16 February 2016

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

Dear Sir

Please find attached the Company's announcement of it's interim results for the 2015/16 year, for immediate release to the market.

Included in this announcement is Appendix 4D and Half Yearly Report for the period to 31 December 2015.

Yours faithfully

Steven Perry
Company Secretary
Encl:

BRADKEN LIMITED

Appendix 4D

Half Year Report Period Ended 31 December 2015

Results for Announcement to the Market

		Percentage Change		$'000
Revenues from ordinary activities	Down	18%	to	404,536
Net profit / (loss) from ordinary activities after tax attributable to members	Down	82%	to	(168,056)
Net profit / (loss) for the period attributable to members	Down	82%	to	(168,056)
*Underlying net profit / (loss) for the period attributable to members	Down	49%	to	7,122
*Underlying EBITDA for the period attributable to members	Down	28%	to	51,907
**Free Cashflow	Up		to	24,301

*Underlying NPAT represents statutory NPAT before, the after tax impact of: significant items, $2.2m foreign exchange losses (Dec 2014 $0.4m loss) and the $1.5m loss incurred by the Group 's UK operations which are currently being divested.

*Underlying EBITDA represents statutory EBITDA before; significant items, $2.2m foreign exchange losses (Dec 2014 $0.4m loss) and the $1.5m loss incurred by the Group's UK operations which are currently being divested.

**Free cashflow (operating cashflow less cashflow from investing activities) increased to $24.3m in Dec 2015 from ($6.3m) in Dec 2014.

Dividends

	Amount per Security	Percentage Franked
Current period:		
The Directors have not proposed a dividend payment for the current period.		
There was no final dividend paid for the current period.		
Prior corresponding period:		
Interim Dividend	0 cents	0

Net Tangible Assets per Security	
As at 31st December 2015	$1.14
As at 31st December 2014	$1.83

Bradken Limited

Interim Report 31 December 2015

Contents Page

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Bradken Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

BRADKEN

Corporate directory

Directors	Phil Arnall, B.Com. *Acting Managing Director and Executive Chairman* Greg Laurie, B.Com. *Independent Non-Executive Director* David Smith, B.Sc., PhD *Independent Non-Executive Director* Rupert Harrington BTech, MSc, CDipAF, MAICD *Independent Non-Executive Director*
Company Secretary and CFO	Steven Perry, B.Com. MBA, CPA
Joint Company Secretary	David Chesterfield, MBA
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 680 George Street Sydney NSW 2000
Stock exchange listings	Bradken Limited shares are listed on the Australian Stock Exchange. The home exchange is Sydney.
Web site address	www.bradken.com

Directors' Report

Your directors present their report on the consolidated entity consisting of Bradken Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2015.

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

Phil Arnall
Acting Managing Director and 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)

Commentary on results and review of operations

	HY15	HY14	Change
NPAT	($168.1m)	($92.6m)	Down 81.5%
EBITDA	$13.7m	$14.5m	Down 5.5%
Underlying NPAT	$7.1m	$13.8m	Down 48.6%
Underlying EBITDA	$51.9m	$72.3m	Down 28.2%
Underlying EBITDA margin	12.9%	14.6%	
Sales revenue	$404.5m	$495.4m	Down 18.3%
Operating cash flow	$26.9m	$16.6m	Up 62.0%
Underlying earnings / (loss) per share	4.2 cents	8.3 cents	Down 4.1 cents
Dividends per share	0.0 cents	0.0 cents	Down 0.0%
LTIFR	2.9	4.1	

*Underlying NPAT represents statutory NPAT before, the after tax impact of: significant items, $2.2m foreign exchange losses (Dec 2014 $0.4m loss) and the $1.5m loss incurred by the Group 's UK operations which are currently being divested.

*Underlying EBITDA represents statutory EBITDA before; significant items, $2.2m foreign exchange losses (Dec 2014 $0.4m loss) and the $1.5m loss incurred by the Group's UK operations which are currently being divested.

