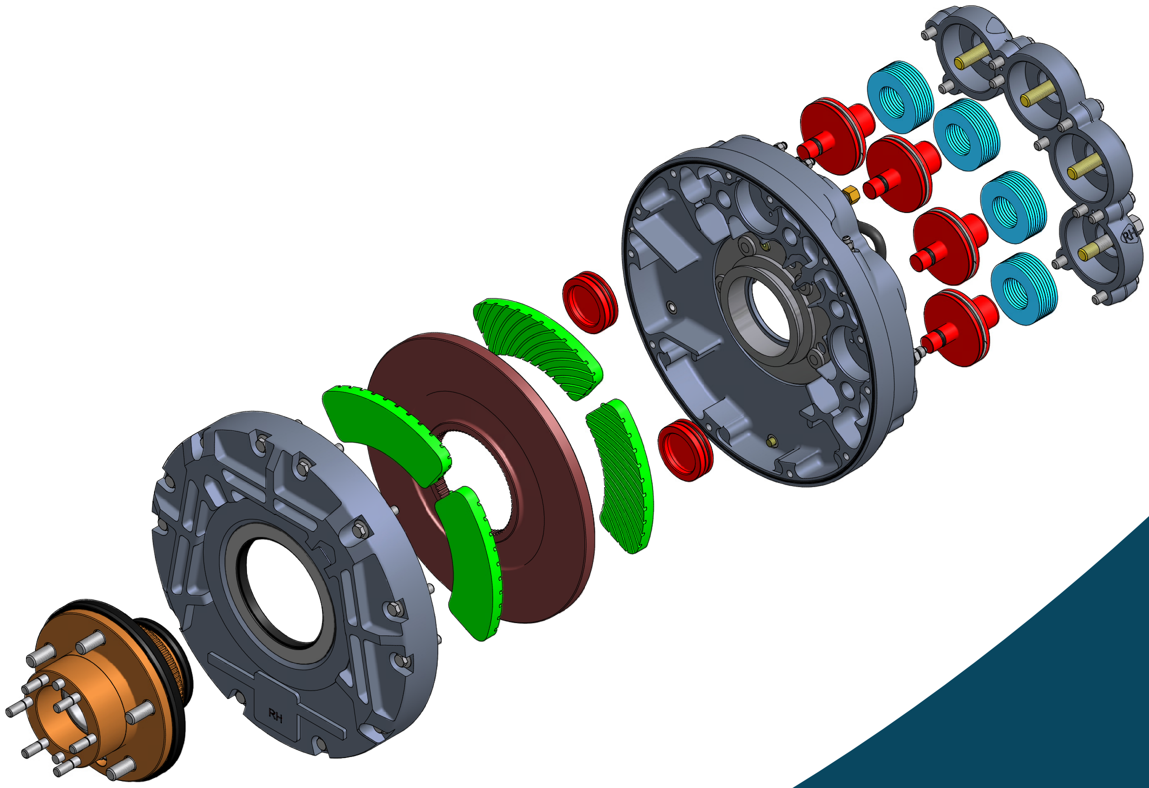
Advanced Braking Technology Ltd



ANNUAL REPORT 2011

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

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AND CONTROLLED ENTITIES

ABN 66 099 107 623

CORPORATE DIRECTORY

Directors
David Humann
Malcolm Richmond
David Slack
Ken Johnsen

Company Secretary
Clare Madelin

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

Bankers
BankWest
BankWest Tower
108 St George's 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 George's 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

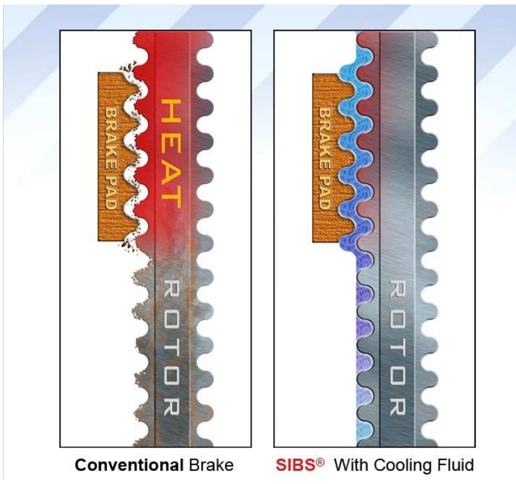
ASX Code
ABV – Ordinary shares

COMPANY OVERVIEW

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.



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.

CHAIRMAN'S LETTER

Dear Shareholder

Your Company and our people have made great progress in the financial year under review.

Firstly, we focused on efficiently marketing our SIBS® products throughout Australia and in North America and South Africa.

Close contact with our key customer group, substantially in the mining and resources area, was maintained by our enhanced marketing and sales team. This team has been supported by our engineering, customer service and fitting staff and a well executed continuous product and service improvement process.

Considerable effort, and additional procurement and quality control personnel and processes, have been employed in our Thailand based manufacturing facility. This focus has produced the 55% increase in total revenue over the previous year.

Secondly, as described further in the Annual Report, we continue to make strong progress in our major development project, the SIBS® Garbage Truck Brake. We aim to have a marketable product available for sale during 2012. We believe a global market of considerable size is open to your Company. We are devoting significant internal resources to the development, field testing and refinement of this product. Our development program has been endorsed by the Commonwealth Government with a grant of $2,000,000.

