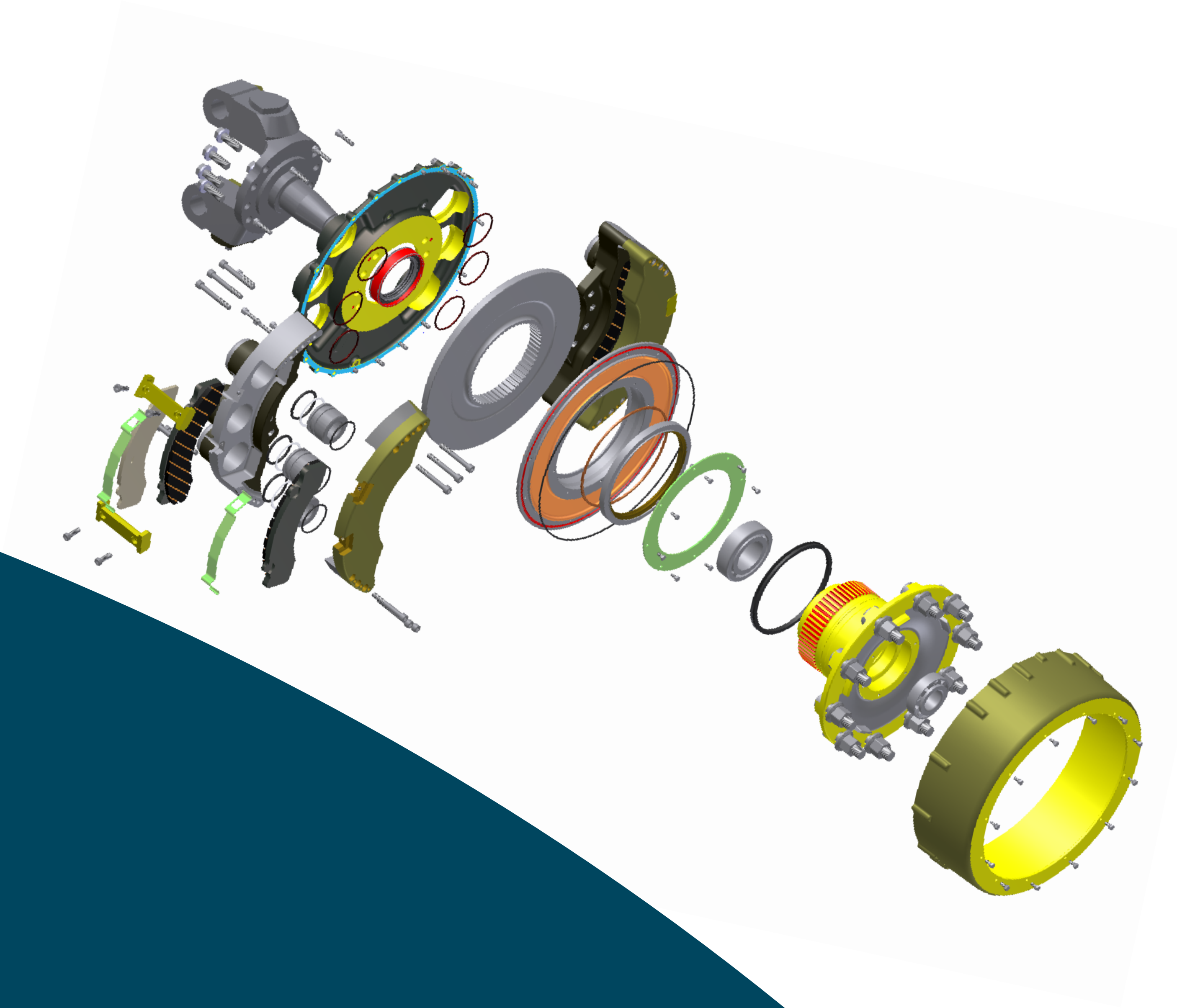
Advanced Braking Technology Ltd



ANNUAL REPORT 2010

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES ABN 66 099 107 623

Advanced Braking Technology Ltd

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Directors
David Humann
Malcolm Richmond
David Slack
Ken Johnsen

Company Secretary
Ken McKinnon

Registered Office
Unit 1
3 McDonald Street
Osborne Park
WA 6017
Tel: +61 8 9273 4800
Fax: +61 8 9201 9986

Bankers
BankWest
BankWest Tower
108 St Georges Terrace
Perth WA 6000

Manufacturing
Safe Effect (Thailand) Co. Ltd
Laem Chabang Industrial Estate
No. 242 Moo 3
Tambol Thungsukla, Amphur Sriracha
Chonburi 20230
Thailand

Share Registry
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia
Telephone: (61 8) 9323 2000
Facsimile: (61 8) 9323 2033

Auditors
Moore Stephens
Level 3
12 St Georges Terrace
Perth, Western Australia

Solicitors
Q Legal
Level 4
105 St George's Terrace
Perth, Western Australia

ASX Home Branch
Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
Perth, Western Australia

Country of Incorporation
Australia

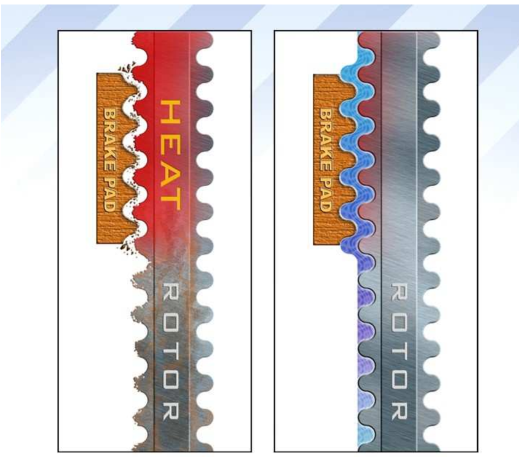
Legal form of entity
Listed public company

ASX Code
ABV – Ordinary Shares

COMPANY OVERVIEW

Advanced Braking Technology Ltd (ABT) is a provider of improved vehicle braking systems based on the patented Sealed Integrated Braking System (SIBS®) technology. ABT designs, manufactures and distributes these systems to customers around the world.

The key features of the SIBS® technology is that a single brake rotor runs within a sealed housing containing oil. The oil within the housing is used to cool the brake. During braking an oil film is maintained between the braking surfaces and this results in minimal wear of the friction surfaces. A fail-safe mechanism is also incorporated into the SIBS® design that improves vehicle safety.



Conventional Brake   **SIBS®** With Cooling Fluid

SIBS® technology has been in used in the mining industry for almost two decades. The Company offers a range of brake upgrade kits that are fitted to light, medium and heavy commercial vehicles used in mining. In many underground mines SIBS are fitted across the entire light vehicle fleet.

The key benefits of SIBS® are;

- Reduced brake wear which provides lower operating costs
- Lower operating temperatures
- Improved safety through less wear and fail safe features
- Elimination of airborne dust particles
- Elimination of brake noise.
- Can be adapted to most vehicle types

The Company is now poised to penetrate beyond the mining sector into the waste collection industry with the successful development of a new brake design for garbage trucks. This product is in the final stages of production validation in preparation for a market release.

The SIBS® Garbage Truck Brake is fulfilling all of its development expectations and is continuing to deliver on its promise to be a "Company Maker" product.

Advanced Braking Technology Ltd

CHAIRMAN'S LETTER

Dear Shareholder,

I believe your Company has made significant progress this year in both delivering an expanded and improved SIBS® product range. We have increased sales dollars, the life blood of the business. We have performed well and have obtained certification of our progress in the staged development of our new brake designed for heavy and frequently stopping vehicles, such as refuse trucks.

Our new product will give us access to a major new market. Full details of these products and projects are given in your Chief Executive Officer's update, which is included in this Annual Report.

The corporate governance statement and the statutory report of the directors, attached, gives details of the financial and manufacturing standards under which our products are made and marketed. We believe we operate at a high level of competency and within the generally accepted standards which apply in our industry. We continually espouse a culture which embraces safe, polite behaviour and insist on high quality products standards to our people.

Revenues were up 25.3% to $4,679,000 in the year under review and our loss from continuing operations (after crediting an income tax benefit) was $1,266,000, a 30% reduction on the 2009 year.

Our balance sheet is strong with a net cash position after bringing in the proceeds of our August share placement of $3 million. We are seeking shareholders ratification and approval of the new share issue at our 2010 Annual General Meeting. We have a very low level of interest bearing debt.

Should current conditions continue for the balance of the 2011 financial year, your company has a good prospect of producing a maiden profit.

This progress should, over time, provide our very patient shareholders, with an improvement in the value of their investment.

We were successful in avoiding a major setback during the so called "global financial crisis" when mining companies, presently the major source of our sales income, cut back significantly on their purchasing programmes. Our customers were then hit with the uncertainties and threat of a draconian "super-tax" on mining profits proposed by the Federal Government. The events in Canberra over the past few months and in particular, this week, has led to renewal and intensification of the uncertainty and taken us closer to a major tax impact on mining.

Certain political players have indicated that they wish the super tax to apply to all minerals and oil and gas (not just iron ore and coal as proposed in the compromise reached with major miners) and not a 30% "super tax", or 40% as originally proposed but 50% (to be imposed on top of the standard corporate rate of 30%).

These proposals, if effected, will adversely affect our customers which are at present mainly operating in the mining and associated industries. Together with the cost of bureaucracy, environmental restrictions and barriers to access to land, the tax measures will have a depressing effect on the investment levels approved by our customers and as a consequence on our sales to the mining industry.

If we have a certain and stable economic regime, we will be able to reap the benefits of the investments we have made in the SIBS® product, its improvement programme and the heavy vehicle refuse truck project.

I have great respect for the energy and effectiveness of our managing director, Ken Johnsen, and for his role in executing the strategy of the company, encouraging our product development and our engineering people and for bringing in to the company, our strong marketing executive team.

These initiatives have lead to better products, increased sales and greater customer satisfaction.

A very encouraging sales trend has emerged in July and August 2010 and we are working hard to see this trend continues.

We encourage all shareholders to attend our annual general meeting in Osborne Park. Shareholders should review this annual report, our web site and our communications with the ASX for more information about your company.

I wish to thank my colleagues on the board, including our new member, Mr David Slack, whose wide range of skills and experience have combined to provide a high standard of governance to the company and its executive. This is combined with an entrepreneurial spirit focused on a long term profitable growth for the Company and its investors.

DAVID HUMANN
Chairman

ABT Advanced Braking Technology Ltd

CHIEF EXECUTIVE OFFICER'S UPDATE

Introduction

The year in review saw a number of significant developments that establishes a firm footing for the future of the Company.

Year's Highlights

- Completion of the SIBS® Garbage Truck Brake project development phase by achieving the "Proof of Concept" sign off in March 2010 by an independent technical expert thus clearing the way for the pre-production and commercialisation phase.
- A post GFC recovery in sales in the mining sector, particularly in Australia, which points to continued strong growth in this business area.
- Mining sales delivering a positive contribution to the overall business.
- The SIBS® Agi driveline brake enjoyed a strong market take up and accounted for 25% of brake set sales revenue.
- A strong growth in SIBS® spare parts sales accounting for 40% of mining sales revenue.

SIBS® Garbage Truck Brake

The proof of concept sign off of the SIBS® Garbage Truck Brake in March 2010 demonstrated the following;

- Key Achievements:
  - 420 hrs of real world testing
  - Extensive rig testing has validated critical parts
  - Brake cooling system developed
  - Core design ready for production release
  - 1% pad wear after 420hrs (average 60 microns)
    (Note – standard brakes would be approx. 50% worn at 375hrs)
  - 30% to 40% less tyre wear compared to truck on same rounds
  - Operator feedback very positive
  - Confirmed ability to retro-fit to standard truck
  - Target production cost achievable
  - Key suppliers of production parts identified
  - Braking performance in accordance with regulatory standards
  - Zero airborne dust emissions
  - No brake squeal or other noise.

In addition the above achievements the Company has kept a dialogue with key stakeholders in the waste industry who are following the project with interest and have validated the Company's value proposition for the product, namely,

- Significant reduction in brake maintenance costs which should translate to a 2.5 year payback on the up-front cost of the product.
- More consistent and reliable braking that is aimed at eliminating the requirement for frequent routine inspections and adjustment and therefore maintaining the vehicle is a safer operating condition.
- Total elimination of both fine particle emissions and the brake noise common in urban waste collection.

The next stage of the project is to complete the Pre-Product Contract (entered into on 30th July 2010) that will involve testing a fleet of 5 SIBS® equipped garbage trucks in a range of real world operating conditions to ensure there are no design or reliability issues ahead of offering the product for commercial sale. In addition to the fleet testing there will be a range of bench and other tests also carried out under the program.

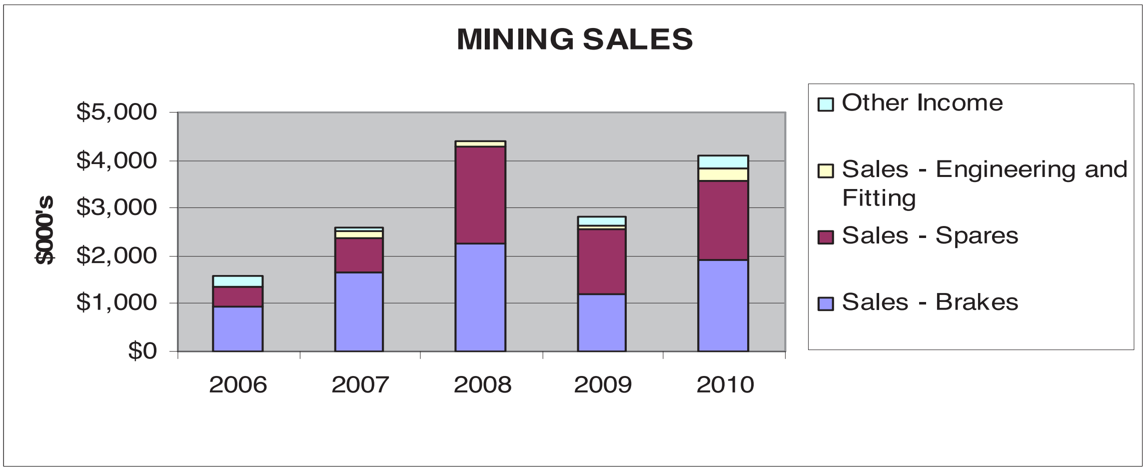
This pre-production phase is scheduled to take up to 18 months to prepare production representative brake sets, fit up 5 trucks and accumulate 7500 hours of in-field running. Initial feedback from the trial over the first 9 to 12 months will place the Company in a position to begin to secure commitments for commercial sales of the product.