Net loss after tax attributable to members for the half year was $168.1m loss (2014 $92.6m loss).

Review of the operations

Mining related consumable products sales were in line with the previous period, with ground engaging tool product sales increasing slightly. Rail capital sales were negligible when compared to the $25 million in the previous period. Australia and New Zealand industrial product sales were also significantly down reflecting lower economic activity in these markets. Right-sizing the operations of the newly formed Mining & Transport Division continues with the announced closure of Launceston and Acacia Ridge foundries and material reduction in Selling, General and Administrative cash costs taking effect

In the Mineral Processing Division, sales remained strong throughout the period with significantly higher levels of order intake and a closing order book of $114 million, up 12% on HY15. Margins remained healthy over the period as a result of restructuring efforts and favourable movements in other determinants of costs such as FX translation. The business continues to be successful in winning work in key developing mining regions including Africa, South America and Indonesia. Acquisition of the Indian foundry expected to take place in March 2016 will provide this business with further low cost capacity over time.

In the Engineered Products Division, sales revenue was down 12% compared with the June 2015 half, reflecting further reductions in the capital mining markets, coupled with softening in the energy and transport markets. These decreases were partially offset by increases in military projects, principally components for submarine builds, which will continue into 2017. Overall, order intake for the period remained low, however improved demand from the military and locomotive markets is expected in the second half. The business has undergone significant restructuring including the closure of the Chehalis foundry in 2015 and a production line in the Atchison foundry in early 2016. Actions to right-size the business to the current order intake levels will continue throughout the second half

In the Fixed Plant Division, sales decreased 7% compared with the June 2015 half due to lower capital related project activity in the iron ore and oil sands markets. However replacement and maintenance parts sales increased by 10%. In the Pilbara region, the business has been successful in providing customers with engineered solutions which have significantly reduced their operating costs and this initiative is now being successfully replicated in the oil sands region in Canada. Market activity in the period was strong with order intake higher than sales levels reflective of increased mining production levels. The business was also successful in winning significant new maintenance work in Canada.

Financial Overview

Underlying EBITDA was $51.9 million, a reduction of 19% on the June 2015 half, largely due to the fall in revenue but cushioned by increased gross margins and overhead reductions of $7 million compared to the previous period.

Net Profit after Tax was a loss of $168.1 million and was after the following major one-off items:

- restructuring costs of $17.9 million before tax related to the manufacturing reorganisation and restructuring of the overhead cost base;
- impairment of plant and equipment of $116.9 million and of intangibles of $64.1 million. Although a full assessment for impairment was completed in June 2015, further impairment has been required in the Mining and Transport and Engineered Products Divisions reflecting the difficulty in forecasting a recovery in capital mining products; and
- impairment of the investment in Austin Engineering of $5.5 million.

Operating Cash Flow (before restructuring costs) was strong at $41 million aided by lower inventory levels and lower tax payments. This equates to an EBITDA to cash conversion rate of 78%, slightly higher than the previous five year average of 67%. Capex reduced 71% from the previous period to $8 million, being mostly for stay-in-business purposes. The sale of surplus properties including the Henderson and Cannington sites generated $6 million.

Excluding the effects of foreign exchange translation, free cash flow for the period would have reduced net debt 6% or $24 million. Following a substantial reduction of USD denominated debt, no translation impact has been recorded since the end of July 2015 and no further material translation impact is forecast. A 10% devaluation of the AUD against the USD would now give rise to $6 million in translation. Bradken has a long-term debt maturity profile with no refinancing required before July 2018 and maturities out to 2023.

Segment revenues and results

A summary of consolidated revenues and results for the half year by significant industry segments is set out on pages 13 and 14.

Subsequent events

On the 21st January 2016 Bradken announced its intention to divest its UK operations. The business has been unprofitable for some time due to low sales volumes and is not expected to recover in the medium term (December half year underlying EBITDA $1.5m loss). Apart from this there has not arisen in the interval between the end of the interim period 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.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of this report.

Rounding of amounts

The company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the director's report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order unless otherwise noted.