Our first full year profit indicates, in financial terms, that we have established a sound and sustainable business, which should substantially enhance shareholder value over time. Our balance sheet is strong with little interest bearing debt ($235,000) and cash reserves of $2,737,000.

Looking to the future, our mining and resources customers continue to carry out major exploration programs, mine development and the construction of infrastructure. This should assure us of a buoyant market for the foreseeable future.

Our overseas sales of the SIBS® products are significant. We are well established in North America and in South Africa, however there is scope for more sales by investing more resources in money and people.

South American mining industries are large and growing and we plan to investigate the feasibility of putting in place a marketing presence in the coming years.

The high demand for mineral commodities world wide (and in particular in Asia; China and India) is likely to continue and this trend will provide strong support for our SIBS® products.

Our SIBS® AGI driveline brake for concrete trucks and other specialised vehicles and the SIBS® garbage truck products will give us access to global markets, where volumes are likely to be greater than in the mining and resources industries.

All our people have worked very hard to achieve the successes and financial results we report this year. Our workshop staff, engineers and sales and marketing staff often work in difficult and remote locations . We thank them for their energy and commitment.

I wish to thank our Chief Executive Ken Johnsen for his leadership during the year and my colleagues on the Board. We have all worked well together and have provided a high standard of governance to the company and inspired its success.

DAVID HUMANN

Chairman

CHIEF EXECUTIVE OFFICER UPDATE

Introduction

In financial year 2011 there were a number of significant developments that firmly establish ABT as a major participant in the Australian mining sector as the system of choice for safer vehicle braking systems. ABT is also in the final stage of development of a garbage truck braking system, with initial commercial sales planned to commence during the next 12 months.

Year's Highlights

- Commencement of the Production Validation Phase of the Garbage truck program with the Pre-Production Contract being signed on 31st July 2010
- Completion of an oversubscribed capital raising of $3 million in October 2010
- Xstrata Zinc order for a site wide roll out of SIBS® brakes at George Fisher Mine with an initial order of 96 brake sets with total order value of $800,000.
- Announcement of a maiden profit for the 6 months ending 31st December 2010
- The award of a $2 million Early Stage Commercialisation Grant from the Commonwealth in April 2011
- A cash balance of $2.74 million at 30 June 2011.

Mining Products

In financial year 2011 sales to the mining industry grew 58% to $6.30m representing 87% of total Company income. Sales of spares parts account for over 30% of mining sales. Export sales accounted for 19% of total mining sales with North America being the strongest followed by South Africa. Approximately 30% of mining sales were spare parts and 19% were exports. The mining side of the business provided a $1.82 million positive contribution to the overall result based on a 29% net profit which grew from 11% last financial year.

This growth being experienced goes beyond the underlying strength in the resources sector and can be attributed to the greater importance being placed on safety of vehicles operating in mines and also certain product improvement made during the year to make SIBS® a more attractive proposition.

The mainstay of product sales remains SIBS® for Toyota Landcruiser. In Australia it is estimated that during the year the Company's market penetration grew from approximately 10% of the available Landcruiser market to approximately 20%. Expectations are that this market share will continue to grow. The SIBS® AGI driveline brake was the second largest brake product sold with installations occurring on a large variety of applications and truck types. This product has now been applied to concrete trucks, water trucks, explosives truck and general service trucks. Truck types fitted include Mack, Sterling, Isuzu, MAN and Hino.

During the year SIBS® brakes were installed on vehicles for both underground and open cut mining. The underground operations are the long established markets for the Company in both metalliferous and coal mines. Open cut applications, include coal mines in the Hunter Valley and the Bowen Basin and also iron ore mines in the Pilbara region of WA, is an area of increased focus for the Company and where solid near term growth prospects exist.

SIBS® Garbage Truck Brake

The Company is undertaking the development of an improved braking system for application on garbage trucks with the aim of providing much reduced servicing cost, more consistent and reliable braking performance and elimination of noise and dust emissions. These combined are intended to provide tangible operational, safety and environmental benefits to fleet operators that adopt the technology.

A four year, $4 million design and development program commenced in March 2008. After 2 years of intensive design and testing of the prototype design "proof of concept" sign off was achieved in March 2010.

This proof of concept sign off demonstrated that the key design targets for the product could be achieved, namely; much reduced brake wear, compliance with prevailing and future standards, operator acceptance and projected cost of manufacture.

CHIEF EXECUTIVE OFFICER UPDATE *(continued)*

Having achieved this proof of concept, the final stage of the development program is to achieve Production Validation as the last step ahead of having the product ready for commercial sale.

The Production Validation Stage of the Garbage Truck program commenced following the signing of the Pre-Production Contract on 30th July 2010 with an external investor Brake Developments Pty Ltd. The Company embarked on a range of activities including building a batch of SIBS® truck brakes that were representative of how the brakes would be made in production. This involved developing production processes and engaging suppliers that were capable of delivering product to the required quality standards for a commercial product. The prime goal of the Production Validation program is to verify the results achieved at the proof of concept point can also be achieved on a fleet of 5 trucks in real world conditions. In addition there is a suite of other fatigue and durability bench testing required to be completed and confirmation the pre-production hardware will meet the Australian Design Rule standards for braking.

