (down from five) and two new global support functions. Moblie Plant (formerly Mining and Transport), Mining Fixed Plant (combining former business units Minerals Processing with Fixed Plant) and Engineered Products, with support groups Technology/Operational Excellence and Supply Chain.

Other than the above no material events have occurred that affect the operations of the Group from the end of the financial period ended 30 June 2016 to the date of issue of this report.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 24 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 2016 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 30 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 30.

Note 2(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:

Phil Arnall
Non Executive Chairman

Sydney
22 August 2016

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Independent auditor's report to the members of Bradken Limited

Report on the financial report

We have audited the accompanying financial report of Bradken Limited, which comprises the consolidated balance sheet as at 30 June 2016, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls 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 controls. 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.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is referenced in the directors' report.

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 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 20 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Bradken Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Trent van Veen
Partner
Sydney
22 August 2016

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 August 2016

A. Distribution of equity security holders

Analysis of numbers of equity security holders by size of holding:

	Class of equity security		
	Ordinary shares	**Redeemable preference shares**	**Rights**
1 – 1,000	2,004	0	0
1,001 – 5,000	4,493	0	3
5,001 – 10,000	1,229	0	15
10,001 – 100,000	1,079	1	55
100,001 and over	90	4	10
	8,895	5	83

The number of shareholders holding less than a marketable parcel of ordinary shares is 422

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	**Number held**	**Percentage of issued shares**
Citicorp Nominees Pty Limited.	46,376,873	27.1%
HSBC Custody Nominees (Australia) Limited.	12,443,510	7.3%
J P Morgan Nominees Australia Limited.	11,079,300	6.5%
HSBC Custody Nominees (Australia) Limited-GSCO ECA.	8,588,559	5.0%
National Nominees Limited.	7,623,661	4.5%
CS Third Nominees Pty Limited.	5,270,641	3.1%
HSBC Custody Nominees (Australia) Limited NT-Comnwlth Super Corp A/c.	3,668,550	2.1%
BNP Paribas Nominees Pty Limited.	3,376,000	2.0%
RBC Investor Services Australia Pty Limited.	2,715,224	1.6%
Mr Brian Hodges.	2,038,209	1.2%
Le Grand Pty Limited.	905,976	0.5%
Silverjack Pty Limited.	835,000	0.5%
Kembla No 20 Pty Limited.	780,000	0.5%
Tom Hadley Enterprises Pty Limited.	750,000	0.4%
Creative Living (QLD) Pty Limited.	640,000	0.4%
CS Fourth Nominees Pty Limited.	607,547	0.4%
Famarn Pty Limited.	523,330	0.3%
ABN Amro Clearing Sydney Nominees Pty Limited.	511,428	0.3%
Brispot Nominees Pty Limited.	504,967	0.3%
BNP Paribas Nominees Pty Limited.	485,082	0.3%
	109,723,857	64.2%

SHAREHOLDER INFORMATION

C. Substantial shareholders

Substantial holders in the company are set out below:

Shareholder	Number of ordinary shares
Litespeed Master Fund Ltd.	22,118,990
Delta Partners, LP.	9,274,120
Paradice Investment Management Pty Ltd.	9,250,690

D. Voting rights

(a) Ordinary shares

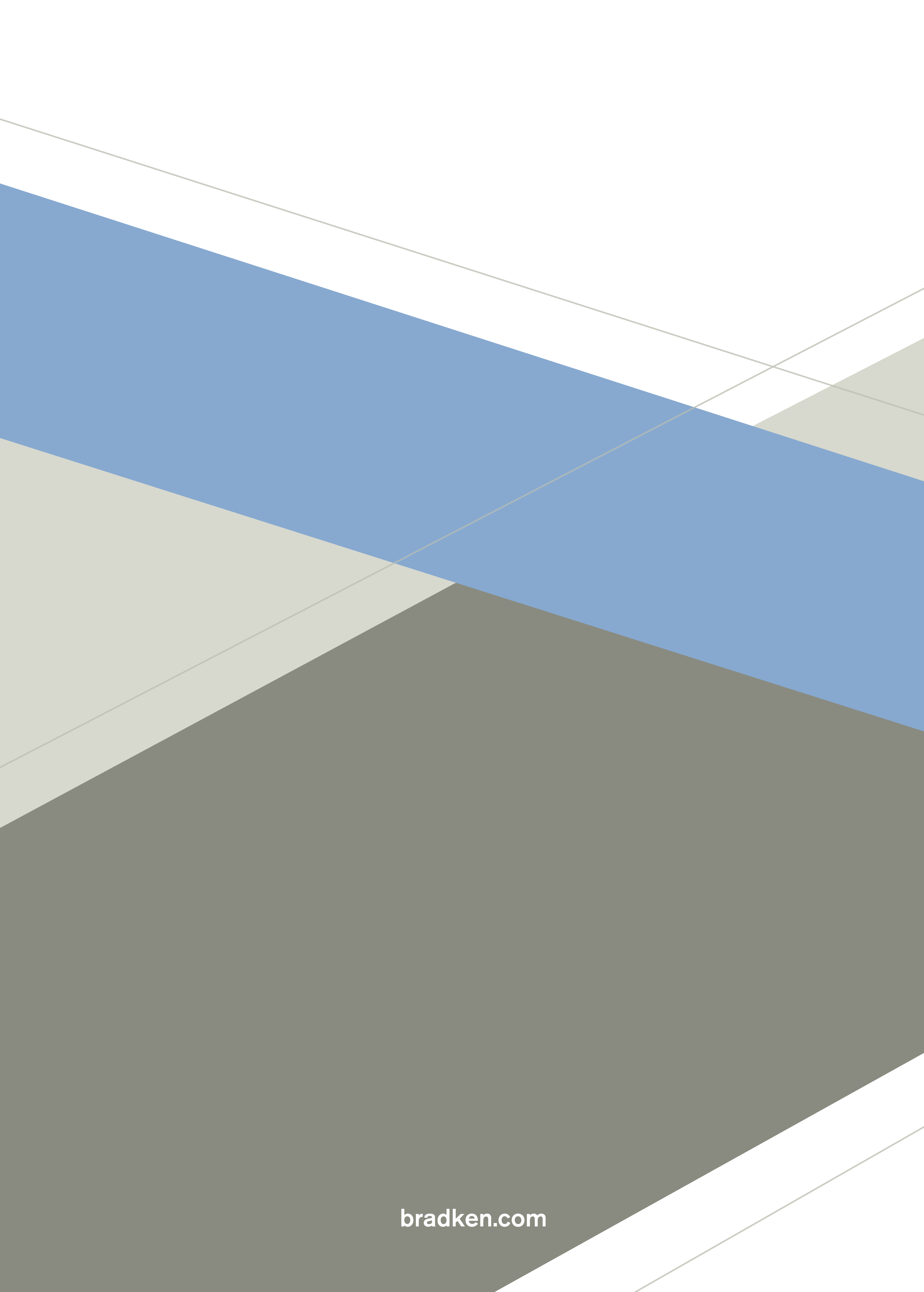
On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share shall have one vote.

(b) Redeemable preference shares

No voting rights

(b) Rights

No voting rights


bradken.com