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

Phil Arnall
Acting Managing Director and Executive Chairman

Newcastle
15 February 2016

Ernst & Young
680 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 review of Bradken Limited for the half-year ended 31 December 2015, 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 review; and

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

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

Ernst + Young

Ernst & Young

Trent van Veen
Partner
Sydney
15 February 2016

	Notes	31 December 2015 $'000	31 December 2014 $'000
Revenue from continuing operations		**404,536**	495,375
Cost of sales		**(349,905)**	(417,379)
Gross profit		**54,631**	77,996
Other income	2	**11,729**	9,647
Selling and technical expenses		**(27,035)**	(27,522)
Administration expenses		**(32,854)**	(36,268)
Finance costs		**(17,884)**	(15,488)
Restructuring and fixed asset impairment costs	2	**(134,794)**	(42,588)
Goodwill and Intangible asset impairment	2	**(64,103)**	(37,806)
Impairment of available for sale financial assets	2, 3	**(5,492)**	-
Share of net profit of associates accounted for using the equity method and impairment expense	2, 3	**-**	(25,700)
Net (loss) / profit before income tax		**(215,802)**	(97,729)
Income tax benefit / (expense)		**47,746**	5,133
Net (loss) / profit for the half year		**(168,056)**	(92,596)
Net (loss) / profit attributable to:			
Owners of Bradken Limited		**(168,056)**	(92,596)
		(168,056)	(92,596)
		Cents	Cents
(Loss) / earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic (loss) / earnings per share:	8	**(98.3)**	(54.1)
Diluted (loss) / earnings per share:	8	**(98.3)**	(54.1)

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

	Notes	31 December 2015 $'000	31 December 2014 $'000
Net (loss) / profit for the half year		**(168,056)**	(92,596)
Other comprehensive income / (loss)			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		**(2,016)**	4,874
Exchange differences on translation of foreign operations		**(6,592)**	49,459
Income tax relating to these items		**605**	(1,462)
Changes in fair value of available for sale financial assets	3	**4,924**	-
Impairment of available for sale financial assets	3	**(4,924)**	-
Items that will not be reclassified to profit or loss			
Actuarial (losses) / gains on retirement benefit obligations		**(3,003)**	(4,097)
Other comprehensive (loss) / income for the half year net of tax		**(11,006)**	48,774
Total comprehensive (loss) / income for the half year		**(179,062)**	(43,822)
Total comprehensive (loss) / income for the half year is attributable to:			
Owners of Bradken Limited		**(179,062)**	(43,822)
		(179,062)	(43,822)

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

Consolidated statement of financial position
As at 31 December 2015

	Note	31 December 2015 $'000	30 June 2015 $'000
Current assets			
Cash and cash equivalents	9	**60,210**	278,408
Receivables		**135,649**	166,647
Other receivables and other assets		**573**	573
Inventories		**185,606**	211,035
Current tax assets		**1,058**	9,857
Derivative financial instruments		**3,700**	1,332
Assets held for sale		**8,281**	13,581
Total current assets		**395,077**	681,433
Non-current assets			
Receivables		**1,503**	2,843
Other receivables and other assets		**4,329**	4,493
Property, plant and equipment		**445,844**	566,622
Deferred tax assets		**72,493**	25,880
Intangible assets		**161,259**	233,859
Available for sale financial assets	3	**3,191**	-
Investments accounted for using the equity method	3	**-**	8,683
Total non-current assets		**688,619**	842,380
Total assets		**1,083,696**	1,523,813
Current liabilities			
Payables		**99,375**	153,844
Borrowings		**13,834**	54,042
Redeemable convertible preference shares		**64,225**	63,700
Current tax liabilities		**6,518**	6,176
Provisions		**62,739**	62,712
Derivative financial instruments		**2,906**	5,556
Total Current Liabilities		**249,597**	346,030
Non-current liabilities			
Payables		**9,250**	9,371
Borrowings		**389,590**	571,514
Deferred tax liabilities		**26,942**	36,977
Provisions		**48,128**	21,416
Total non-current liabilities		**473,910**	639,278
Total liabilities		**723,507**	985,308
Net assets		**360,189**	538,505
Equity			
Contributed equity		**549,671**	549,671
Reserves		**83,188**	90,445
Accumulated losses		**(272,670)**	(101,611)
Capital and reserves attributable to the owners of Bradken Limited		**360,189**	538,505
Total equity		**360,189**	538,505