Mining Sales

Sales to the mining sector exceeded $4 million. This was a 44% increase in sales over the prior year notwithstanding some impact from the threatened mining super tax. Based on the Company's forward sales pipeline, sales are expected to grow in the coming year at a rate exceeding the indicated trend line over the past 5 years.

Spare part sales form an important part of the Company's revenue and, despite the GFC, this component of revenue has continued to grow and this year accounted for 40% of mining sales. Spare parts sales include both proprietary and non-proprietary service items required to maintain SIBS® in good working order. One important component of the proprietary items supplied is the SIBS® cooling oil. This is a unique formulation available only from ABT.

This last last has seen an improved diversity of product mix. While sales of brake set and spares on Toyota Landcruiser has dominated sales in past years, part of the growth in sales has come from the new SIBS® Agi driveline brake (detailed below) which was approximately 24% of total sales of brake sets in 2009/10. We expect to see strong growth in this new product in the current year.



Whilst the Company has a diverse range of customers across the globe, the bulk of the Company's mining sales revenue come from a handful of key customers that now have standardised on the use of SIBS® in their mining operations. We see that, as other customers who have just started to adopt SIBS® become comfortable with the product and realise the benefits, SIBS® will become the brake of choice in harsh operating environments.

This coming year the Company has a number of product enhancement projects planned. These are part of an ongoing product improvement program that takes account of feedback from customers on areas of potential improvement in design to improve maintainability or performance. These projects, plus others aimed at further broadening the product range, are expected to enhance the growth rate of the mining sales.

Looked at from the standpoint of a stand alone business it can now be stated that the mining side of business is providing a positive contribution to the overall business. As sales volumes increase, economies of scale and efficiencies improve this will lead to increased margins and a greater contribution to the overall business that will assist in taking the Company into profitable trading.

Product Development

In addition to the activity described above on the Garbage Truck Brake, the Company has been engaged in ongoing product development of its broader product range. Some of this development is necessary to keep pace with model changes on the vehicles to which the SIBS brakes are fitted.

The SIBS® AGI driveline brake is an autonomous emergency brake that can be fitted to the rear differential of a heavy truck and is designed to prevent vehicle run away in the event of operator error or failure of the truck primary or secondary braking system. Originally designed for use on road going concrete trucks used in underground mining, through the year operators of explosive trucks began the installation of the SIBS® AGI driveline brake to various truck models.

SIBS® AGI driveline brake was originally designed for certain Mack, Sterling and Isuzu vehicle models and during the year has been adapted for further Isuzu models, several Hino and several MAN models. In most cases customers contribute to the cost of adapting to a new model truck.

Further activity is planned in the coming year aimed at expanding the market presence of SIBS®. One area will be a greater focus on providing fail safe brakes, such as the Agi Brake, for on-road applications. The SIBS® Agi Brake was designed for primarily off-road mining applications. The Company sees an opportunity to offer this product for road going concrete and other trucks. Some modifications will be required to make it more suitable for this market.

The SIBS® Agi Brake was "Highly Commended" in the in the Industrial Product of the Year category presented by the Manufacturers' Monthly magazine Endeavour Awards.

There have been further improvements to the Toyota Landcruiser version of SIBS® and the Toyota Hilux version has been upgraded to include a "full floating axle" conversion that increases vehicle load carrying capacity, reliability and commonality of spares with other SIBS® models.

Discussion have continued with a Chinese brake manufacturer who is supporting the Company in offering SIBS® on a purpose built vehicle for a major coal mine in China. The Chinese company is also supplying some of the component parts of the SIBS® Garbage Truck Brake.

Other discussions are also ongoing looking to adapt the SIBS® to other vehicle types for use in mining operations in various parts of the world.

Production

Advanced Braking's manufacturing and assembly operations in Thailand continues to provide a vital supply role in the delivery of all of the Company's products and the support of the Company's development projects.

The Thailand facility relies primarily on local suppliers to provide castings and machined parts which are assembled into completed brake sets at the Company's factory.

Brakes for the Pre-production phase of the Garbage Truck Project are being supplied out of Thailand and during this phase the factory will be gearing up for the commercial release of the product.

Economies of scale as volume in the mining sector grow and as truck brake sales come on stream will improve operating margins and assist in improving overall profitability of the Company.

Sales Strategy

The top two selling features of SIBS® are improved safety and reduced maintenance. Depending on the operational requirements of the intended application for SIBS® one of these selling features becomes the dominant aspect in a purchase decision.

In mining there is an ever increasing focus on the safety of vehicles used in both production and supports roles. The incidence of run away vehicles remains high, some of which result in fatalities. Increasing company and managerial occupational health and safety liabilities and the overall goal of zero harm is a key reason for the continued growth of SIBS® sales in mining because of the improved vehicle safety it offers.

In promoting the merits of SIBS® the Company has continued with its direct selling model in Australia and is assisted in North America by Mobile Parts Inc, based in Sudbury, Ontario, Canada and in South Africa by Brakecore.

The Australian mining sector has been greatest area of growth in product sales with sales in South Africa and Canada still not returning to pre-GFC levels. The overseas markets are expected to grow this year and a greater focus has been placed on certain Indonesian and PNG opportunities, as well continued activity in North America and South Africa.

Sales efforts by the Company are being focussed on targeting the larger mining companies and contractors with large fleets. At this stage of the Company's growth this is seen as more fruitful than being stretched far and wide selling to the numerous smaller mining operations Product take up within a large mining operations usually means that the wide range of contractors on the same site also adopt the use of SIBS® on their vehicles and on smaller mines.

While direct selling is the prime route to market in Australia there has been an increase in the number of accredited installers and service agents for the Company's products. For the most part, these have been new vehicle dealerships but include service companies providing contracted maintenance services.

Now that the SIBS® Garbage Truck Brake is in its last stage of development ahead of commercial sale, activity has commenced to prepare customers for the take up of the product. Key stakeholders are being kept informed of project process and are seeking involvement in the next phase. In addition, industry bodies are being provided with information on the benefits of the product in order to build awareness ahead of the commercial release.

Initial sales of the SIBS® Garbage Truck Brake are being targeted in the retro fit market and this will be followed by sales to new trucks.

An attractive aspect of the waste industry is that municipal waste collections are increasingly being managed by contractors to local government. These contractors are few in number, operate on a national scale and employ large truck fleets.

Results Discussion

Total revenue for the 12 month period of $4.679 million was up 25.3% from the $3.734 million last year.

Operating expenses for the year of $6.240 million were slightly higher that last year ($5.978 million). Contributing to higher costs were an increase in consumables and minor equipment in support of the development activities and an increase in cost of goods sold in line with increase in the sales.

The resulting after tax loss of loss of $1.266 million is 34.9% down on $1.946 million in the previous year.

The loss can be attributed to main two areas, firstly depreciation and IP amortisation account for 26.9% of the loss. Secondly, the Company incurred additional expenditure in supporting both ongoing product development and the Garbage Truck program. While an R&D Tax Offset payment of $295,000 partially supported ongoing product development, the Garbage Truck brake project required additional expenditure. Over the 2 year Garbage Truck brake design and development phase up to 31st March 2010 the Company received $2 million of development funding. Due to the timing of the various instalments, including $0.5 million as an advance payment in the 07/08 financial year and $900,000 in 08/09 financial year, revenue in the 12 months ending amounted to $600,000. As a consequence, Company expenditure over the current period exceeded revenue on the project. On 30 July 2010, the investors funding the Garbage Truck Project entered into the Pre-Production Contract under which they will contribute a further $2 million of project funding, payable in instalments, prior to the commercial sale of the product.

Outlook

As discussed above, two developments in the period under review point to a strong future for the Company. Firstly, the demonstration that the mining segment of the Company's business now can provide a positive earnings contribution to the overall business and secondly that the Company is now in the final stage of development of the Garbage Truck brake ahead of commercial sales.

Breaking into the global and recession proof waste industry will be major step in establishing the Company as a significant participant in the world braking industry.

The level of profitability on the coming year will depend on; the Company meeting its internal growth projections in the mining side of its business, which at this stage look likely to be met or exceeded, and on the level of investment required over and above external funding to ensure the production validation phase of the Garbage Truck project is successfully advanced in order to secure the earliest possible commercial release date.

It is the Company's expectation that after the completion of the last stage of development, sales in the waste sector of SIBS® Garbage Truck Brakes will quickly surpass the sales levels available in the mining sector. If no development issues are encountered in the pre-production phase a decision to embark on commercial sales could be made in as short as 12 months.

Due to a successful share placement (announced on 19th August 2010) to sophisticated investors, under which $3 million was raised, the Company believes it has sufficient cash resources to secure the projected growth in sales in the mining sector and deliver a successful market launch of the SIBS® Garbage Truck.

Acknowledgements

Firstly I would like to acknowledge the magnificent efforts of the staff of the Company in achieving the proof of concept sign off of the SIBS® Garbage Truck Brake. It was a significant effort to achieve each quarterly technical gateway over a 2 year period and the final sign off in March 2010, in accordance with the contracted timetable.

I would also like to acknowledge and thank the staff involved in the production, sales and client support of the mining side of the business. The demands of dealing with an around the clock industry warrants special recognition.

My appreciation also goes to a supportive Chairman and Board of Directors through a year where the prospects of the Company have seen a definite improvement.

Ken Johnsen
Chief Executive Officer and Managing Director

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

The Board of Directors of Advanced Braking Technology Ltd has adopted the following set of principles for the corporate governance of the Company. These principles establish the framework of how the Board carries out its duties and obligations on behalf of the shareholders.

ASX BEST PRACTICE RECOMMENDATIONS

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficiency, quality or integrity outcome. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

Details have been included at the end of this statement setting out the ASX Best Practice Recommendations with which the Company has and has not complied in the reporting period.

Details of the Company's corporate governance practices in the relevant reporting period are set out below.

THE BOARD OF DIRECTORS

Role of the Board

The primary responsibilities of the Board are set out in a written policy and include:

- the establishment of the long term goals of the Company and strategic plans to achieve those goals;
- monitoring the achievement of these goals;
- the review of management accounts and reports to monitor the progress of the Company;
- the review and adoption of budgets for the financial performance of the Company and monitoring the results on a regular basis to assess performance;
- the review and approval of the annual and half-year financial reports;
- nominating and monitoring the external auditor;
- approving all significant business transactions;
- appointing and monitoring senior management;
- all remuneration, development and succession issues; and
- ensuring that the Company has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities.

The Board evaluates this policy on an ongoing basis.

CORPORATE GOVERNANCE STATEMENT (Continued)
FOR THE YEAR ENDED 30 JUNE 2010

Board composition

The Directors' report contains details of the Directors' skill, experience and education. The Board seeks to establish a Board that consists of Directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. To maintain this, the Company's policy is that non-executive directors should serve at least 3 years. At the completion of the first 3 years, the position of the Director is reviewed to ascertain if circumstances warrant a further term.

The Board comprises three non-executive independent Directors. Details of the Directors are set out in the Directors' Report.

The Board is primarily responsible for identifying potential new Directors but has the option to use an external consulting firm to identify and approach possible new candidates for Directorship. The selection of the Directors must be approved by the majority of the shareholders.

Retirement and re-election of Directors

The Constitution of the Company requires one third of Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire at that Annual General Meeting. Retiring Directors are eligible for re-election by shareholders.

Independence of Directors

The Board has reviewed the position and associations of all non-executive Directors in office at the date of this report and considers that all the Directors are independent. In considering whether a Director is independent, the Board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new Directors upon appointment and reviews their independence, and the independence of the other Directors, as appropriate.

The Board considers that all Directors meet the criteria in ASX Principle 2. They have no material business or contractual relationship with the Company, other than as Directors and Shareholders, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, they are considered to be independent.

Independent professional advice

With the prior approval of the Chairperson, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Board performance review

The performance of all Directors is assessed through review by the Board as a whole. A Director's attendance at and involvement in Board meetings, his contribution and other matters identified by the Board or other Directors are taken into consideration. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a Director's performance.

CORPORATE GOVERNANCE STATEMENT (Continued)
FOR THE YEAR ENDED 30 JUNE 2010

The Company has not conducted a performance evaluation of the members of the Board during the reporting period, however the Board conducts a review of the performance of the Company against budgeted targets on an ongoing basis.

DIRECTOR REMUNERATION

Details of the Company's remuneration policies are included in the "Directors' and executives' remuneration" section of the Directors' Report and Note 5.

Non-executive Directors will be remunerated by cash or share benefits alone and will not be provided with retirement benefits (except in exceptional circumstances). Executive Directors may be remunerated by both fixed remuneration and equity performance based remuneration and no termination payments will be agreed other than a reasonable period of notice of termination as detailed in the executive's employment contract.