In parallel with activities under the Production Validation program, ABT continued testing of a garbage truck fitted with the prototype SIBS® brakes. This truck was placed in commercial service with a fleet operator in one of the most arduous garbage collection rounds in the country on the Queensland Sunshine Coast Hinterland. This round includes very steep descents in rural settings where the undulating terrain and the distance between bins cause very high brake duty cycles.

Testing under these harsh conditions highlighted several issues that required incorporation into the production version of the SIBS® system. The external cooling system developed in the design phase was found to be undersized for these extreme conditions. Working with the chosen production supplier an upgraded cooling system was designed and subsequent in-field testing confirmed it was able to handle the increased load. Further in field testing in these harsh conditions also showed the same level of wear resistance seen in the design phase was not being achieved. A detailed study of the factors influencing the wear on the brakes revealed that an increase in brake rotor hardness significantly reduced both pad and rotor wear. Testing of brake rotors with harder material has demonstrated very low wear and the pre-production hardware has been prepared with the upgraded material specification. These issues are being resolved by working with suppliers to obtain improved specification components where required.

After commencement of the Production Validation program, contact with the waste industry indicated that there was a requirement for the SIBS® truck brake to be compatible with ABS (anti skid) systems that were to become standard fitment onto new truck models. This was anticipated at the outset of the design phase however the industry move to ABS has taken place at a faster rate than originally foreshadowed.

The Company therefore decided to expand the Production Validation program to include an ABS version of the SIBS® truck brake. As this required additional funding, the Company sought Commonwealth funding assistance through the Commercialisation Australia – Early Stage Commercialisation program. In April 2011 a funding agreement with the Commonwealth was entered into and $2 million was made available to contribute to the non-ABS production validation program and to expand this to include production validation of the ABS version of the SIBS® truck brake. Funding was also made available to support the preparation and monitoring of the first commercial releases of both the non-ABS and ABS versions of the brake. The non-ABS version is being prepared as a retro-fit option for existing fleet trucks and the ABS version is being prepared for fitment to new trucks.

The expansion of the Production Validation program to include ABS brakes and incorporate the design revisions noted above, has delayed the original non ABS program and consequently the Company is now in the final stages of preparing to install the pre-production brakes for the fleet trial. All pre-production SIBS® brake sets have been constructed and outsourced ancillary parts have been purchased. Various other rig testing and supplier validation is either underway or complete.

During the 2011/2012 financial year the Company expects to achieve favourable fleet testing results enabling it to initiate the low volume production and sale of the SIBS® truck brake to the waste industry. This timing of production release remains in-line with the original stated objective of achieving a decision on a production release after 4 years from the commencement of the development project in March 2008. The Company is still on track the make this decision in March/April 2012.

While every effort will be made to commence commercial production of the garbage truck brake in this current financial year the most important matter for the company is to ensure that the product is robust,

CHIEF EXECUTIVE OFFICER UPDATE *(continued)*

reliable and delivers the promised value proposition. Any premature release of the product could cause irreparable damage to the product and the Company prospects in the very promising and lucrative market. The Company will devote the required resources, systems and procedures to ensure this market launch is successful.

Contractual Arrangement with Brake Developments

Brake Developments Pty Ltd and the Company entered into a Development and Licence Agreement in March 2008 under which Brake Developments would provide up to $4 million towards the development of the SIBS® garbage truck brake in return for the payment of 10% royalty on the sale of each SIBS® braking system.

A total of $2.5 million of funding has been provided by Brake Developments, the majority of which was used in the development phase of the project that in March 2010 successfully demonstrated the “proof of concept” sign off of the garbage truck brake.

Under an agreement signed on 30th August 2011 the parties have varied the terms of the Development and Licence Agreement so that the royalty payable by the Company to Brake Developments is reduced from 10% to 6.25% and in consideration for this Brake Developments are not required to make any further payment under the Development and Licence Agreement.

The consequence of this changed arrangement is that the Company will be responsible for additional funding of the pre-production activity that is being carried out on the garbage truck brake through to production commencement. The Company expects to have the resources to be able to fund the final stages of commercialisation. This increase in expenditure will be offset by reduced royalty payments in the long term and the Directors believe there will be a net benefit to the Company as commercialisation takes effect. This activity is also being supported by the $2 million Commonwealth Early Stage Commercialisation Grant.

Product Development

In addition to the garbage truck activity discussed above, the other major area of product development was in the development of the SIBS® II product. SIBS® II is an improved design of the Company’s long standing SIBS® design for Landcruisers.

SIBS® II came about after much consultation with customers on aspects of the traditional SIBS® products that would make it safer, more user-friendly and more cost effective.

SIBS® II incorporates;

- An improved operator interface that displays the status of the fail safe brake function
- A revised design that provides a braking module that is easier to install, remove and service
- An external pad-wear indicator
- Upgraded fasteners, hoses and fittings that improve corrosion resistance.