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

		Attributable to owners of Bradken Limited			
		Contributed Equity	Reserves	Retained earnings	Total
	Notes	$'000	$'000	$'000	$'000
Balance at 1 July 2014		**549,671**	**19,730**	**160,416**	**729,817**
Net profit / (loss) for the half year		-	-	(92,596)	(92,596)
Other comprehensive income / (loss)		-	52,871	(4,097)	48,774
Total comprehensive income / (loss) for the half year		**-**	**52,871**	**(96,693)**	**(43,822)**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	5	-	-	(18,813)	(18,813)
Employee share options - value of employee services		-	2,285	-	2,285
		-	**2,285**	**(18,813)**	**(16,528)**
Balance at 31 December 2014		**549,671**	**74,886**	**44,910**	**669,467**
Balance at 1 July 2015		**549,671**	**90,445**	**(101,611)**	**538,505**
Net (loss) / profit for the half year		-	-	(168,056)	(168,056)
Other comprehensive (loss) / income		-	(8,003)	(3,003)	(11,006)
Total comprehensive (loss) / income for the half year		**-**	**(8,003)**	**(171,059)**	**(179,062)**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	5	-	-	-	-
Employee share options - value of employee services		-	746	-	746
		-	**746**	**-**	**746**
Balance at 31 December 2015		**549,671**	**83,188**	**(272,670)**	**360,189**

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

	Notes	31 December 2015 $'000	31 December 2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**463,087**	548,158
Payments to suppliers and employees (inclusive of goods and services tax)		**(419,560)**	(514,783)
		43,527	33,375
Interest received		**234**	431
Interest paid		**(17,721)**	(14,031)
Income taxes paid		**843**	(3,173)
Net cash inflow / (outflow) from operating activities		**26,883**	16,602
Cash flows from investing activities			
Payment for property, plant and equipment		**(8,197)**	(25,930)
Payments for design costs		**(428)**	(962)
Increase in investments by way of share purchases		**-**	(622)
Proceeds from sale of assets held for sale		**5,979**	-
Proceeds from sale of property, plant and equipment		**64**	4,600
Net cash inflow / (outflow) from investing activities		**(2,582)**	(22,914)
Cash flows from financing activities			
Proceeds from borrowings		**27,267**	79,527
Repayment of borrowings		**(265,769)**	(59,439)
Payments of finance lease liabilities		**(4,739)**	(4,718)
Dividends paid to company's shareholders		**-**	(18,813)
Net cash inflow / (outflow) from financing activities		**(243,241)**	(3,443)
Net increase / (decrease) in cash and cash equivalents		**(218,940)**	(9,755)
Cash and cash equivalents at the beginning of the half year		**278,220**	144,479
Effects of exchange rate changes on cash and cash equivalents		**74**	8,610
Cash and cash equivalents at the end of the half year	9	**59,354**	143,334

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

1 Basis of preparation of half year financial report

This general purpose consolidated financial report for the interim half year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Bradken Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted and methods of computation are consistent with those of the previous financial year and corresponding interim reporting period with the exception of the changes to accounting policies outlined below. The presentation of financial information may also differ to the previous financial report to facilitate comparability of current year financial information.

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

AASB 9 Financial Instruments

On 24 July 2014 the IASB issued the final version of IFRS 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. The standard is not applicable until 1 January 2018 and will become effective for the Group on 1 July 2018 but is available for early adoption. The Group is currently assessing the full impact of the standard on its accounting policy, financial position and financial performance. The Group has not yet decided when to adopt AASB 9.