MANAGING BUSINESS RISK

The Company maintains policies and practices designed to identify and manage significant business risks, including:

- regular budgeting and financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans; and
- insurance and risk management programmes which are reviewed by the Board.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Company's risk profile is reviewed annually. The Board may consult with the Company's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board receives regular reports about the financial condition and operating results of the consolidated group. The Managing Director (or Chief Executive Officer) and Chief Financial Officer annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

CORPORATE GOVERNANCE STATEMENT (Continued)
FOR THE YEAR ENDED 30 JUNE 2010

INTERNAL CONTROLS

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the non executive Directors perform the following procedures:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with Board requirements; and
- conduct a detailed review of published accounts.

AUDIT COMMITTEE

The Board has delegated the Audit review responsibilities to a sub-committee of the Board, consisting of two non executive Directors, Professor Malcolm Richmond (Chairperson) and Mr David Slack. Meetings are held throughout the year between the Audit Committee, the Company's CFO and the auditors to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

The Board has no formal procedures for the selection, appointment or rotation of its external auditor but reviews this matter on an ongoing basis and implements changes as required.

ETHICAL STANDARDS

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of Directors and employees in the conduct of the Company's affairs. This Code is provided to all Directors and employees. The Board monitors implementation of this Code. Unethical behaviour is to be reported to the Company's Managing Director (or in his place the Chairperson) as soon as practicable.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

TRADING IN THE COMPANY'S SECURITIES BY DIRECTORS AND EMPLOYEES

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all Directors and employees. Under the policy, Directors are prohibited from short term or "active" trading in the Company's securities and Directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information. The Company's Managing Director (or in his place the Chairperson) must also be notified of any proposed transaction.

CORPORATE GOVERNANCE STATEMENT (Continued)
FOR THE YEAR ENDED 30 JUNE 2010

This policy is provided to all Directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

CONTINUOUS DISCLOSURE

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

The continuous disclosure policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 (Cth) and ASX Listing Rules and ensure officers and employees of the Company understand these obligations. The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairperson, who in consultation with the Board (where practicable) and any other appropriate personnel, will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12 month period, the Board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

SHAREHOLDERS

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders as follows:

- as the Company is a disclosing entity, regular announcements are made to the Australian Stock Exchange in accordance with the Company's continuous disclosure policy, including quarterly cash flow reports, half-year audit reviewed accounts, year end audited accounts and an Annual Report;
- the Board ensures the Annual Report includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;
- shareholders are advised in writing of key issues affecting the Company by effective use of the Company's share registry;
- any proposed major changes in the Company's affairs are submitted to a vote of shareholders, as required by the Corporations Act 2001;
- the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Company's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Company; and
- the external auditor is requested to attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

CORPORATE GOVERNANCE STATEMENT (Continued)
FOR THE YEAR ENDED 30 JUNE 2010

The Board reviews this policy and compliance with it on an ongoing basis.

ASX BEST PRACTICE RECOMMENDATIONS

Pursuant to the ASX Listing Rules, the Company advises that based upon the information set out above, it does comply with the following Best Practice Recommendations, issued by the ASX Corporate Governance Council.

Recommendation 1.1: Formalise and disclose the functions reserved to the board and those delegated to management.
The Board has adopted a statement of its primary responsibilities as set out above, which reflects the policies that were in place during the reporting year.

Recommendation 2.1: A majority of the board should be independent Directors.
As set out above, the Board consider that the majority of two of three Directors are independent non-executive Directors.

Recommendation 2.2: The Chairperson should be an independent Director.
As set out above, the Company's chairperson, Mr David Humann is considered to be an independent Director.

Recommendation 2.3: The roles of the chairperson and chief executive officer should not be exercised by the same individual
The role of the chairperson has been fulfilled by Mr David Humann and the role of Chief Executive Officer has been fulfilled by Mr Ken Johnsen.

Recommendation 3.1: Establish a code of conduct to guide Directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:
- *3.1.1 the practices necessary to maintain confidence in the company's integrity*
- 3.1.2 *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

As set out above, the Company has adopted a Code of Conduct, which reflects policies that were in place during the reporting year.

Recommendation 3.2: Disclose the policy concerning trading in company securities by Directors, officers and employees.
As set out above, the Company has adopted a securities trading policy.

Recommendation 3.3: Provide the information indicated in "Guide to Reporting on Principle 3".
The Company has made available a summary of its Code of Conduct and securities trading policy in this statement, but has not otherwise made this information publicly available.

Recommendation 4.1: Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

As set out above, the Company complies with this requirement.

CORPORATE GOVERNANCE STATEMENT (Continued)
FOR THE YEAR ENDED 30 JUNE 2010

Recommendation 4.2: The Board should establish an Audit Committee.
As set out above the Board has established an Audit committee

Recommendation 4.3: Structure of the Audit Committee so that it consists of:
- *only Non-Executive Directors;*
- *a majority of Independent Directors;*
- *an independent Chairperson, who is not chairperson of the Board;*
- *at least three members.*

The Audit committee consists of two non Executive Directors with an independent Chairperson who is not the Chairperson of the Board.

Recommendation 4.4: The Audit Committee should have a formal charter.
The Audit committee has a formal charter. The Board also adheres to the Company's Code of Conduct and procedures to ensure independent judgement in decision making, as set out in relation to ASX Best Practice Recommendation 2.1. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.
As set out above, the Company has adopted a continuous disclosure policy, which reflects policies that were in place during the reporting year.

Recommendation 5.2: Provide the information indicated in "Guide to Reporting on Principle 5".
The Company has provided a summary of its continuous disclosure policy in this Statement.

Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.
As set out above, the Company has adopted a communications policy, which reflects policies that were in place during the reporting year.

Recommendation 6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.
As set out above, the Company requests its auditor to attend the annual general meeting.

Recommendation 7.1: The board or appropriate committee should establish policies on risk oversight and management.
As set out above, the Board has established policies on risk oversight and management.

Recommendation 7.2: The chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state to the board in writing that:

7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

As set out above, the Company complies with this requirement.

CORPORATE GOVERNANCE STATEMENT (Continued)
FOR THE YEAR ENDED 30 JUNE 2010

Recommendation 7.3: Provide the information indicated in "Guide to Reporting on Principle 7".
The Company has provided relevant information in this Statement upon recognising and managing risk, but has not otherwise made a description of its risk management policy and internal compliance and control system publicly available.

Recommendation 8.1: Disclose the process for performance evaluation of the board, its committees and individual Directors, and key executives.
The Company's processes for performance evaluation are set out above.

Recommendation 9.1: Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to Directors and key executives and corporate performance.
The Company's remuneration policies are referred to above.

Recommendation 9.3: Clearly distinguish the structure of non-executive Directors' remuneration from that of executives.
The distinction between non-executive and executive remuneration is detailed above.

Recommendation 9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.
As set out in the Company's remuneration policies, the Company complies with this requirement.

Recommendation 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.
As set out above, the Company has adopted a Code of Conduct setting standards of behaviour and compliance with obligations to stakeholders, which reflects policies in place during the reporting year.

Pursuant to the ASX Listing Rules, the Company advises that it does not comply with the following Best Practice Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Company's non-compliance are detailed below.

Recommendation 2.4: The Board should establish a Nomination Committee.
The functions to be performed by a nomination committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 2.5: Provide the information indicated in "Guide to reporting on Principle 2".
One of the matters to be included in the corporate governance section of the Annual Report pursuant to the *Guide to reporting on Principle 2* is *"the names of members of the nomination committee and their attendance at meetings of the committee"*. As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish a nomination committee and therefore this information has not been included in the annual report or otherwise made publicly available. In all other respects, the Company has complied with the disclosure requirements contained in the *Guide to reporting on Principle 2* by the inclusion of information in this Statement, but has not otherwise made the information publicly available.

CORPORATE GOVERNANCE STATEMENT (Continued)
FOR THE YEAR ENDED 30 JUNE 2010

Recommendation 9.2: The Board should establish a Remuneration Committee.
The functions to be performed by a remuneration committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 9.5: Provide the information indicated in "Guide to reporting on Principle 9".
One of the matters to be included in the corporate governance section of the Annual Report pursuant to the *Guide to reporting on Principle 9* is "*the names of members of the remuneration committee and their attendance at meetings of the committee*". As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish a remuneration committee and therefore this information has not been included in the annual report. However as the Board fulfils the role of the remuneration committee, details of the Company's Directors and their attendance at Board meetings are set out in the Company's Annual Report. In all other respects, the Company has complied with the disclosure requirements contained in the *Guide to reporting on Principle 9*.

DIRECTORS' REPORT

The Directors of Advanced Braking Technologies Ltd submit herewith the annual financial report for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

David Humann *Chairman*

Mr Humann is a Fellow of the Institute of Chartered Accountant, A Fellow of the Institute of Certified Practicing Accountants and Fellow of the Australian Institute of Company Directors. He was Chairman and Senior Partner of Price Waterhouse (Hong Kong and China firm) from 1986 until 1994. Mr Humann was also the Managing Partner of Price Waterhouse, Asia Pacific Region, and a member of the World Board of Price Waterhouse and of the global firm's World Executive Committee based in London and New York. He was formerly a member of the Australian and New Zealand firm's Executive Policy Committee. Mr Humann is a member of the boards of a number of public and private companies.

Appointed 28 August 2006

Professor Malcolm Richmond *Non-Executive Director*

Professor Richmond is currently visiting Professor of Business and Professor of Engineering at the University of Western Australia and Adviser Technology Commercialisation at Curtin University. Currently, he is a Director of MIL Resources Limited, Strike Resources Ltd, SMS Ltd and was formerly Chairman of Territory Iron Limited.

He is a metallurgist by profession whose career spanned 26 years with CRA/Rio Tinto Group where he worked in a number of positions including: Vice President - Strategy and Acquisitions; Managing Director - Research and Technology; Managing Director - Development of Hamersley Iron Pty Limited. He was recently Vice Chairman of the Australian Mineral Industries Research Association and a member of the Murdoch University Senate.

Appointed 28 August 2006

Mr Ken Johnsen *Executive Director and CEO*

Mr Ken Johnsen joined the Company as Chief Executive Officer on 9 September 2005. Mr Johnsen has over 31 years experience in the development and licensing of advanced technology for the automotive industry. He has held senior management roles in both Australia and the USA with Orbital Corporation Ltd and served on the Orbital board for 13 years.

Since joining Advanced Braking Technology Ltd, Mr Johnsen has led the recapitalisation and relisting of the Company, as well as the commercialisation of the Company's products

Appointed 30 April 2007

DIRECTORS' REPORT (Continued)

David Slack *Non-Executive Director*

Mr Slack is the Managing Partner and Chief Investment Officer, Investment Manager - Small Companies for Karara Capital Limited. Over the past 30 years Mr Slack has made a significant contribution to the Australian funds management industry. Notably he was the co-founder and Joint Managing Director of Portfolio Partners, which had $5.3 billion in funds under management when it was sold to Norwich Union in 1998. Prior to that, Mr Slack was a founding executive director of County NatWest Investment Management, where he was Head of Australian Equities. He was formerly a non-executive director of the Victorian Funds Management Corporation and until recently its deputy Chairman and Chair of the Board Investment Committee. David has a Bachelor of Economics degree with Honours and is a Fellow of FINSIA.

Appointed 9 September 2009.

DIRECTORS' REPORT (Continued)

Directorships of other listed companies

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
David Humann	Braemore Resources PLC	2006 – 2009
	India Resources Ltd	2006 – 2008
	(re-appointed)	2010 – to date
	Matrix Metals Ltd	2006 – 2009
	Mincor Resources NL	2006 – to date
	Monarch Gold Mining Company Ltd	2006 – 2008
	Territory Resources Ltd	2009 – 2008
	Logicamms Ltd	2008 – to date
Malcolm Richmond	Mil Resources Ltd	2001 – to date
	Strike Resources Limited	2006 – to date
	Structural Monitoring Systems Ltd	2006 – to date

Company Secretary

Ken McKinnon was appointed as Company Secretary on the 21 April 2009. Mr McKinnon is a Certified Practicing Accountant and holds a Bachelor of Business Degree, a Post Graduate Diploma in Accounting and a Masters Degree of Business Administration.

Principal activities

The Economic Entity is a holding entity and it oversees the business activities undertaken by the subsidiaries, Advanced Braking Pty Ltd ("ABPL") and Safe Effect (Thailand) Co. Ltd.

The principal activity of the Economic Entity during the course of the year was the commercialisation, research, development and manufacture of the SIBS®.

Operating results

The results of the Economic Entity for the year ended 30 June 2010 was a loss from continuing activities, after income tax, of $ 1,266,000 and a comprehensive income loss of $1,495,000 (loss from continuing operations for year ended 30 June 2009 of $1,946,000 and a comprehensive income loss of $1,866,000). Revenues from trading activities increased from $3,524,000 for the year ending 30 June 2009 to $4,452,000 for the year ending 30 June 2010.

DIRECTORS' REPORT (Continued)

Dividends

There have been no dividends paid or declared by the Company since the end of the previous financial year.

Summary of material transactions

Shareholders at the Company's Annual General Meeting held on 2 November 2009 approved the prior issue of 5 million ordinary shares in the capital of the Company at an issue price of 0.8 cents each.

The Company announced the completion the Proof of Concept stage of the development of Sealed Integrated Braking System for refuse trucks on the 6th April 2010.

Significant changes in the state of affairs

Other than as described elsewhere in this report there were no significant changes in the state of affairs of the Company during the financial year.

Events subsequent to balance date

On 26 July 2010 the Company issued 4,361,111 ordinary shares at $0.018 each as payment of director's fees for the six months to 30 June 2010. The shares were issued as follows: Mr Humann 2,138,888 shares, Professor Richmond 1,111,111 shares and Mr Slack 1,111,111 shares.