The advent of SIBS® II was the major reason for Xstrata Zinc’s decision to equip their entire Landcruiser fleet in service at the George Fisher mine in Mount Isa, Queensland and this has had a flow on impact for contractors’ vehicles on site also being required to fit SIBS®.

The Company has now commenced incorporating the SIBS® II features across the other variants of the product for other vehicle applications such as Toyota Hilux, Nissan Patrol, Fuso Canter and Isuzu NPS 300.

Other product development also occurred on the SIBS®AGI driveline brake where a number of additional product applications were developed including vehicles fitted with the heavy duty RT 46 Meritor rear axle and a MAN truck model.

Production

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

CHIEF EXECUTIVE OFFICER UPDATE *(continued)*

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

Through the year the Thailand operation was able to respond to a marked increase in sales. In the December quarter of 2010 it produced brakes at a production rate never experienced in the Company's history. In addition to the increase in mining products the Thai facility is taking the lead role in gearing up for production of the garbage truck brake. Additional expatriate specialists have been employed to assist in planning for the production commencement.

Sales Strategy

The prime selling features of SIBS® are improved safety and reduced maintenance. The advent of SIBS® II through the year has enhanced these benefits in the mining sector.

The strongest growth in sales has occurred in the Australian mining market. This has been supported with extra resources in the areas of customer service and training. The Group has developed customised training packages to support customers who undertake their own installation and servicing of SIBS® and for service agents that are accredited to provide such services to customers.

A focus on concentrating the Group's sales efforts on the major mining operators is being evidenced by the growth in sales. With more of the major operators committing to SIBS® this is having a knock on impact to the smaller operators and contractors.

Overseas agents in Canada and South Africa continue to play a vital role in the sales and support of products in their regions. These agents account for over 19% of the mining sales.

It is believed there are still areas of large opportunity for growth in the Australian market. As resources permit the Group will direct its attention to growing its overseas sales.

Results Discussion

The Directors are pleased to announce the Group's maiden annual profit after tax of $0.55 million. While modest in magnitude it signals a turning point in the Group's history and points to a bright future.

The Group saw an overall increase in revenue of 54.7% from $4.68 million to $7.24 million combined with a net profit after tax of $0.550 million compared to a loss last year of $1.266 million.

From a cash flow perspective net cash provided from operations for the 12 month period was $141,000 compared to cash used the previous year of $1.583 million. The cash balance at year's end sat at $2.74 million which was unchanged from the 31st December 2010 cash balance. Included in the investment activities for the 12 month period was the purchase of property plant and equipment of $430,000 and expenditure on capitalised pre-production activity of $583,000. These cash flow details, and the current cash at bank, clearly demonstrate the Group is now in the position where it is beginning to generating healthy cash flows.

Included in the current assets at year end is inventory of $1.77 million up $430,000 on the previous year reflecting the increase in sales and the requirement for additional stock and work in progress. Current and non current interest bearing liabilities sit at a modest $235,000 and this is primarily lease arrangements for test vehicles.

From a total equity perspective there was a growth in total equity from $4.13 million last year to $7.7 million this year

In terms of a segment analysis, the mining side of the business is the prime contributor to profit with a segment profit of $1.8 million on sales of $6.3 million. The engineering side of the business, which includes expenditure on new products and product improvement, recorded a loss of $1.34 million. However, with this investment leading to an improved and expanded product range, it will contribute to additional sales in future years.

CHIEF EXECUTIVE OFFICER UPDATE *(continued)*

Included in the $550,000 net profit after tax is $141,000 that relates to prior period adjustments and an amount of $307,000 that is a cash R&D offset which reimburses R&D activity in the prior year. Sales of braking systems have historically been seasonal, with more sold in the first half of the year than the second, and ABT's results have again conformed to this pattern, with profit after tax for the six months to December 2010 being $653,000.

Outlook

The solid performance in the mining sector that met internal targets for the year demonstrates two key factors. Firstly, the business is now a key part of the mining industry with reasonably predictable and sustainable business, barring external factors like the GFC. Secondly, the business model established that is now delivering solid margins and profits can be replicated and expanded upon to enter into the global waste market. The Company has demonstrated it can design, develop, manufacture at a low cost base, sell, distribute and support products on a global basis.

Current sales activity and pipeline is currently tracking internal estimates of continued growth. This includes a greater level of activity in the open cut coal mines in the Hunter Valley and Bowen Basin and further additional sales to long standing customers as they renew their fleets.

This success in the mining sector bodes well for the prospects in the waste industry as the garbage truck completes its final product validation ahead of an expected commencement of initial commercial production at the end of this new financial year.

The future for the Company looks very promising.

Acknowledgements

I would like to acknowledge the dedicated staff at ABT that have been able to handle the much increased Group activity over the past 12 months with only a minor increase in the workforce.

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

Ken Johnsen

Chief Executive Officer and Managing Director

6th September 2011

Advanced Braking Technology Ltd

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

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.

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 Directors and one executive Director. 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.

Diversity Policy

The Company supports the recommendations contained in the ASX Recommendations concerning diversity and intends to comply with these recommendations. The Board intends to set measurable objectives in relation to gender diversity, adopt a strategy to achieve these objectives and report on progress towards achieving them in its future Annual Reports.