AASB 15 Revenue from Contracts with Customers

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. In December 2015, the Australian Accounting Standards Board deferred the application of this standard to annual periods beginning on or after 1 January 2018. (i.e. this will be effective for the Group on 1 July 2018). The Group is currently assessing the impact of AASB 15 and has not yet decided when to adopt it.

IFRS 16 Leases

In January 2016, the International Accounting Standards Board issued IFRS 16 Leases which replaces IAS 17. The new standard requires that 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 IFRS 16. The corresponding Australian accounting standard has not yet been issued by the Australian and Accounting Standards Board.

2 Significant items

	Notes	Half year December 2015 $'000	Half year December 2014 $'000
Gains			
(included in other income are the following significant items)			
Insurance recoveries in relation to Runcorn fire	(a)	**1,154**	1,114
Net gain on sale of Mittagong property		**-**	2,112
Net gain on sale of Cannington property		**591**	-
Gain on revaluation of derivative component of Redeemable Preference Shares		**3,400**	-
		5,145	3,226
Expenses			
Manufacturing reorganisation	(b)	**17,924**	25,486
Impairment of property, plant & equipment	(e)	**116,870**	31,525
Impairment of goodwill and other intangible assets	(e)	**64,103**	39,532
Due diligence, acquisition and legal costs	(c)	**2,665**	468
Loss on disposal of plant & equipment		**16**	331
Inventory valuation adjustment *		**894**	1,225
Impairment of investment in Austin Engineering Limited		**5,492**	25,600
Rail warranty expense	(d)	**18,183**	-
		226,147	124,167
Total of significant (gains) and expenses		**221,002**	120,941

* In the prior period this related to the change of overhead allocation rates following the Unibis ERP system implementation in the United States.

(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. The company is continuing to work with its insurer to assess the final damage. For the period ended 31 December 2015, the company was entitled to net insurance proceeds, after deductibles, of $1.2 million.

(b) Manufacturing reorganisation

As previously announced and reaffirned, the Group has continued to review its operational footprint and execute its restructuring program. In the six months ended 31 December 2015, the Group expensed $17.9 million of redundancy and other restructuring costs and had a remaining provision balance of $22.4 million as at 31 December 2015.

(c) Due diligence, acquisition, legal costs and other

During the period Bradken incurred $0.9 million of due diligence costs associated with acquisitions that did not proceed and a further $0.5 million of legal costs. As part of the exit package negotiated with the former Managing Director, a $1.0 million expense has been recognised by the Group.

(d) Rail 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. The $18.2 million expense 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 closing balance of this provision is $17.5 million.

(e) Impairment of property, plant and equipment, goodwill and other intangible assets

At the half year, each Cash Generating Unit (CGU) is reviewed to assess whether any indicators of impairment exist. As a result of this review at 31 December 2015, it was identified that there were indicators of impairment associated with the Mining & Transport and Engineered Products CGUs.

As a consequence, the Group has re-assessed the recoverable amount of the Mining & Transport and Engineered Products CGUs. This resulted in a $105.3 million impairment expense against plant and equipment and $2.3 million of design costs all allocated to the Mining & Transport CGU. A $49.0 million impairment expense against goodwill, $12.8 million impairment expense against customer lists and a $6.4 million impairment expense against plant & equipment allocated to the Engineered Products CGU.

2 Significant items (continued)

Of the $116.9 million fixed asset impairment expense recognised during the period, $5.1 million related to the facilities subject to closure already announced.

The impairment of goodwill has been treated as non-deductible for income tax purposes.

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 period. Cash flows beyond the five-year period are extrapolated using perpetual growth rates. This methodology is consistent with that used at 30 June 2015.

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.

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 Mining & Transport is 12% (30 June 2015: 12%), which equates to a pre tax discount rate of 17.1% (30 June 2015: 17.1%).

The post tax discount rate used in the United States based Engineering Products CGU is 10.5% (30 June 2015: 10.5%), which would equates to a pre tax discount rate of 16.2% (30 June 2015 16.2%).