The Company announced on 30 July 2010 that it had entered into a pre-production agreement with Brake Developments Pty Ltd. The agreement provides funding for pre-production trials and product development ahead of release.

On 17 August 2010 the Company announced that it had secured commitments to raise $3 million through the placement of shares at an issue price of $0.016 each. The placement is to be made in two tranches as follows:

1. 116 million shares were issued on 23 August 2010 to raise $1,856,000.
2. 71.5 million shares will be issued to raise a further $1,144,000, subject to the shareholders' approving the issue at the Company's 2010 Annual General Meeting which is scheduled for late October 2010.

Unissued Shares

At the date of this report there were 35,410,000 unissued shares relating to share options. At the date of this report share option holders do not have any right, by virtue of the option, to participate in dividends or any new share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

DIRECTORS' REPORT (Continued)

Future developments

The Economic Entity will continue to commercialise the Wet Brake Technology business in Australia and expand into overseas markets, as well as develop variants for various makes of four wheel drive vehicles used in various industrial applications. In addition the Company will continue with the development and commercialization of wet brakes for refuse trucks as well as the expansion its engineering fee for service development.

Directors' interests

The relevant interest of each Director in the share capital of the Company, as notified by the Directors to the Australian Stock Exchange in accordance with s205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares
D Humann	13,378,323
M Richmond	8,117,211
D Slack	113,832,883
K Johnsen	1,559,818

The relevant interest of each Director in share options of the as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Unlisted options
D Humann	nil
M Richmond	nil
D Slack	20,000,000
K Johnsen	7,500,000

Audit Committee meetings

During the financial year there were 2 meetings of the Audit Committee. The attendances of the Audit Committee During the year Professor Richmond retired from the Audit committee and the vacancy was filled by Mr Slack. Members at these meetings were:

	Meetings	
	Attended	Possible Attended
D Humann	2	2
D Slack	1	1
M Richmond	1	1

DIRECTORS' REPORT (Continued)

Directors' meetings

During the financial year there were 10 meetings of Directors, including circulating and written resolutions, pursuant to the Company's Constitution.

The attendances of the Directors at these meetings were:

	Meetings	
	Attended	**Possible Attended**
D Humann	10	10
M Richmond	10	10
D Slack (appointed 9/9/2009)	7	7
K Johnsen	10	10

REMUNERATION REPORT

This remuneration report for the year ended 30 June 2010 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term "executive" includes the Chief Executive Officer (CEO), executive directors, senior executives, general managers and secretaries of the Parent and the Group and the term "director" refers to non-executive directors only.

Individual key management personnel disclosures

Details of KMP including the top five remunerated executives of the Parent and Group are set out below.

Key management personnel

Directors:

David Humann	Chairman (non-executive)
Kenneth Johnsen	Chief Executive Officer
Malcolm Richmond	Director (non-executive)
David Slack	Director (non-executive)

Executives:

Kenneth McKinnon	Company Secretary and Chief Financial Officer
Samuel Leighton	General Manager – appointed 12 April 2010
Andrew Miller	Chief Engineer
Michael Sheehan	Operations Manager – Thailand (resigned 1 September 2009)
Patrick Ng	Director of Business Development (resigned 18 June 2010)

There were no other changes to KMP after reporting date and before the date the financial report was authorised for issue.

Board Oversight of Remuneration

Remuneration Committee

The full Board of Directors acts as the Remuneration Committee. The Board determines remuneration policy and recommends salary increases for executive Directors and specified executives.

Remuneration Policy

The remuneration policy of the Company is to pay non executive Directors and specified executives at market rates which are sourced from average wage and salary publications. In addition Directors and employees are issued share options to encourage loyalty and provide an incentive through the sharing of wealth created through equity growth which is linked to Company performance. The Remuneration Committee members believe the remuneration policy to be appropriate and effective and tailored to increase congruence between shareholders and Directors and executives.

Non-executive director remuneration arrangements

Remuneration policy
The board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed against fees paid to non-executive directors of comparable companies. The Company's constitution and the ASX listing rules specify that the non-executive directors' fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2005 annual general meeting (AGM) held on 1 November 2005 when shareholders approved an aggregate fee pool of $300,000 per year.

The board will not seek any increase for the non-executive directors' pool at the 2010 AGM.

Structure
The remuneration of non-executive directors consists of directors' fees. Non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs. Each non-executive director received a base fee of $40,000 for being a director of the Group. An additional fee of $30,000 is paid to the Chairman.

Executive remuneration arrangements

Remuneration level and mix
The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice. Advanced Braking Technology Ltd undertakes an annual remuneration review to determine the total remuneration positioning against the market.

Structure
In the 2010 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable remuneration

The table below illustrates the structure of Advanced Braking Technology Ltd's executive remuneration arrangements:

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	– Represented by total employment cost (TEC) – Comprises base salary, superannuation contributions and other benefits	– Set with reference to role, market and experience – Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.	- No link to company performance
STI component	– Paid in cash	– Rewards executives for their contribution to achievement of Group and business unit outcomes,	– No formal link to company performance

Details of emoluments

The details of the nature and amount of emoluments of each Director and Specified Executive (Key Management Personnel) of the Company are:

	Primary	*Post-employment*	*Other*	*Equity*	*Equity*	
	Salary & Fees	Super	Thailand Living Expenses	Share Options	Ordinary Shares	Total
Directors	$	$	$	$	$	$
D Humann	-	-	-	-	70,000	70,000
M Richmond	-	-	-	-	40,000	40,000
D Slack	-	-	-	-	32,391	32,391
K Johnsen	275,229	24,771	-	40,500	-	340,500
Total	275,229	24,771	-	40,500	142,391	482,891
Specified Executives	$	$	$	$	$	$
K McKinnon	150,000	13,650	-	-	-	163,650
S Leighton	33,654	3,029	-	-	-	36,683
A Miller	107,339	9,661	-	5,000	-	122,000
M Sheehan	40,213	3,619	33,698	5,500	-	83,030
P Ng	136,025	12,242	-	-	-	148,267
Total	467,231	42,201	33,698	10,500	-	553,630

Securities Received that are not Performance Related
No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Cash Bonuses, Performance-related Bonuses and Share-based Payments
The terms and conditions relating to options and bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:

- Following approval granted by shareholders at the Company's Annual General Meeting held on 2 November 2009, Mr Johnsen was granted 4,500,000 share options during the year. Upon vesting the options are exercisable upon payment of 3.5 cents each and they expire on 5 November 2013. The option vesting conditions are:

  i. One third of the Director's Options maybe exercised upon the Company reporting an after tax profit for the full year financial in its audited financial statements;

  ii. A further one third of the Director's Options maybe exercised on or after 24 months from the date of granting if the total return to the Company's shareholders during the preceding financial year has at equalled or exceeded the average return to shareholders for the S&P/ASX Small Ordinary index;

  iii. The remaining one third of the Director's Options maybe exercised on or after 36 months from the date of granting if the total return to the Company's shareholders during the preceding financial year has at equalled or exceeded the average return to shareholders for the S&P/ASX Small Ordinary index.

- Mr Sheehan and Mr Miller received share options under the Company Employee Share Option Plan that was approved by shareholders at the Company's Annual General Meeting held on 27 October 2008. Upon vesting the options are exercisable upon payment of 1.5 cents each and they expire on 31 November 2013.

- The option vesting conditions are:

    i. One third of the Employee's Options maybe exercised upon the Company's shares recording a trade volume weighted average share price of 3.5 cents or above;

    ii. A further third of the Employee's Options maybe exercised upon the Company's shares recording a trade volume weighted average share price of 5.0 cents or above;

    iii. The remaining one third of the Employee's Options maybe exercised upon the Company's shares recording a trade volume weighted average share price of 7.5 cents or above.

Employment Contracts

Mr K Johnsen, Mr McKinnon, Mr Leighton and Mr Miller are employed through employment contracts. Under the terms of the Employment Contract with Mr Johnsen both parties are required to provide 6 months notice to terminate the agreement. The Employment Contracts for Mr McKinnon, Mr Leighton and Mr Miller require both parties to provide one month's notice to terminate the contract. Mr M Sheehan and Mr P Ng, who were employed under an Employment Contract, terminated their employment in June 2010 and September 2009 respectively.

Further details of Directors' remuneration are contained in Notes 5 and 25 to the Financial Statements.

Signed in accordance with a resolution of the directors.

Ken Johnsen
Chief Executive Officer and Managing Director
8 September 2010

Environmental regulation

The Consolidated Entity is not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnification and Insurance of Directors, Officers and Auditor

During the course of the year the Company has paid $16,459 in premiums for Directors and Officers liability insurance for costs and expenses incurred by them in defending legal proceedings arising out of their conduct whilst acting in the capacity of Director or Officer of the Company other than conduct involving wilful breach of duty in relation to the Company. The Company has not during or since the end of the financial year, in respect of an auditor of the Economic Entity, paid a premium to indemnify an auditor against a liability incurred as an auditor, including costs and expenses in successfully defending legal proceedings.

The Company has not paid or agreed a premium in respect of a contract insuring against a liability incurred by anyone as a Director or an Officer of the Company.

Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditors' Independence Declaration

The Auditors' independence declaration is included after this Director's Report.

Non-Audit Services

The Directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Details of the amounts paid to the auditor for audit and non-audit services provided during the year are set out below:

	Consolidated		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Audit and review of financial reports	32	30	27	25
Other Services	-	-	-	-
	32	30	27	25

DIRECTORS' REPORT (Continued)

Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors.

DAVID HUMANN
Director

Perth, Western Australia
8 September 2010

MOORE STEPHENS

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ADVANCED BRAKING TECHNOLOGY LTD

I declare, that to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Neil Pace

Moore Stephens

NEIL PACE

MOORE STEPHENS

PARTNER

CHARTERED ACCOUNTANTS

Signed at Perth this 8th day of September 2010.

Advanced Braking Technology Ltd

COMSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Revenues from trading activities		4,452	3,524	600	900
Revenues from other activities	2	227	210	39	49
Total revenue		4,679	3,734	639	949
Cost of sales		(1,250)	(1,147)	-	-
Amortisation of IP		(199)	(199)	-	-
Bad and doubtful debts		-	(26)	-	-
Borrowing costs		(34)	(32)	(1)	(2)
Computer related expenses		(59)	(53)	-	-
Consulting fees		(676)	(290)	(45)	(5)
Consumables and minor equipment		(396)	(173)	-	-
Depreciation expense		(133)	(113)	-	-
Employee expenses		(2,438)	(2,661)	(150)	(133)
Insurance		(76)	(102)	(17)	(16)
Legal fees		(16)	(20)	(16)	(14)
Marketing and advertising expenses		(58)	(40)	-	-
Patents		(84)	(77)	-	-
Rental expenses		(334)	(280)	-	-
Share options cost		(57)	(65)	(57)	(65)
Telephone and other communication		(40)	(53)	-	-
Travel and accommodation		(164)	(187)	(1)	(1)
Other expenses		(226)	(460)	(61)	(95)
Total expenses		(6,240)	(5,978)	(348)	(331)
Profit/(Loss) from continuing activities Before related income tax benefit	3	(1,561)	(2,244)	291	618
Income tax (expense) / credit	4	295	298	-	--
Loss from continuing activities after related income tax benefit	21	(1,266)	(1,946)	291	618
Other comprehensive income					
Foreign exchange translation		(229)	80	(229)	80
Total comprehensive income for the period		(1,495)	(1,866)	62	698
Basic loss per share (cents)	7	(0.2)	(0.3)		

A diluted earnings per share has not been shown as it would dilute the actual loss per share attributable to existing shareholders.

Notes to the financial statements are included on pages 37 to 87.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

		Economic Entity		Parent Entity	
		2010	2009	2010	2009
	Notes	$'000	$'000	$'000	$'000
CURRENT ASSETS					
Cash and Cash equivalents	8	510	1,989	145	1,838
Trade and other Receivables	9	697	589	54	259
Inventories	10	1,339	1,418	-	-
Other current assets	11	47	33	11	13
Total current assets		2,593	4,029	210	2,110
NON-CURRENT ASSETS					
Trade and other Receivables	9	34	57	9,824	8,024
Property, plant and equipment	13	504	398	-	-
Other Financial Assets	12	-	-	-	-
Intangibles	14	2,188	2,387	-	-
Total non-current assets		2,726	2,842	9,824	8,024
TOTAL ASSETS		5,319	6,871	10,034	10,134
CURRENT LIABILITIES					
Trade and other Payables	15	738	431	110	97
Interest bearing liabilities	16	143	107	12	13
Provisions	17	98	112	-	-
Deferred Income	18	-	585	-	585
Total current liabilities		979	1,235	122	695
NON-CURRENT LIABILITIES					
Trade and other Payables	15	-	-	-	-
Interest-bearing liabilities	16	211	194	-	-
Deferred Income	18	-	-	-	-
Total non-current liabilities		211	194	-	-
TOTAL LIABILITIES		1,190	1,429	122	695
NET ASSETS/(LIABILITIES)		4,129	5,442	9,912	9,439
EQUITY					
Issued Capital	19	40,150	40,024	40,150	40,024
Foreign Currency Reserve		(269)	(40)	-	-
Other Reserves	20	672	616	672	616
Accumulated losses	21	(36,424)	(35,158)	(30,910)	(31,201)
TOTAL EQUITY		4,129	5,442	9,912	9,439

Notes to the financial statements are included on pages 37 to 87.