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 of Directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. In the context of director independence, “materiality” is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangement governing it and other factors that point to the actual ability of the director in question to shape the direction of the Company’s loyalty.

In accordance with the definition of the independence above, and the materiality threshold set, the following directors of Advanced Braking Technology Ltd are considered to be independent:

Name	Position
Mr David Humann	Non-executive Director, Chairman
Prof. Malcolm Richmond	Non-executive Director

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.

Advanced Braking Technology Ltd

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 30 JUNE 2011

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) other than statutory superannuation contributions. Executive Directors may be remunerated by both fixed remuneration and equity performance based remuneration plus statutory superannuation contributions but 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 the 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.

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, Mr David Slack (Chairperson) and Mr David Humann. Meetings are held as required between the Audit Committee, the Company's Chief Financial Officer 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 of the Board) 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, employees, contractors and consultants ("personnel"). Under the policy, personnel are prohibited from dealing in the company's securities whilst in possession of price sensitive information. Directors and key management personnel are also prohibited from trading except during specific trading windows and are required to advise the Company Secretary of their intention to do so before dealing in the Securities. In exceptional circumstances, such as severe financial hardship, trading may be permitted in a prohibited trading period, with the prior written consent of the Chairman of the Board or, if being sought by the Chairman of the Board, of the Chairperson of the Audit Committee. The securities trading policy has been lodged with the ASX.

This policy is provided to all personnel. 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.

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 one of the non-executive directors is a major shareholder in the Company, the Board is not comprised of a majority of independent directors, which is a departure from ASX Corporate Governance Council best practice recommendation 2.1. The Board considers its current composition is the most appropriate blend of skills and expertise, relevant to the Company's business. The Board will review this on an on-going basis.

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.

CORPORATE GOVERNANCE STATEMENT *(continued)*
FOR THE YEAR ENDED 30 JUNE 2011

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.

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

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.

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.

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 only two non- Executive Directors, only one of whom is considered to be independent (see "Independence of Directors" above). The non-independent Director is also the Chairperson of the audit Committee, but is not the Chairperson of the Board. The structure of the audit committee is reviewed each year by the Board and is considered appropriate given the size and structure of the Board.

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. As from 1 July 2011 executive Directors will be required to absent themselves from that part of any meeting where executive Directors' remuneration is discussed.

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 2011. 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 formerly Adviser Technology Commercialisation at Curtin University. Currently, he is a Director of MIL Resources Ltd, Strike Resources Limited and Cuervo Resources Inc (listed on Canadian National Stock Exchange), 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 32 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 Group's products.

Appointed 30 April 2007.

David Slack *Non-Executive Director*

Mr Slack is the Managing Partner, Chief Investment Officer and 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

DIRECTORS' REPORT *(continued)*

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.

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
	Logicamms Ltd	2008 – to date
Malcolm Richmond	Mil Resources Ltd	2001 – to date
	Strike Resources Limited	2006 – to date
	Structural Monitoring Systems Ltd	2006 – 2010
	Cuervo Resource Inc, (listed on Canadian National Stock Exchange)	2011 – to date

Company Secretary

Clare Madelin was appointed as Company Secretary on the 27 January 2011. Ms Madelin is a Chartered Accountant.

Principal activities

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

Operating results

The results of the Consolidated Group for the year ended 30 June 2011 was a profit from continuing activities, after income tax, of $ 550,000 (2010: loss of $1,266,000) and a total comprehensive income of $567,000 (2010:loss of $1,495,000). Revenues from trading activities increased to $6,631,000 for the year ending 30 June 2011 from $4,452,000 for the year ending 30 June 2010.

Dividends

There have been no dividends paid or declared by the Company in the last two years.

Summary of material transactions

On 23 August 2010 the Company issued 116 million ordinary fully paid shares at an issue price of 1.6 cents each, to raise $1,856,000, as ratified by shareholders at the Company's Annual General Meeting held on 26 October 2010.

On 28 October 2010 the Company issued 71.5 million ordinary fully paid shares at an issue price of 1.6 cents each, to raise $1,114,000, as approved by shareholders at the Company's Annual General Meeting held on 26 October 2010.

DIRECTORS' REPORT *(continued)*

On 20 October 2010 the Company announced that a significant order for 96 brake sets had been received from Xstrata Mount Isa Mines, to the value of approximately $800,000. This order was supplied in full during the year.

On 30 July 2010 the Company announced that it had entered into a pre-production contract with Brake Developments Pty Ltd to enable it to source funding to complete the final stage of the project to develop its next generation garbage truck braking system. Under this agreement Brake Developments Pty Ltd would earn a 10% royalty on future sales of the garbage truck brake. Subsequent to the year end, on 30th August 2011, an agreement with Brake Developments Pty Ltd was signed which varied the terms of the agreement such that the royalty payable by the Company to Brake Developments Pty Ltd is reduced from 10% to 6.25% and in consideration for this Brake Developments Pty Ltd are not required to make any further payment under the Development and Licence Agreement.

On 27 April 2011 the Company announced that its subsidiary, Advanced Braking Pty Ltd, had entered into a funding agreement with the Commonwealth Government for $2,000,000 to support a project to accelerate the final validation and market entry of the garbage truck brake.