The perpetual growth rates per CGU are as follows; Mining & Transport 2.6% and Engineered Products 2.1%.

Impact of reasonably possible changes in key assumptions

As the Mining & Transport and Engineered Products CGUs are written down to their recoverable amount at 31 December 2015, any future adverse change in the key assumptions will result in further impairment. The recoverable amount of the Mining & Transport and Engineering Products CGUs are $297.8 million and $210.4 million respectively.

3 Available for Sale Financial Assets - Investment in ANG

	Half year December 2015 $'000
(a) Movements in carrying amounts	
Carrying amount at the beginning of the financial period	**8,683**
Adjustment to fair value on recognition of initial loss of significant influence	**(568)**
Share of profits after income tax	**-**
Impairment of investment	**(4,924)**
Carrying amount at the end of the financial period	**3,191**

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 $4.9m has been transferred from other comprehensive income to impairment expense.

4 Segment information

(a) Description of segments

Operating segments are reported in a manner that is generally consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the Managing Director. The identification and classification of the operating segments is consistent with 30 June 2015.

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

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

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 Rolling stock products and services including freight wagons, bogies, draw gear, inventory management, spare and renewed parts and the maintenance and refurbishment of rolling stock. 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.

(b) Segment information provided to the Managing Director

The segment information provided to the Managing Director for the reportable segments for the half year ended 31 December 2015 is as follows:

	Mining & Transport	Mineral Processing	Engineered Products	Fixed Plant	CMS	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Half year 2015						
Total segment revenue	123,143	114,210	125,173	54,155	60,682	477,363
Inter-segment revenue	(8,219)	(6,421)	(4,158)	(199)	(53,830)	(72,827)
Revenue from external customers	114,924	107,789	121,015	53,956	6,852	404,536
Gross margin	14,499	38,891	36,945	19,793	7,349	117,477
Half year 2014						
Total segment revenue	191,932	108,923	137,280	78,247	61,644	578,026
Inter-segment revenue	(17,336)	(4,635)	(6,853)	(893)	(52,934)	(82,651)
Revenue from external customers	174,596	104,288	130,427	77,354	8,710	495,375
Gross margin	45,373	36,921	41,622	27,596	8,958	160,470
Total segment assets						
At 31 December 2015	332,566	241,828	235,329	72,655	34,896	917,274
At 30 June 2015	474,171	290,777	273,248	73,972	36,265	1,148,433

Corporate assets are not disclosed separately within the half year financial statements.

Total segment liabilities						
At 31 December 2015	80,310	39,058	50,796	19,113	22,176	211,453
At 30 June 2015	88,853	40,347	55,923	20,773	16,991	224,450

Corporate liabilities are not disclosed separately within the half year financial statements.

4 Segment information (continued)

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

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

	Half year	
	December 2015 $'000	December 2014 $'000
Gross margin	**117,477**	160,470
Fixed manufacturing overheads and other cost of sale adjustments	**(62,846)**	(82,474)
Other income	**11,729**	9,647
Selling and technical expenses	**(27,035)**	(27,522)
Administration expenses	**(32,854)**	(36,268)
Finance costs	**(17,884)**	(15,488)
Restructuring and asset impairment costs	**(134,794)**	(42,588)
Goodwill and Intangible asset impairment	**(64,103)**	(37,806)
Share of net profit of associates accounted for using the equity method	**-**	(25,700)
Impairment of Financial asset held for Sale	**(5,492)**	-
Profit before income tax	**(215,802)**	(97,729)

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

5 Dividends

	Half year	
	December 2015 $'000	December 2014 $'000
Ordinary shares		
Dividends provided for or paid during the half year	**-**	18,813
Dividends not recognised at the end of the half year		
Since the end of the half year the directors have determined that no dividend will be paid out of retained profits at 31 December 2015 (2014 - Nil).	**-**	-

6 Fair value measurement

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).

The following table presents the group's financial assets and liabilities measured and recognised at fair value at 30 June 2015 and 31 December 2015.