Advanced Braking Technology Ltd

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Notes	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Net cash flows from operating activities					
Receipts from customers		3,381	4,366	161	1,026
Payments to suppliers, consultants & employees		(4,974)	(5,923)	(93)	(338)
Borrowing costs		(34)	(32)	(1)	(2)
Interest received		44	54	39	49
Net cash (used in) operating activities	24	(1,583)	(1,535)	106	735
Cash flows from investing activities					
Advances to subsidiary		-	-	(1,799)	(2,103)
Advances from subsidiary		-	-	-	-
Proceeds from disposal of property, plant		-	-	-	-
and equipment		-	2	-	-
Purchase of property, plant and equipment		(243)	(294)	-	-
Net cash provided by / (used in) investing activities		(243)	(292)	(1,799)	(2,103)
Cash flows from financing activities					
Repayment of Directors and Director related entities		-	-	-	-
Proceeds from borrowings		224	296	16	13
Costs of issuing shares		-	(179)	-	(179)
Proceeds from issue of shares		-	2,080	-	2,080
Proceeds from R&D tax offset		295	298	-	-
Finance lease and HP repayments		(171)	(114)	(16)	-
Net cash provided by financing activities		348	2,381	-	1,914
Net increase / (decrease) in cash and cash equivalents held		(1,478)	554	(1,693)	546
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies		(1)	(2)	-	-
Cash and Cash equivalents at the beginning of the financial year		1,989	1,437	1,838	1,292
Cash and Cash equivalents at the end of the financial year	8	510	1,989	145	1,838

Notes to the financial statements are included on pages 37 to 87.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Attributable to equity holders of the parent			
	Issued capital	Accumulated losses	Other reserves	Total
	$'000	$'000	$'000	$'000
CONSOLIDATED				
At 1 July 2009	40,024	(35,158)	576	5,442
Foreign currency translation	-	-	(229)	(229)
Total income and expense for the year recognised directly in equity Profit/(loss) for the year	-	(1,266)	-	(1,266)
Total income/(expense) for the year	-	(1,266)	(229)	(1,495)
Cost of share-based payment	-	-	56	56
Issue of ordinary shares	126	-	-	126
At 30 June 2010	40,150	(36,424)	403	4,129

	Issued capital	Accumulated losses	Other reserves	Total
CONSOLIDATED				
At 1 July 2008	38,123	(33,212)	431	5,342
Foreign currency translation	-	-	80	80
Total income and expense for the year recognised directly in equity Profit/(loss) for the year	-	(1,946)	-	(1,946)
Total income/(expense) for the year	-	(1,946)	-	(1,866)
Cost of share-based payment	-	-	65	65
Issue of ordinary shares	1,901	-	-	1,901
At 30 June 2009	40,024	(35,158)	576	5,442

Notes to the financial statements are included on pages 37 to 87.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Attributable to equity holders of the parent			
	Issued capital	Accumulated losses	Other reserves	Total
	$'000	$'000	$'000	$'000
COMPANY				
At 1 July 2009	40,024	(31,201)	616	9,439
Foreign currency translation	-	-	-	-
Total income and expense for the year recognised directly in equity Profit/(loss) for the year	-	291	-	291
Total income/(expense) for the year	-	291	-	291
Cost of share-based payment	-	-	56	56
Issue of ordinary shares	126	-	-	126
At 30 June 2010	40,150	(30,910)	672	9,912

	Issued capital	Accumulated losses	Other reserves	Total
COMPANY				
At 1 July 2008	38,123	(31,819)	551	6,855
Foreign currency translation	-	-	-	-
Total income and expense for the year recognised directly in equity Profit/(loss) for the year	-	618	-	618
Total income/(expense) for the year	-	618	-	618
Cost of share-based payment	-	-	65	65
Issue of ordinary shares	1,901	-	-	1,901
At 30 June 2009	40,024	(31,201)	616	9,439

Notes to the financial statements are included on pages 37 to 87.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of Advanced Braking Technology Ltd and controlled entities, and Advanced Braking Technology Ltd as an individual parent entity. Advanced Braking Technology Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report of Advanced Braking Technology Ltd and controlled entities, and Advanced Braking Technology Ltd as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (IFRS). It is recommended that this financial report be read in conjunction with any public announcements made by Advanced Braking Technology Ltd and its controlled entities during the 12 months to 30 June 2010 in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to Income Statement in the period of acquisition.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Foreign currency

Functional and presentation currency
The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company and its Australian subsidiaries. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions
All foreign currency transactions during the financial year are initially brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the income statement in the financial year in which the exchange rates change.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at the exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of any outstanding bank overdrafts.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The cost of technology assets are amortised over the average life of the patents granted for each technology asset. The average life of a patent varies between 10 and 20 years and technology assets in the Intellectual Property purchased from Safe Effect Technology International Ltd (SETI) are amortised over 15 years.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Taxation

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the assets and liabilities giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Taxation (continued)

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(g) Receivables

Trade and other receivables are recorded at the fair value of the amounts due less any allowance for doubtful debts.

(h) Payables

Trade and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services, whether or not billed.

(i) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through Income Statement
Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the Income Statement.

Loans and receivables
Trade receivables, loans, and other receivables are recorded at cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(k) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit or loss attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(l) Revenue recognition

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Intangible assets

Patents
Patents are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Research and development costs
Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attribute to the intangible asset during its development.

Capitalised development costs are amortised over their expected useful life of 5 years.

Intangible assets acquired in a business combination
All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

(n) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Consolidated entity as lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest, revenue and reduction of the receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Consolidated entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

(p) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment	5 – 10 years
Motor vehicles	3 – 10 years
Office equipment and furniture	5 – 10 years
Intellectual Property	15 years

(q) Share Based Payment transactions/Employee Share Plans

The Company provides benefits to employees including Directors in the form of share based transactions whereby employees receive share options as an incentive for meeting predetermined targets or in recognition of exceptional service. Share options are valued at fair value using the theoretical Black-Scholes option model and expensed in the Income Statement. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of SETL ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Share Based Payment transactions/Employee Share Plans (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(s) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) Rounding of amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest $1,000.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates – Impairment
The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to the impairment of assets. Where an impairment trigger exists, the recoverable amount of the assets is determined. Fair value less cost to sell and value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
2. REVENUES FROM OTHER ACTIVITIES				
Other activities				
- interest received	44	54	39	49
- net foreign exchange (loss)/gain	90	70	-	-
- income (loss) from sale of fixed assets	(4)	2	-	-
- EMDG Grant	97	82		-
- other income	-	2	-	-
Total revenue from other activities	227	210	39	49

3. LOSS BEFORE INCOME TAX

Loss before income tax has been determined after:

Deducting the following expenses

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Cost of sales	1,250	1,147	-	-
Borrowing costs				
- other parties	34	32	1	2
Total borrowing costs	34	32	1	2
Depreciation of non-current assets				
- plant and equipment	40	42	-	-
- motor vehicle	74	45	-	-
- office equipment and furniture	19	26	-	-
Total depreciation	133	113	-	-
Bad and doubtful debts				
- trade debtors	-	26	-	-
Total bad and doubtful debts	-	26	-	-
Operating lease				
- Property Rental expense	334	280	-	-
Total operating lease	334	280	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000

4. INCOME TAX

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Loss from ordinary activities before income tax	(1,561)	(2,244)	291	618
Prima facie income tax benefit on the loss at 30% (2009: 30%)	(468)	(673)	87	185
Tax effect of permanent differences:				
- Share options expensed	17	19	17	19
- Patent application expenses	14	11	14	-
- other non-deductible expenses	1	2	1	1
- section 40-880 deduction	(67)	(89)	(67)	(89)
	(503)	(730)	52	116
Tax effect of timing differences	(16)	17	-	-
Future income tax benefit not brought to account	224	415	-	-
Benefits arising from unrecognized tax losses	-	-	(52)	(116)
R&D tax offset / income tax expense	(295)	(298)	-	-

Future benefits of tax losses for the Economic Entity at a tax rate of 30% total approximately $4,692,000 (2009: $4,232,000 – Economic Entity) and $1,992,000 for the Parent Entity (2009: $2,010,000). These benefits have not been brought to account. The benefits will only be obtained if:

(i) the Economic Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised, in accordance with the Income Tax Assessment Act;

(ii) the Economic Entity continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Economic Entity in realising the benefit from the deductions for the loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

4. INCOME TAX (Continued)

	Economic Entity		Parent Entity	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
Deferred Tax Assets not bought to account				
Tax losses	4,692	4,143	1,985	2,010
Provisions/accruals	(16)	17	(7)	-
Capital raising costs	14	124	14	124

5. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key management personnel

(i) Specified Directors

Name	Position	Appointment Date	Resignation Date
D Humann	Chairman	28 August 2006	-
M Richmond	Non-executive Director	28 August 2006	-
D Slack	Non-executive Director	9 September 2009	-
K Johnsen	Executive Director and CEO	30 April 2007	-

(ii) Specified Executives

Name	Position	Appointment Date	Resignation Date
K McKinnon	CFO & Company Secretary	21 April 2009	-
S Leighton	General Manager	12 April 2010	-
M Sheehan	General Manager Thailand	26 February 2001	1 September 2009
A Miller	Chief Engineer	21 March 2005	-
P Ng	Director of Sales	18 August 2008	16 June 2010

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

(b) Remuneration of Directors and Executives

Remuneration policy

The Remuneration Committee made up of the Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the chief executive officer and the executive team. The Directors assess the appropriateness and the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Executive Contracts

Mr K Johnsen, Mr McKinnon, Mr Leighton and Mr Miller are employed through employment contracts. Under the terms of the Employment Contract with Mr Johnsen both parties are required to provide 6 months notice to terminate the agreement. The Employment Contracts for Mr McKinnon, Mr Leighton and Mr Miller require both parties to provide one month's notice to terminate the contract. Mr M Sheehan and Mr P Ng, who were employed under an Employment Contract, terminated their employment in June 2010 and September 2009 respectively. On 29 January 2010 Mr D Humann was paid $35,000, Professor M Richmond was paid $20,000 and Mr Slack was paid $12,391 in the Company's shares in payment of their Director fees, to 31 December 2009. Subsequent to the year end on 26 July 2010, Mr D Humann was paid $35,000, Professor M Richmond was paid $20,000 and Mr Slack was paid $20,000 in the Company's shares in payment of their Director fees to 30 June 2010. The shares in the Company were issued at the weighted average ASX trading price in the 30 days immediately preceding 31 December and 30 June each year.

Remuneration of specified Directors and specified executives

		Primary	*Post-employment*	*Other*	*Equity*	*Equity*	
	Year	**Salary & Fees**	**Super**	**Thailand Living Expenses**	**Share Options**	**Ordinary Shares**	**Total**
Directors		**$**	**$**	**$**	**$**	**$**	**$**
D Humann	**2010**	**-**	**-**	**-**	**-**	**70,000**	**70,000**
	2009	-	-	-	-	70,000	70,000
M Richmond	**2010**	**-**	**-**	**-**	**-**	**40,000**	**40,000**
	2009	-	-	-	-	40,000	40,000
D Slack	**2010**	**-**	**-**	**-**	**-**	**32,391**	**32,391**
	2009	**-**	**-**	**-**	**-**	**-**	**-**
K Johnsen	**2010**	**275,229**	**24,771**	**-**	**40,500**	**-**	**340,500**
	2009	287,729	25,896	-	17,954	-	331,579
R Blakey	**2010**	**-**	**-**	**-**	**-**	**-**	**-**
	2009	169,163	90,225	-	-	-	259,388
C Coudounaris	**2010**	**-**	**-**	**-**	**-**	**-**	**-**
	2009	20,000	-	-	-	-	20,000
Total	**2010**	**275,229**	**24,771**	**-**	**40,500**	**142,391**	**482,891**
	2009	476,892	116,121	-	17,954	110,000	720,967

Note: Mr Blakey resigned on the 21 April 2009 and Mr Coudounaris resigned on the 19 January 2009.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

(b) Remuneration of Directors and Executives (continued)

		Primary	*Post-employment*	*Other*	*Equity*	*Equity*	
	Year	Salary & Fees	Super	Thailand Living Expenses	Share Options	Ordinary Shares	Total
Executives		$	$	$	$	$	$
K McKinnon	**2010**	**150,000**	**13,500**	**-**	**-**	**-**	**163,650**
	2009	30,192	2,717	-	-	-	32,909
S. Leighton	**2010**	**33,654**	**3,029**	**-**	**-**	**-**	**36,683**
	2009	**-**	**-**	**-**	**-**	**-**	**-**
M Sheehan	**2010**	**40,213**	**3,619**	**33,695**	**5,050**	**-**	**83,030**
	2009	100,183	12,870	34,087	-	-	147,140
A Miller	**2010**	**107,339**	**9,661**	**-**	**5,000**	**-**	**122,000**
	2009	103,615	9,325	-	-	-	112,940
P Ng	**2010**	**136,025**	**12,242**	**-**	**-**	**-**	**148,267**
	2009	122,490	11,024	-	-	-	133,514
Total	**2010**	**467,231**	**42,051**	**5,616**	**10,050**	**-**	**553,630**
	2009	356,480	35,936	34,087	-	-	426,503

Note: Mr Ng resigned on 18 June 2010 and Mr Sheehan resigned on 1 September 2009. Mr McKinnon was appointed on 21 April 2009 and Mr Leighton was appointed on 12 April 2010.

(c) Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of Advanced Braking Technologies Ltd held, directly, indirectly or beneficially, by each specified Director, including their personally-related entities, is as follows:

Specified Directors	**Held at 1 July 2009**	**Held at date of appointment**	**Other changes**	**Held at date of cessation of appointment**	**Held at 30 June 20010**
K Johnsen	1,559,818	-		-	1,559,818
D Humann	7,413,843	-	3,825,591	-	11,239,434
M Richmond	4,889,013	-	2,117,087	-	7,006,100
D Slack	-	110,294,496	427,276	-	110,721,772
Total	13,862,674	110,294,496	6,369,954	-	130,527,124

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

(c) Equity holdings and transactions (Continued)

On 29 January 2010 Mr D Humann was paid $35,000, Professor M Richmond was paid $20,000 and Mr Slack was paid $12,391 in the Company's shares in payment of their Director fees, to 31 December 2009. Subsequent to the year end on 26 July 2010, Mr D Humann was paid $35,000, Professor M Richmond was paid $20,000 and Mr Slack was paid $20,000 in the Company's shares in payment of their Director fees to 30 June 2010. The shares in the Company were issued at the weighted average ASX trading price in the 30 days immediately preceding 31 December and 30 June each year.