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

In March 2008 the Company entered into a Development and License Agreement with Brake Developments Pty Ltd under which Brake Developments would provide up to $4 million towards the development of the SIBS® garbage truck brake in return for the payment of 10% royalty on the sale of each SIBS® braking system.

A total of $2.5 million of funding has been provided by Brake Developments, the majority of which was used to in the development phase of the project that in March 2010 successfully demonstrated the "proof of concept" sign off the garbage truck brake.

Subsequent to the year end, on 30th August 2011, an agreement between the Company and Brake Developments Pty Ltd was signed to vary the terms of the Development and Licence Agreement so that royalty payable by Group to Brake Developments is reduced from 10% to 6.25% and in consideration for this Brake Development are not required to make any further payment under the Development and Licence Agreement.

Unissued Shares

At the date of this report there were 30,660,000 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.

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 of 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 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	Unlisted options
D Humann	nil
M Richmond	nil
D Slack	20,000,000
K Johnsen	4,500,000

Audit Committee meetings

During the financial year there were 2 meetings of the Audit Committee. The Audit Committee members attended as follows:

	Meetings	
	Attended	Possible Attended
D Slack (Chairperson)	2	2
D Humann	2	2

Directors' meetings

During the financial year there were 12 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	12	12
M Richmond	10	12
D Slack	12	12
K Johnsen	12	12

REMUNERATION REPORT

This remuneration report for the year ended 30 June 2011 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, or where there are fewer than five executives, all the executives.

- **Individual key management personnel disclosures**

Details of KMP including the top five remunerated executives, or where there are fewer than five executives, all the executives, of the Parent and Group are set out below.

Key Management Personnel

Directors:

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

Executives / other key management personnel:

Clare Madelin	Company Secretary and Chief Financial Officer (appointed 11 January 2011 as CFO, appointed 27 January 2011 as Company Secretary)
Kenneth McKinnon	Company Secretary and Chief Financial Officer (resigned 31 January 2011)
Sam Leighton	General Manager
Andrew Miller	Chief Engineer

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

During the year, the full Board of Directors acted 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 may be 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. During the year no share options were issued. 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

DIRECTORS' REPORT *(continued)*

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 2011 AGM.

Structure

The remuneration of non-executive directors consists of directors' fees. There are no schemes for retirement benefits for non-executive Directors other than statutory superannuation and non-executive directors do not participate in any incentive programs. Other than the Chairman, each non-executive director received a base fee of $40,000 plus the superannuation guarantee contribution. The Chairman received a base fee of $75,000 but is not entitled to the superannuation guarantee contribution.

- **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 2011 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	Payment Vehicle	Purpose	Link to performance
Fixed remuneration	• Represented by total employment cost (TEC) • Comprises base salary, plus superannuation contributions	• Set with reference to role, market and experience	• No link to company performance
Short term incentive component (STI)	• Paid in cash	• Rewards executives for their contribution to achievement of Group and business unit outcomes	• Linked to group performance such as sales revenue, profit targets, performance against budget and inventory and receivable turnover.
Long term incentive component (LTI)	• Paid in cash or share performance rights. During the year there was no performance rights scheme in place.	• Rewards executives for their contribution to achievement of Group and business unit outcomes	• Linked to share price performance for the CEO. No formal links to performance for others but in all cases at the discretion of the Board of Directors.

Note that not all executives were entitled to all, or necessarily any, components.

DIRECTORS' REPORT *(continued)*

- **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*	*Equity*	*Equity*	*Total*
		Salary & Fees	**Super**	**Share Options**	**Ordinary Shares**	
Directors	**Year**	$	$	$	$	$
D Humann	**2011**	**75,000**				**75,000**
	2010				70,000	70,000
M Richmond	**2011**	**40,000**	**3,600**			**43,600**
	2010				40,000	40,000
D Slack	**2011**	**40,000**	**3,600**			**43,600**
	2010				32,391	32,391
K Johnsen	**2011**	**325,688**	**29,312**			**355,000**
	2010	275,229	24,771	40,500		340,500
Total	**2011**	**480,688**	**36,512,**	**-**	**-**	**517,200**
Total	2010	275,229	24,771	40,500	142,391	482,891

		Primary	*STI*	*Post Employment*	*Other*	*Equity*	*Total*
		Salary & Fees	**Sales Commission**	**Super**	**Thailand Living Expenses**	**Share Options**	
Executives	**Year**	$		$	$	$	$
C Madelin	**2011**	**49,385**	**-**	**43,685**	**-**	**-**	**93,070**
	2010	-	-	-	-	-	-
K McKinnon	**2011**	**97,130**	**-**	**8,742**	**-**	**-**	**105,872**
	2010	150,000	-	13,500	-	-	163,650
S Leighton	**2011**	**159,384**	**22,354**	**16,356**	**-**	**-**	**198,094**
	2010	33,654	-	3,029	-	-	36,683
M Sheehan	**2011**	**-**	**-**	**-**	**-**	**-**	**-**
	2010	40,213	-	3,619	33,695	5,050	83,030
A Miller	**2011**	**117,343**	**-**	**10,561**	**-**	**-**	**127,904**
	2010	107,339	-	9,661	-	5,000	122,000
P Ng	**2011**	**-**	**-**	**-**	**-**	**-**	**-**
	2010	136,025	-	12,242	-	-	148,267
Total	**2011**	**423,242**	**22,354**	**79,344**	**-**	**-**	**524,940**
Total	2010	467,231	-	42,051	33,695	10,050	553,630

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 resigned on 31 January 2011, Mr Leighton was appointed on 12 April 2010 and Ms Madelin was appointed CFO on 11 January 2011 and Company Secretary on 27 January 2011.