31 December 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available for sale financial assets	3,191	-	-	3,191
Derivatives used for hedging	-	3,700	-	3,700
Total assets	3,191	3,700	-	6,891
Liabilities				
Derivatives used for hedging	-	2,106	-	2,106
Redeemable preference shares - option	-	-	800	800
Total liabilities	-	2,106	800	2,906

30 June 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
Redeemable 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. 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 and 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 both changes in volatility and asset default threshold assumptions. 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. The asset default threshold plus the face value of the RPS represents the level whereby the payout of the RPS is reduced representing the instances where value is lost as an organisation ceases to be a going concern.

A volatility of 60% would result in a conversion option value of $0.3m (decrease of $0.5m) and a volatility of 80% would result in a conversion option value of $1.4m (increase of $0.6m).

An asset default threshold of nil will result in a conversion option value of $1.0m (increase of $0.2m) and an asset default threshold of $70m would result in a conversion option value of $0.6m (decrease of $0.2m).

There were no transfers between level 1 and level 2, and no financial instruments other than the redeemable preference share option were measured at level 3 at 31 December 2015.

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

	31 December 2015		30 June 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
On balance sheet				
Non traded financial liabilities				
Bank overdrafts	**856**	**856**	188	188
Bank loans	**111,156**	**87,073**	349,574	316,238
US private placement	**276,585**	**221,208**	258,507	201,841
Redeemable convertible preference shares	**64,225**	**68,461**	63,700	65,800
Other loans	**590**	**590**	870	870
Lease liabilities	**14,237**	**14,237**	16,417	16,417
	467,649	**392,425**	689,256	601,354

7 Offsetting financial assets and liabilities

Bradken presents derivative assets and derivative liabilities on a gross basis. Certain derivative assets and liabilities are subject to enforceable master netting arrangements with individual counterparties if they were subject to default. As at 31 December 2015, if these netting arrangements were to be applied to the derivative portfolio, derivative assets are reduced by $2.43m (30 June 2015: $0.84m) and derivative liabilities are reduced by $2.43m (30 June 2015: $0.84m).

8 Earnings per share

	Dec-15 Cents	Dec-14 Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic (loss) / earnings per share:	**(98.3)**	(54.1)
Diluted (loss) / earnings per share:	**(98.3)**	(54.1)
Underlying basic (loss) / earnings per share:	**4.2**	8.3
Underlying diluted (loss) / earnings per share:	**4.1**	8.2

*Underlying NPAT represents statutory NPAT before, the after tax impact of: significant items, $2.2m foreign exchange losses (Dec 2014 $0.4m loss)and the $1.5m loss incurred by the Group 's UK operations which are currently being divested.

a) Weighted average number of shares used as the denominator

	Dec-15 Number	Dec-14 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	**3,960,101**	3,132,982
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**174,987,350**	174,160,231

9 Cash and cash equivalents

Cash and cash equivalents as at the half year end reported in the cashflow are net of overdrafts of ($0.86m).

Reconciliation to cash at end of half year	**2015 $'000**
Cash and cash equivalents above	**60,210**
Bank overdrafts	**(856)**
Balances per statement of cash flows	**59,354**

As at 31 December 2015, the Group had $4.0m (30 June 2015: $19.1m) of restricted cash and related payables.

10 Events occurring after balance sheet date

On the 21st January 2016 Bradken announced its intention to divest its UK operations. The business has been unprofitable for some time due to low sales volumes and is not expected to recover in the medium term (December half year underlying EBITDA $1.5m loss). Apart from this there has not arisen in the interval between the end of the interim period 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.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to17 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance, for the half year ended on that date; and

(b) there are reasonable grounds to believe that Bradken Limited will be able to pay its debts as and when they become due and payable.

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

Phil Arnall
Acting Managing Director and Executive Chairman

Newcastle
15 February 2016

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To the members of Bradken Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Bradken Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, 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 half year end or from time to time during the half year.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bradken Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, 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.

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its perfomance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Trent van Veen
Partner
Sydney
15 February 2016