	Vested	Granted	Forfeited	Terms & Conditions of each Grant			
					Value per option at grant date	*Exercise price per share*	
	No.	No.		Grant Date	($)	($)	Expiry Date
Specified Directors							
K Johnsen	3,000,000	3,000,000	-	1/07/2006	0.050	0.060	1/07/2010
	3,000,000	3,000,000	-	25/10/2007	0.044	0.075	30/06/2011
	-	4,500,000	-	5/11/2009	0.009	0.035	5/11/2013
Total	6,000,000	10,500,000	-				

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

	Economic Entity		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
6. AUDITORS' REMUNERATION				
Remuneration of the auditor of the economic entity for:				
Auditing the financial statements	32	30	27	25
Other services	-	-	-	-
	32	30	27	25
Remuneration of auditor Safe Effect (Thailand) Pty Ltd	5	5	-	-

7. EARNINGS PER SHARE

	2010	2009
Net loss	(1,266)	(1,946)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS (in '000)	767,787	528,756
Loss per share (cents)	(0.2)	(0.3)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

	Economic Entity		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000

8. CASH AND CASH EQUIVALENTS

Cash at bank	510	1,989	145	1,838

Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flows Statement is reconciled to items in the Balance Sheet as follows:

Cash at bank	510	1,989	145	1,838

ABPL has granted NAB a fixed and floating charge over its assets and undertakings. The Company has also granted a guarantee and indemnity in relation to the obligations of ABPL in favour of NAB.

9. TRADE AND OTHER RECEIVABLES

Current

Trade debtors	719	426	54	7
Less: provision for doubtful debts	(79)	(89)	-	-
	640	337	-	7
Other debtors	57	252	-	252
Less: provision for doubtful debts	-	-	-	-
	697	589	54	259

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

9. TRADE AND OTHER RECEIVABLES (Continued)

	Economic Entity		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Non-current				
Loan: controlled entities	-	-	31,427	29,627
Less: provision for doubtful debts	-	-	(21,603)	(21,603)
	-	-	9,824	8,024
Other receivables	34	57	-	-
	34	57	9,824	8,024

Receivables Ageing and Impairment losses

The aging of receivables for the economic entity at the reporting date was:
Economic Entity

	Total Receivables		Gross Impairment	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Not past due	399	333	(42)	(64)
Past due 0 – 30 days	301	90	(33)	(22)
Past due 31 – 60 days	17	1	(2)	(1)
Over 60 days	2	2	(2)	(2)
	719	426	(79)	(89)

The movement in the provision for impairment of trade receivables during the year is as follows:
Economic Entity

	2010 $'000	2009 $'000
Balance at 1 July	(89)	(64)
Impairment provision recognised during the year	-	(25)
Bad Debts written off	10	-
Closing balance at 30 June	(79)	(89)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

9. TRADE AND OTHER RECEIVABLES (Continued)

The provision account for receivables is used to record impairment losses unless the Company is satisfied that there is no possibility of recovery of the amount, at which point it is directly written off against the amount owing.

The aging of receivables for the parent entity at the reporting date was:

Parent Entity

	Total Receivables		Gross Impairment	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Not past due	54	259	-	-
Past due 0 – 30 days	-	-	-	-
Past due 31 – 60 days	-	-	-	-
Over 60 days	-	-	-	-
	54	259	-	-

The movement in the provision for impairment of trade receivables during the year is as follows:

Parent Entity

	2010	**2009**
	$'000	**$'000**
Balance at 1 July	-	-
Impairment provision recognised during the year	-	-
Bad Debts written off	-	-
Closing balance at 30 June	-	-

The provision account for receivables is used to record impairment losses unless the Company is satisfied that there is no possibility of recovery of the amount, at which point it is directly written off against the amount owing.

	Economic Entity		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
10. INVENTORIES				
Current				
Finished Goods	615	790	-	-
Components and WIP	724	628	-	-
	1,339	1,418	-	-
11. OTHER CURRENT ASSETS				
Prepayments	47	33	11	13

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

12. OTHER FINANCIAL ASSETS

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Non-current				
Shares in controlled entities – at cost	-	-	200	200
Provision for diminution	-	-	(200)	(200)
	-	-	-	-

(a) Advanced Braking Pty Ltd ACN 088 129 917 (Incorporated in WA)

	Parent Entity 2010 Number	Parent Entity 2009 Number
Class and number of shares: ordinary	200,002	200,002

On 28 May 2002 the parent entity acquired 100% of Advanced Braking Pty Ltd for a purchase consideration of $200,002. The principal activity of the company is brake research and commercialisation.

(b) Safe Effect (Thailand) Co. Ltd Registration No. 10154601984 (Incorporated in Thailand)

	Safe Effect (Thailand) Co. Ltd 2010 Number	Safe Effect (Thailand) Co. Ltd 2009 Number
Class and number of shares: ordinary	876,600	876,600

On 22 June 2004, Advanced Braking Pty Ltd established a 100% owned subsidiary in Thailand, namely Safe Effect (Thailand) Co. Ltd with the initial capital of $275,155. The principal activity of the company is the assembly of brakes. During the year to 30 June 2009, Advanced Braking Pty Ltd purchased 286,600 new shares at a total cost of $1,207,580 paid out of amounts owed by Safe Effect (Thailand) Co. Ltd to Advanced Braking Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

13. PROPERTY, PLANT AND EQUIPMENT

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Plant and equipment at cost	458	358	-	-
Less: accumulated depreciation	(287)	(251)	-	-
	171	107	-	-
Motor vehicles at cost	444	324	-	-
Less: accumulated depreciation	(152)	(78)	-	-
	292	246	-	-
Office equipment and furniture at cost	199	189	-	-
Less: accumulated depreciation	(159)	(144)	-	-
	40	45	-	-
Leasehold improvements at cost	3	3	-	-
Less: accumulated depreciation	(3)	(3)	-	-
	-	-	-	-
Total at net written down value	503	398	-	-

Certain assets are secured in terms of Hire Purchase Agreements as disclosed in Note 16(b).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant & Equipment $'000	Motor Vehicles $'000	Office Equipment & Furniture $'000	Leasehold Improvements $'000	Total $'000
2010					
Economic Entity					
Balance at the beginning of year	107	246	46	-	398
Additions	104	120	13		237
Disposals					
Depreciation expense	(40)	(74)	(19)	-	(133)
Depreciation charged to cost of inventories	-	-	-	-	-
Foreign exchange translation	-	-		-	-
Carrying amount at the end of year	171	292	40	-	504
Parent Entity					
Balance at the beginning of year	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation expense	-	-	-	-	-
Carrying amount at the end of year	-	-	-	-	-
2009					
Economic Entity					
Balance at the beginning of year	90	77	39	-	206
Additions	49	214	31	-	294
Disposals	-	-	-	-	-
Depreciation expense	(42)	(45)	(26)	-	(113)
Depreciation charged to cost of inventories	-	-	-	-	-
Foreign exchange translation	10	-	1	-	11
Carrying amount at the end of year	107	246	45	-	398
Parent Entity					
Balance at the beginning of year	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Depreciation expense	-	-	-	-	-
Carrying amount at the end of year	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000

14. INTANGIBLES

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Wet Brake technology assigned from SETI	2,984	2,984	-	-
Less - Accumulated amortisation	(796)	(597)	-	-
	2,188	2,387	-	-

Impairment Disclosure

The intangible asset was tested for impairment at 30 June 2010.

The recoverable amount of the intangible asset, which was determined based on its estimated fair value less costs to sell, was assessed to be well in excess of it current book value.

As there is no active market for the intangible asset, the fair value less costs to sell assessment has been based on information available to the directors in their dealings with arms length external parties, being indicative of the amount which the Company could obtain, at reporting date, from the disposal of the asset in an arms length transaction between knowledgeable, willing parties.

15. TRADE AND PAYABLES

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Current (unsecured)				
Trade creditors	638	219	10	4
Accrued expenses	25	157	25	38
Amounts due to Directors	75	55	75	55
Amounts due to other entities	-	-	-	-
	738	431	110	97

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
15. TRADE AND PAYABLES (continued)				
Included in the amounts due to Directors are:				
Directors fees outstanding	75	55	75	55
Non-current (unsecured)				
Accrued expenses	-	-	-	-
Amounts due to other entity	-	-	-	-
	-	-	-	-

16. INTEREST BEARING LIABILITIES

(a) Current and non-current

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Current (secured)				
Hire purchase agreements	163	123	-	-
Unexpired interest charges	(32)	(29)	-	-
Insurance Premium Funding	12	13	12	13
	143	107	12	13
Non-current (secured)				
Lease and Hire purchase agreements	234	209	-	-
Unexpired interest charges	(23)	(15)	-	-
	211	194	-	-

(b) Total of current and non-current

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Lease and Hire purchase agreements	397	332	-	-
Unexpired interest charges	(55)	(44)	-	-
Insurance Premium Funding	12	13	12	13
	354	301	12	13

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
16. INTEREST BEARING LIABILITIES (continued)				
(c) The carrying amounts of non-current assets pledged as security are:				
Plant and equipment	-	4	-	-
Motor vehicles	279	229	-	-
Office equipment	19	22	-	-
	298	255	-	-
17. PROVISIONS				
Current				
Employee entitlements	98	112	-	-
(a) Aggregate employee benefits liabilities	98	112	-	-
Number of Employees				
(b) Number of employees at year-end	26	32	-	-

18. DEFERRED INCOME

On the 2 April 2009 the Parent Entity entered into the Refuse Truck Agreement ("Agreement") which lead to $1,500,000 being recognized as deferred income during the year ended 30 June 2008. At the 30 June 2009 the Parent Entity held $252,000 on trust (Note 9) in respect of amounts due to be paid to the Company under the Agreement. In accordance with the Agreement, quarterly milestones were met in the brake development and instalment amounts were drawn down quarterly in advance in anticipation of meeting these milestones. As a consequence of the quarterly lag between drawdown and execution of work, $900,000 of the deferred income was earned during the financial year ended 30 June 2009 and another $600,000 was earned in the financial year ended 30 June 2010. As at 30 June 2010 all deferred income had been earned.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

19. ISSUED CAPITAL

The Parent Entity had issued 769,454,464 (2009: 763,084,509) fully paid ordinary shares as at the 30 June 2010.

	Economic & Parent Entitles			
	2010		2009	
	Number of shares	$'000	Number of shares	$'000
Ordinary shares				
At the beginning of the financial year	763,084,510	40,024	518,399,984	38,123
Shares issued 6 July 2008 to Professor Richmond and Mr Humann for Directors Fees			2,878,140	55
Shares issued 24 July 2009 to Mr Humann and Professor Richmond for Directors Fees	3,925,437	55	-	-
Shares issued for cash on 15 August 2008			2,765,180	56
Shares issued for cash on 19 September 2008			770,000	15
Shares issued 7 January 2009 to Professor Richmond and Mr Humann for Directors Fees			4,725,086	55
Shares issued 29 January 2009 to Mr Humann, Professor Richmond and Mr Slack for Directors Fees	2,444,517	71	-	-
Shares issued for cash on 22 April 2009 under a Share Purchase Plan			20,421,120	194
Shares issued for cash on 18 May 2009			82,400,000	659
Shares issued for cash on 25 June 2009			125,725,000	1,006
Shares issued on 25 June 2009 as payment of corporate advisory fees			5,000,000	40
	769,454,464	40,150	763,084,510	40,203
Transaction costs relating to share issues	-	-	-	(179)
Balance at end of financial year	769,454,464	40,150	763,084,510	40,024

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
20. RESERVES				
Foreign Exchange Translation Reserve	(269)	(40)	-	-
Option premium reserve	672	616	672	616

In accordance with a resolution of the shareholders on 18 October 2008, Mr K Johnsen and Mr R Blakey, Directors of the Company, were granted 3,000,000 and 1,000,000 share options respectively, which are exercisable at 7.5 cents per share. The share options were valued at $42,000 using the Black Scholes method and amortised over the vesting period and were fully expensed as at 30 June 2009. Mr Blakey resigned from the Company on 21 April 2009 and all options held by Mr Blakey were forfeited at the time of his resignations pursuant to the terms of the share options. In accordance with a resolution of the shareholders on 9 November 2009, Mr Johnsen was granted a further 4,500,000 options exercisable at 3.5 cents each. The share options were valued at $40,500 using the Black Scholes method and amortised over the vesting period of 48 months, with $6,574 being expensed during the year ended 30 June 2010.

21. ACCUMULATED LOSSES

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Accumulated losses at the beginning of the financial year	(35,158)	(33,212)	(31,201)	(31,819)
Net loss attributable to members of the parent entity	(1,266)	(1,946)	291	618
Accumulated losses at the end of the financial year	(36,424)	(35,158)	(30,910)	(31,201)

22. CONTRACT AND LEASING COMMITMENTS

(a) Hire purchase commitments

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Payable				
- not later than 1 year	163	123	-	-
- later than 1 year but not later than 5 years	234	209	-	-
	397	332	-	-
Less future finance charges	(55)	(44)	-	-
Total hire purchase liability	342	288	-	-

22. CONTRACT AND LEASING COMMITMENTS (continued)

(b) Operating lease commitments

Non-cancellable operating lease contracted for but not capitalised in the financial statements.