DIRECTORS' REPORT *(continued)*

- **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 sales commission granted as remuneration during the year to key management personnel and other executives during the year are as follows:
Mr Leighton: Received a short term incentive payment calculated at 0.75% of qualifying sales revenue.

No other executives received, or were entitled to, any performance related bonus for the year to 30 June 2011.

- **Employment Contracts**

Mr K Johnsen, Ms Madelin, 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 Ms Madelin, Mr Leighton and Mr Miller require both parties to provide one month's notice to terminate the contract.

Further details of Directors' remuneration are contained in Notes 5 and 24 to the Financial Statements.

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 $17,359 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 Consolidated Group, 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.

Auditor's Independence Declaration

The Auditor's independence declaration is included after this Directors' Report.

DIRECTORS' REPORT *(continued)*

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 GROUP	
	2011	2010
	$'000	$'000
Auditor of Consolidated Group		
Audit and review of financial reports	34	32
Other Services	-	-
	34	32
Auditor of Safe Effect (Thailand) Co. Ltd		
Audit and review of financial reports	4	5
Other Services	-	-
	4	5

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.

Ken Johnsen
Chief Executive Officer and Managing Director
6th September 2011

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Level 3, 12 St Georges Terrace
Perth WA 6000

PO Box 3019, Perth Adelaide
Terrace WA 6832

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF ADVANCED BRAKING TECHNOLOGY LIMITED

As lead auditor for the audit of Advanced Braking Technology Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Advanced Braking Technology Limited during the year.

Suan-Lee Tan

Suan-Lee Tan
Partner

MOORE STEPHENS

Moore Stephens
Chartered Accountants

Signed at Perth this 6th day of September 2011.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	NOTES	CONSOLIDATED GROUP 2011 $'000	2010 $'000
Revenues from trading activities		6,631	4,452
Revenues from other activities	2	607	227
Total revenue		7,238	4,679
Cost of sales		(2,179)	(1,250)
Adjustment to prior period cost of sales		141	-
Amortisation of IP		(199)	(199)
Bad and doubtful debts		(2)	-
Borrowing costs		(33)	(34)
Computer related expenses		(48)	(59)
Consulting fees		(433)	(676)
Consumables and minor equipment		(319)	(396)
Depreciation expense		(166)	(133)
Employee expenses		(3,030)	(2,438)
Insurance		(85)	(76)
Legal fees		(138)	(16)
Marketing and advertising expenses		(51)	(58)
Patents		(92)	(84)
Property expenses		(370)	(334)
Share options cost		(36)	(57)
Telephone and other communication		(39)	(40)
Travel and accommodation		(215)	(164)
Other expenses		(284)	(226)
Overheads capitalised as pre-production activities		583	-
Total expenses		(6,995)	(6,240)
Profit / (Loss) from continuing activities before related income tax benefit	3	243	(1,561)
Income tax credit	4	307	295
Profit / (Loss) from continuing activities after related income tax benefit	20	550	(1,266)
Other comprehensive income/(loss)			
Foreign exchange translation		17	(229)
Total comprehensive income / (loss) for the period		567	(1,495)
Basic profit / (loss) per share (cents)	7	0.06	(0.16)
Diluted profit per share (cents)	7	0.06	

A diluted earnings per share has not been shown for 2010 as it would dilute the actual loss per share attributable to existing shareholders.

Notes to the financial statements are included on pages 31 to 71.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	NOTES	CONSOLIDATED GROUP 2011 $'000	2010 $'000
CURRENT ASSETS			
Cash and Cash equivalents	8	2,737	510
Trade and other Receivables	9	1,194	697
Inventories	10	1,773	1,339
Other current assets	11	56	47
Total current assets		5,760	2,593
NON-CURRENT ASSETS			
Trade and other Receivables	9	30	34
Property, plant and equipment	13	734	504
Intangibles	14	2,572	2,188
Total non-current assets		3,336	2,726
TOTAL ASSETS		9,096	5,319
CURRENT LIABILITIES			
Trade and other Payables	15	985	738
Interest bearing liabilities	16	102	143
Provisions	17	179	98
Total current liabilities		1,266	979
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	16	133	211
Total non-current liabilities		133	211
TOTAL LIABILITIES		1,399	1,190
NET ASSETS		7,697	4,129
EQUITY			
Issued Capital	18	43,115	40,150
Foreign Currency Reserve	19	(252)	(269)
Other Reserves	19	708	672
Accumulated losses	20	(35,874)	(36,424)
TOTAL EQUITY		7,697	4,129

Notes to the financial statements are included on pages 31 to 71.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2011