	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Payable				
- not later than 1 year	160	160	-	-
- later than 1 year but not later than 5 years	133	133	-	-
	293	293	-	-

23. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing the performance of the business and in determining the allocation of resources. The Group is managed primarily on the basis of product category and where the areas have inherently different resources requirements. Operating segments have been determined on the same basis.

Types of products by segment

i. Mining brakes
The mining brake sector manufactures and sells a variety of Sealed Integrated Braking Systems ("SIBS) for use in the mining sector. All models of brakes are similar in nature and are sold to similar types of customers. The manufacturing and sales process extends to installation of the brakes where required, support of the products and the sale and supply of replacement parts.

ii. Engineering and development
The engineering and development sector undertakes research and development of Sealed Integrated Braking Systems (SIBS®) for a variety of uses. This sector is also engaged in creating customized braking solutions for various customers.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

23. SEGMENT REPORTING (continued)

Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is assessed annually and if appropriate reset. The price is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is apportioned across segments according to the economic value derived from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Amortization of intangible assets
- Intangible assets
- Income tax expense

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

23. SEGMENT REPORTING (continued)

Segment performance

	Mining brakes $000	Engineering services $000	Total $000
30 June 2010			
Revenue			
External sales	3,763	689	4,452
Inter-segment sales	-	-	-
Other income	220	7	227
Total segment revenue	3,983	696	4,679
Reconciliation of segment revenue to group revenue			
Total group revenue	3,983	696	4,679
Cost of materials	(1,253)	-	(1,253)
Depreciation	(43)	(90)	(133)
Other expenses	(2,248)	(2,373)	(4,621)
Inter-segment elimination	-	-	-
Segment net profit before tax	439	(1,767)	(1,328)
Reconciliation of segment result to group net profit/loss before tax			
i. Amounts not included in segment result but reviewed by Board			
— Amortisation			(199)
ii. Unallocated items			
— Finance costs			(34)
Net profit before tax from continuing operations			(1,561)
30 June 2009			
Revenue			
External sales	2,616	908	3,524
Inter-segment sales	-	-	-
Other income	196	14	210
Total segment revenue	2,812	922	3,734

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

23. SEGMENT REPORTING (continued)

	Mining brakes $000	Engineering services $000	Total $000
Reconciliation of segment revenue to group revenue			
Total group revenue	2,812	922	3,734
Cost of materials	(1,077)	-	(1,077)
Depreciation	(23)	(90)	(113)
Other expenses	(2,571)	(1,986)	(4,557)
Inter-segment elimination	-	-	-
Segment net profit before tax	(859)	(1,154)	(2,013)
Reconciliation of segment result to group net profit/loss before tax			
i. Amounts not included in segment result but reviewed by Board			
— Amortisation			(199)
ii. Unallocated items			
— Finance costs			(32)
Net profit before tax from continuing operations			(2,244)

Segment assets
30 June 2010

	Mining brakes $000	Engineering services $000	Total $000
Segment assets			
Segment asset increases for the period			
— capital expenditure	18	219	237
Reconciliation of segment assets to group assets			
Segment assets	2,614	517	3,131
Inter-segment eliminations			-
Unallocated assets:			
— Intangibles			2,188
Total group assets			5,319

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

23. SEGMENT REPORTING (continued)

	Mining brakes $000	Engineering services $000	Total $000
30 June 2009			
Segment assets			
Segment asset increases for the period			
— capital expenditure	53	246	299
Reconciliation of segment assets to group assets			
Segment assets	3,682	802	4,484
Inter-segment eliminations			-
Unallocated assets:			
— Intangibles			2,387
Total group assets			6,871
Segment liabilities			
30 June 2010			
Segment liabilities			
Reconciliation of segment liabilities to group liabilities			
Segment liabilities	469	721	1,190
Inter-segment eliminations			-
Unallocated liabilities:			-
Total group liabilities			1,190
30 June 2009			
Segment liabilities			
Reconciliation of segment liabilities to group liabilities			
Segment liabilities	329	1,100	1,429
Inter-segment eliminations			-
Unallocated liabilities:			-
Total group liabilities			1,429

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

23. SEGMENT REPORTING (continued)

Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	30 June 2010 $000	30 June 2009 $000
Australia	4,452	3,524
Thailand	-	-
Total revenue	4,452	3,524

Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

	30 June 2010 $000	30 June 2009 $000
Australia	4,073	5,655
Thailand	1,246	1,216
Total assets	5,319	6,871

Major customers

The Group has a number of customers to whom it provides both products and services. The Group supplies a single external customer in the Mining Brakes segment who accounts for 12.1% of external revenue (2009: 12.5%). The next most significant client accounts for 7.6% (2009: 11.9%) of external revenue.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

24. CASH FLOW INFORMATION

(a) Reconciliation of Cash Flow from operations with (loss) after income tax

	Economic Entity		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Loss from ordinary activities after income tax	(1,266)	(1,946)	291	618
Investing/financing activities				
(Profit)/loss on disposal of property, plant and equipment	4	(2)		-
Non-cash flows in loss from ordinary activities				
Cost of share options	56	65	57	65
Depreciation	133	113		-
Amortisation of IP	199	199		-
Bad and doubtful debts	(10)	-		-
Shares issued for professional services	126	-	126	-
Foreign exchange (gain)/loss	(229)	70		-
Other				
R&D tax offset	(295)	(298)		-
Changes in assets and liabilities, net of the effects of allocating to joint venture partner				-
(Increase)/decrease in trade and other receivable	(74)	1,534	206	1,041
(Increase)/decrease in deferred income	(585)	(915)	(585)	(915)
(Increase)/decrease in inventories	79	(219)		-
(Increase)/decrease in other current assets	(14)	3		(5)
Increase/(decrease) in trade and other payables	307	(144)	12	(69)
Increase/(decrease) in provisions	(14)	5		-
Cash (outflows) from operations	(1,583)	(1,535)	107	735

(b) Non-cash financing and investing activities

2010

During the year to 30 June 2010 ordinary shares were issued to Mr Humann, Professor Richmond and Mr Slack in satisfaction of Directors fees. These Director transactions were approved by shareholders in General Meeting on 2 November 2009. The transactions were as follows:

- On 24 July 2009, the issue of 2,498,005 shares to Mr Humann and 1,427,432 shares to, Professor Richmond both issues being at 1.4 cents per share, in payment of their Directors Fees to 30 June 2009. The shares were priced at the ASX volume weighted average price in the month leading up to 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

24. CASH FLOW INFORMATION (continued)

(b) Non-cash financing and investing activities (continued)

On 29 January 2010, the issue of 1,327,586 shares to Mr Humann, 689,655 shares to Professor Richmond and 427,276 shares to Mr Slack, all the issues being at 2.9 cents per share, in payment of their Directors Fees to 31 December 2009. The shares were priced at the ASX volume weighted average price in the month leading up to 31 December 2009

2009
During the year, the Company issued 5,000,000 new shares at 0.8 of a cent to a Broker in satisfaction of share brokerage and corporate fees in respect of the issue of 82,400,000 shares on 22 April 2009 and 125,725,000 shares on 25 June 2009.

25. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions except inter company loans which are provided at no interest and are treated by the Parent Entity as an investment in the subsidiary. The following related party transactions took place during the year ended 30 June 2010:

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
a) Associated Companies				
Loan to Safe Effect (Thailand) Co. Ltd	-	-	-	-
Loan to Advanced Braking Pty Ltd	-	-	9,824	8,024
Total Loans	-	-	9,824	8,024

The loans to subsidiary companies are at call and are interest free and are treated by the Parent as an investment in subsidiaries. The loans have been carried at the Directors estimate of fair value. Refer Note 9.

b) Directors and Key management personnel

2010
During the year to 30 June 2010 ordinary shares were issued to Mr Humann, Professor Richmond and Mr Slack in satisfaction of Directors fees. These Director transactions were approved by shareholders in General Meeting on 2 November 2009. The transactions were as follows:

- On 24 July 2009, the issue of 2,498,005 shares to Mr Humann and 1,427,432 shares to, Professor Richmond both issues being at 1.4 cents per share, in payment of their Directors Fees to 30 June 2009. The shares were priced at the ASX volume weighted average price in the month leading up to 30 June 2009.
- On 29 January 2010, the issue of 1,327,586 shares to Mr Humann, 689,655 shares to Professor Richmond and 427,276 shares to Mr Slack, all the issues being at 2.9 cents per share, in payment of their Directors Fees to 31 December 2009. The shares were priced at the ASX volume weighted average price in the month leading up to 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

25. RELATED PARTY TRANSACTIONS (continued)

(b) Directors and Key management personnel (continued)

2009

During the year to 30 June 2009 ordinary shares were issued to Professor Richmond and Mr Humann in satisfaction of Directors fees. These Director transactions were approved by shareholders in General Meeting on 18 October 2008. The transactions were as follows:

- On 7 July 2008, the issue of 1,091,700 shares to Professor Richmond and 1,786,440 shares to Mr Humann, both issues being at 1.911 cents per share, in payment of their Directors Fees to 30 June 2008. The shares were priced at the ASX volume weighted average price in the month leading up to 30 June 2008.
- On 7 January 2009, the issue of 1,718,213 shares to Professor Richmond and 3,006,873 shares to Mr Humann, both issues being at 1.164 cents per share, in payment of their Directors Fees to 31 December 2008. The shares were priced at the ASX volume weighted average price in the month leading up to 31 December 2008.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Company and its Subsidiaries ("Group") have exposure to the risks below from financial instruments:

i. Market risk;
ii. Liquidity risk;
iii. Credit risk.

The Directors have responsibility for the development and control of the risk management framework. The Directors established the Audit Committee, which is responsible for development and monitoring of risk management policies. The Group's principal financial instruments comprise cash, interest bearing deposits, lease and hire purchase finance and a debtor finance loan. The purpose of these financial instruments is to finance the growth of the Group through the opening of service centres and to provide working capital for the Group's operations.

The Group has various other financial instruments including trade debtors and trade creditors which arise directly out of its operations and through the negotiation of trading terms with customers and suppliers. During the period under review the Group has not traded in financial instruments. However it is Group policy to hedge foreign currency against fluctuations where appropriate, which may result in exchange losses.

The main risks arising from the Group's financial instruments are market risk, including interest rate risk and foreign currency risk; liquidity risk and credit risk. The Directors review and agree policy for managing each of these risks and they are summarised as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market Risk

Interest rate risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Average Interest Rate %	Floating Interest Rate $'000	Within 1 Year $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
2010						
Financial assets						
Cash	2.9%	510	-	-	-	510
Receivables	-	-	-	-	731	731
Total financial assets		510	-	-	731	1,241

As at 30 June 2010 Advanced Braking Pty Ltd was entitled to interest on deposits at BankWest at the rate of 3.0% per annum.

	Average Interest Rate %	Floating Interest Rate $'000	Within 1 Year $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
2010						
Financial liabilities						
Payables	-	-	-	-	738	738
Hire purchase liabilities	10.8%	-	143	211	-	354
Provisions	-	-	-	-		
Total financial liabilities		-	143	211	738	1,092
Net Financial Assets/(Liabilities)		510	(143)	(211)	(7)	149
2009						
Financial assets						
Cash	1.0%	1,900	-	-	89	1,989
Receivables	-	-	-	-	646	646
Total financial assets		1,900	-	-	735	2,635

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market Risk (continued)

Interest Rate Risk (continued)

	Average Interest Rate %	Floating Interest Rate $'000	Within 1 Year $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
2009						
Financial liabilities						
Payables	-	-	-	-	431	431
Hire purchase liabilities	8.0%	-	107	194	-	301
Provisions	-	-	-	-	112	112
Total financial liabilities		-	107	194	543	844
Net Financial Assets/(Liabilities)		1,900	(107)	(194)	192	1,791

The sensitivity analysis below is based on the interest rate risk exposure in existence at the balance sheet date. The 0.5% interest rate sensitivity is based on reasonable possible changes, over a financial year, using an observed range of historical Australian Reserve Bank rate movement over the last two years.

In the year to 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the results before tax relating to financial assets and liabilities would have been affected as shown below: Note the Company has carried forward tax losses and is not expected to pay tax for the foreseeable future therefore sensitivity analysis is shown pre-tax.

	Economic Entity		Parent Entity	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Probability of possible movements before tax:				
+0.5% per annum	5	13	5	12
-0.5% per annum	(5)	(13)	(5)	(12)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest Rate Risk (Continued)

	Economic Entity	
	2010	**2009**
	$'000	**$'000**
Reconciliation of net financial assets to net assets		
Net financial (liabilities)/assets as above	149	1,791
Non-financial assets and liabilities		
Inventories	1,339	1,418
Property, plant & equipment	504	398
Intangible Assets	2,188	2,387
Other	51	33
Deferred Income	-	(585)
Net (liabilities)/assets as per the Balance Sheet	4,129	5,442

The Directors' objective is to earn the highest rate of interest on deposits with minimum risk. The Directors' policy therefore is to place deposits with recognised banks which offer the highest variable rates. Similarly loans and asset finance contracts are shopped to find the lowest rates of interest expense

Foreign Currency Risk

As a consequence of the location of the Advanced Braking Pty Ltd ("ABPL") subsidiary in Thailand ("SETT") and the currency of the net investment in the subsidiary being denominated in Thai Baht, the Company's Balance Sheet can be affected significantly by movements in the Thai Baht/ AUD exchange rates. The Company does not hedge this exposure and as the net investment in SETT is not a financial asset and accordingly the foreign currency risk is not analysed hereunder.

The net investment in The Company's other subsidiary Advanced Braking Pty Ltd, has limited exposure from time to time in foreign currency debtors and creditors mainly in US$. The Company does not currently hedge this exposure. However the Company may hedge against future foreign currency risk when considered appropriate.

At 30 June 2010 neither the Company nor its subsidiaries had any forward foreign exchange contracts in place. As at 30 June 2010 the Group had the following exposure to foreign currency:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign Currency Risk (continued)

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	54	36	-	-
Trade and other receivables	36	41	-	-
Other financial assets	-	-	-	-
	90	77	-	-
Financial Liabilities				
Payables	260	-	-	-
Net Exposure	(170)	77	-	-

The following sensitivity analysis is based on the foreign currency risk exposure in existence at the balance sheet date. The 5% sensitivity is based on reasonable possible changes, over a financial year, using an observed range of actual historical rates in foreign exchange movements over the last two years.

In the year to 30 June 2010, if the Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, the results after tax relating to financial assets and would have been affected as shown below:

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Probability of possible movements before tax:				
Pre Tax Profit – higher/(lower)				
+5% per annum	(1)	(11)	-	-
-5% per annum	1	11	-	-

(b) Liquidity Risk

The Group's objective is to fund growth through shareholder equity until break even point is achieved. Operations and working capital are funded through a combination of equity, debtor finance and lease and hire purchase finance.

The Group manages liquidity risk by maintaining adequate cash reserves and through limited loan and asset finance. Future funding requirements are determined through the monitoring of rolling cash flow forecasts, which reflect management's expectations in respect of future turnover and the settlement of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity Risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
0 – 6 months	828	506	119	104
6 – 12 months	85	62	4	7
1 – 5 years	234	209	-	-
	1,147	777	123	111

The following table discloses maturity analysis of financial assets and liabilities based on management expectation:

Economic Entity as at 30 June 2010

	< 6 Mths $'000	6 – 12 Mths $'000	1 – 5 Years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	510	-		510
Trade and other receivables	697	-	34	731
Other financial assets	-	-	-	-
	1,207	-	34	1,241
Financial Liabilities				
Payables	828	85	234	1,147
	828	85	234	1,147
Net exposure	379	(85)	(200)	94

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity Risk (continued)

Economic Entity as at 30 June 2009

	< 6 Mths $'000	6 – 12 Mths $'000	1 – 5 Years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	1,989	-	57	2,046
Trade and other receivables	585	-	-	585
Other financial assets	-	-	-	-
	2,573	-	57	2,630
Financial Liabilities				
Payables	506	62	209	777
Net exposure	2,067	(62)	(152)	1,853

(c) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the Economic Entity which have been recognised on Balance Sheet is the carrying amount, net of any provision for doubtful debts. The Economic Entity's exposure to credit risk arises primarily from the mining industry.

The Economic Entity is not materially exposed to any individual overseas country or individual customer.

The Company's policy is to manage credit risk by ensuring all customers who wish to trade on credit terms subject themselves to credit worthiness checks. The Directors believe the Company's exposure to bad debts is not significant.

Other than the concentration of credit risk described above, the economic entity does not have any significant risk exposure to any counterparty or group of parties. The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the economic entity's maximum exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Net fair values

The financial assets and liabilities included in current asset and current liabilities in the Balance Sheet position are carried at amounts that approximate net fair values or recoverable amount after testing the assets for impairment. The intangible asset is the Wet Brake technology assigned from SETI on 27 June 2006, which is amortised over 15 years being the average life of patents which underpin the carrying value.

27. EVENTS SUBSEQUENT TO BALANCE DATE

On the 26th July 2010 the Company issued 4,361,111 ordinary shares at $0.018 each as payment of director's fees for the six months to the 30th June 2010. The shares were issued as follows: Mr Humann 2,138,888 shares, Professor Richmond 1,111,111 shares and Mr Slack 1,111,111 shares.

The Company announced on the 30th July 2010 that it had entered into a pre-production agreement with Brake Developments Pty Ltd. The agreement provides funding for pre-production trials and product development ahead of release.

On the 17th August 2010 the Company announced that it had secured commitments to raise $3 million through the placement of shares at an issue price of $0.016 each. The placement is to be made in two tranches as follows:

1. 116 million shares were issued on the 23rd August 2010 to raise $1,856,000.
2. 71.5 million shares will be issued to raise a further $1,144,000, subject to the shareholders' approving the issue at the Company's 2010 Annual General Meeting which is scheduled for late October 2010.

29. CONTINGENT LIABILITIES

The Company is presently involved in litigation with two parties who are claiming that the Company is indebted to them. The actions arise from events of approximately six years ago and the Company has lodged a notice of defence against each of the claims. In the opinion of the Directors, there are no contingent liabilities arising from these claims, as at 30 June 2010 or have arisen in the interval between 30 June 2010 and the date of this report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

30. SHARE BASED PAYMENTS

The following share based payments were made during the financial year ended 30 June 2010:

a) On the 24 July 2009 3,925,437 ordinary shares were issued at 1.4 cents each as payment of directors' fees for the six months to the 30 June 2009.

b) On the 29 January 2010 2,444,517 ordinary shares were issued at 2.9 cents each as payment of directors' fees to the 30 June 2010

The following share based payments were made in the financial year ending 30 June 2010:

a) On the 25 June 2009 5,000,000 ordinary fully paid shares were issued to Claymore Capital Pty Ltd at $0.008 of a cent each, as payment of corporate advisory fees associated with the issue of 208,125,000 shares at $0.008 each to raise $1,665,000.

OPTIONS	Economic Entity			
	2010		2009	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	32,750,000	$0.08	41,750,000	$0.08
Granted	12,410,000	$0.02	-	-
Forfeited	2,500,000	$0.15	9,000,000	$0.10
Exercised	-		-	-
Expired	-		-	-
Outstanding at year end	42,660,000	$0.06	32,750,000	$0.08
Exercisable at year end	22,500,000	$0.07	16,250,000	$0.10

	Parent Entity			
	2010		2009	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	32,750,000	$0.08	41,750,000	$0.08
Granted	12,410,000	$0.02	-	-
Forfeited	2,500,000	$0.15	9,000,000	$0.10
Exercised	-		-	-
Expired	-		-	-
Outstanding at year end	42,660,000	$0.06	32,750,000	$0.08
Exercisable at year end	22,500,000	$0.07	16,250,000	$0.10

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

30. SHARE BASED PAYMENTS (Continued)

The average fair value of the value of the options issued through the prior year ended 30th June 2010 was $77,650. The price was calculated by using a Black-Scholes option pricing model as follows:

7,910,000 options were valued at $37,150, applying the following inputs:

Weighted average exercise price	$0.015
Weighted average life of option	4 years
Underlying share price	$0.019
Expected share price volatility	50%
Risk free interest rate	4%

4,500,000 options were valued at $40,500, applying the following inputs:

Weighted average exercise price	$0.035
Weighted average life of option	4 years
Underlying share price	$0.026
Expected share price volatility	50%
Risk free interest rate	3%

Volatility was based on shares trading in the same market sector and this may not eventuate.

The life of the options is based on the exercise date as there is no historical data on which to base the exercise date.

Under cost of share options the expense in the income statement relating to share-based payments is $57,000 (2009 – $65,000) and relates to the total cost value of all share options not forfeited, spread over the vesting period.

No options were granted during the year ended 30th June 2009.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

31. Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Advanced Braking Technology Ltd .

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact

Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segment's goodwill

AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

31. Adoption of New and Revised Accounting Standards (continued)

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  — simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

  — simplifying the requirements for embedded derivatives;

  — removing the tainting rules associated with held-to-maturity assets;

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

31. Adoption of New and Revised Accounting Standards (continued)

New Accounting Standards for Application in Future Periods (continued)

— removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

— allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

— reclassifying financial assets where there is a change in an entity’s business model as they are initially classified based on:

a. the objective of the entity’s business model for managing the financial assets; and

b. the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB’s annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010 (Continued)

31. Adoption of New and Revised Accounting Standards (continued)

New Accounting Standards for Application in Future Periods (continued)

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.
- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.
- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.
- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.
- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 32 to 87, are in accordance with the Corporations Act 2001:

   (a) comply with Accounting Standards, and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company and consolidated group.

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view;

3. In the Directors' opinion there are reasonable grounds to believe that the company 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 the Board of Directors and is signed by authority for and on behalf of the Directors by:

D HUMANN
Director

Perth, Western Australia
8 September 2010

MOORE STEPHENS

Partners

Syd Jenkins
Neil Pace
Dino Travaglini
Ray Simpson
Suan-Lee Tan
Ennio Tavani

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANCED BRAKING TECHNOLOGY LTD

Report on the Financial Report

We have audited the accompanying financial report of Advanced Braking Technology Ltd (the company) and Advanced Braking Technology Ltd and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2010, and the statement, of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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 confirm that the independence declaration required by the Corporations Act 2001, as provided to the directors of Advanced Braking Technology Ltd, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion
In our opinion:

a. the financial report of Advanced Braking Technology Ltd and Advanced Braking Technology Ltd and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 28 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion, the Remuneration Report of Advanced Braking Technology Ltd for the year ended 30 June 2010 complies with Section 300A of the Corporations Act 2001.

Neil Pace

Moore Stephens

NEIL PACE **MOORE STEPHENS**

PARTNER **CHARTERED**
ACCOUNTANTS

Signed at Perth this 8 day of September 2010.

STOCK EXCHANGE INFORMATION

The following information is provided in accordance with the Listing Rules of Australian Stock Exchange Limited.

1. Statement of issued capital at 1 September 2010.

(a) Distribution of fully paid ordinary shares

Size of Holding	Number of Shareholders	Shares Held
1 - 1,000	15	2,183
1,001 - 5,000	22	83,222
5,001 - 10,000	156	1,489,898
10,001 - 100,000	568	25,857,535
100,001 and Over	540	862,382,737

(b) There are 401 shareholders with less than a marketable parcel.

(c) There are no restrictions on voting rights attached to the ordinary shares on issue. On a show of hands, every member present in person shall have one vote and upon a poll, every member present in person or by proxy shall have one vote for every share held.

2. Substantial shareholders

The Company has the following substantial shareholders:

- Mr David Slack	113,832,883 shares
- Mr Richard Andrew Palmer	34,334,036 shares
- Ms Tracey-Ann Palmer	32,144,893 shares

3. Shareholders

The twenty largest shareholders hold 49.45% of the total issued ordinary shares in the Company as at 1 September 2010.

1. **Share Options**

Unlisted Options expiring 1 July 2011 exercisable at $0.075

Number of Options	3,000,000
Number of Holders	1

Unlisted Options expiring 1 March 2012 exercisable at $0.052

Number of Options	10,000,000
Number of Holders	2

Unlisted Options expiring 1 March 2013 exercisable at $0.065

Number of Options	10,000,000
Number of Holders	1

Unlisted Options expiring 31 August 2013 exercisable at $0.015

Number of Options	7,910,000
Number of Holders	1

Unlisted Options expiring 5 November 2013 exercisable at $0.035

Number of Options	4,500,000
Number of Holders	1

6. Quotation

Shares in Advanced Braking Technologies Ltd are listed on Australian Stock Exchange Limited.

7. Audit Committee

As at the date of the Directors' report the Company had a separate audit committee, consisting of the non executive Directors Mr David Slack(Chairman) and Mr David Humann. During the year Professor Malcolm Richmond retired from the Audit Committee and the vacancy was filled by Mr David Slack's appointment. There were two meetings of the Audit Committee held during the year ended 30th June 2010. Professor Richmond attended one meeting prior to his retirement, Mr Slack attended one meeting after his appointment and Mr David Humann attended both meetings. In addition to Audit Committee meetings, meetings are held between senior management and auditors throughout the year to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

Twenty Largest Fully Paid Ordinary Shareholders

The names of the twenty largest shareholders who hold 45.93% of the fully paid ordinary shares in the Company at 1st September 2010.

		Number of Shares	% of Issued Shares
1	Windpac Pty Ltd	105,799,750	11.89
2	530 Collins St Pty Ltd	33,649,127	3.78
3	MR Richard Andrew Palmer	24,334,036	2.73
4	Mrs Tracey-Ann Palmer	22,144,893	2.49
5	Mr Dale Albert Monson & Mrs Dagmar Erna Monson <Dale Monson S/F NO. 2 A/C>	21,865,697	2.46
6	Mr Richard Palmer & Mrs Tracey-Ann Palmer <PALMER FAMILY RETIRE A/C>	20,000,000	2.25
7	Knarf Investments Pty Ltd <Terrigal A/C>	15,145,980	1.70
8	Lost Ark Nominees Pty Ltd <Mya Super A/C>	15,112,500	1.70
9	Claymore Capital Pty Ltd	13,937,500	1.57
10	Mr Jim Sumpter & Mrs Dale Elizabeth Sumpter	13,864,169	1.56
11	Mr David Humann & Mrs Anne Humann <David & Anne Humann S/F A/C>	13,378,323	1.50
12	Galvale Pty Ltd	13,097,882	1.47
13	Mr Peter Rodney Bower	12,563,299	1.41
14	Mondale Investments Pty Ltd	12,273,927	1.38
15	Annapurna Pty Ltd	12,000,000	1.35
16	R E Jones Properties Pty Ltd <Greenhill Property A/C>	10,829,399	1.22
	Spinite Pty Ltd	10,375,000	1.17
17	Kittredge Pty Ltd	10,329,399	1.6
18	Cautious Pty Ltd <The Reserve A/C>	10,011,667	1.13
19	Valette Pty Ltd <McCleland Family A/C>	9,650,000	1.08
20	Mr John Lindsay Cutbush & Mr Duncan Lindsay Cutbush <Cutbush Family S/F A/C>	8,309,882	0.93
		408,672,430	45.93

Advanced Braking Technology Ltd

Unit 1, 3 McDonald Street

Osborne Park Western Australia 6017