	NOTES	CONSOLIDATED GROUP 2011 $'000	2010 $'000
Net cash flows from operating activities			
Receipts from customers		7,159	3,381
Payments to suppliers, consultants & employees		(7,088)	(4,974)
Borrowing costs		(33)	(34)
Interest received		103	44
Net cash provided by / (used in) operating activities	23	141	(1,583)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		27	-
Purchase of property, plant and equipment		(430)	(243)
Pre-production expenditure capitalised		(583)	-
Net cash (used in) investing activities		(986)	(243)
Cash flows from financing activities			
Recovery of non-current deposits / bonds		4	-
Proceeds from borrowings		92	224
Costs of issuing shares		(113)	-
Proceeds from issue of shares		3,000	-
Proceeds from R&D tax offset		307	295
Finance lease and HP repayments		(211)	(171)
Net cash provided by financing activities		3,079	348
Net increase / (decrease) in cash and cash equivalents held		2,234	(1,478)
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies		(7)	(1)
Cash and Cash equivalents at the beginning of the financial year		510	1,989
Cash and Cash equivalents at the end of the financial year	8	2,737	510

Notes to the financial statements are included on pages 31 to 71.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2011

	Attributable to equity holders of the parent			
	Issued Capital $'000	**Accumulated Losses $'000**	**Other Reserves $'000**	**Total $'000**
CONSOLIDATED GROUP				
At 1 July 2010	40,150	(36,424)	403	4,129
Foreign currency translation	-	-	17	17
Profit for the year	-	550	-	550
Total comprehensive income for the year	-	550	17	567
Cost of share-based payment	-	-	36	36
Issue of ordinary shares	2,965	-	-	2,965
Total transactions with owners	2,965	-	36	3,001
At 30 June 2011	43,115	(35,874)	456	7,697

	Issued Capital $'000	**Accumulated Losses $'000**	**Other Reserves $'000**	**Total $'000**
CONSOLIDATED GROUP				
At 1 July 2009	40,024	(35,158)	576	5,442
Foreign currency translation	-	-	(229)	(229)
	-	-	-	
(Loss) for the year	-	(1,266)	-	(1,266)
Total comprehensive loss for the year	-	(1,266)	(229)	(1,495)
Cost of share-based payment	-	-	56	56
Issue of ordinary shares	126	-	-	126
Total transactions with owners	126	-	56	182
At 30 June 2010	40,150	(36,424)	403	4,129

Notes to the financial statements are included on pages 31 to 71.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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.

These consolidated financial statements and notes represent those of Advanced Braking Technology Ltd and Controlled Entities (the "consolidated group" or "group").

The separate financial statements of the parent entity, Advanced Braking Technology Ltd, have not been presented within this financial report as permitted by the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Advanced Braking Technology Ltd at the end of the reporting period. A controlled entity is any entity over which Advanced Braking Technology Ltd has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

– assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
– income and expenses are translated at average exchange rates for the period; and
– retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

c. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments, net of any bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

d. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

f. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

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

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Financial Instruments *(continued)*

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current assets.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as non-current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments

The Group designates certain derivatives as either:

i. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

ii. hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Group's risk management objective and strategy for undertaking various hedge transactions, is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

(i) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

(ii) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in the hedge reserve in equity are transferred to the statement of comprehensive income in the periods when the hedged item will affect profit or loss.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g. Financial Instruments *(continued)*

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting in a year period;
– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
– the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

h. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i. 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.

j. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

Dividend revenue is recognised when the right to receive a dividend has been established.

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

k. Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Where it is expected that a grant will be repaid if certain conditions are met, the liability to repay the grant is recognised as the conditions are met and the liability crystallises.

l. Intangibles Other than Goodwill

Technology Assets / Patents

Such assets are recognised at cost of acquisition. The cost of technology assets are amortised over the average life of the patents granted for each technology asset on a straight line basis. 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. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

l. Intangibles Other than Goodwill *(continued)*

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

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 the 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 10 years.

m. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Such costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average 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.

n. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Finance leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

o. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	
Plant and equipment	3-5 years
Motor vehicles	3-5 years
Office equipment and furniture	3-5 years
Intellectual Property	10-15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

p. **Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within a year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than a year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

The Group operates an employee share/option ownership plan. Share-based payments to employees and directors are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

q. **Comparative Figures**

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

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

r. **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 statements and directors' report have been rounded off to the nearest $1,000.

s. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

t. 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 and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

– AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

  The key 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;
  - 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;
  - requiring financial assets to be reclassified 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; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

– 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 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

  AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

  - Tier 1: Australian Accounting Standards; and
  - Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

t. New Accounting Standards for Application in Future Periods *(continued)*

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.

– 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 IFRSs 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. The amendments are 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.

This Standard is not expected to impact the Group.

– AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity’s first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

t. New Accounting Standards for Application in Future Periods *(continued)*

– AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

– AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

– AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

– AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

– AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

t. New Accounting Standards for Application in Future Periods *(continued)*

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

– AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Group.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
FOR THE YEAR ENDED 30 JUNE 2011

	CONSOLIDATED GROUP	
	2011	2010
	$'000	$'000
2. REVENUES FROM OTHER ACTIVITIES		
Other activities		
- interest received	103	44
- net foreign exchange gain	52	90
- income / (loss) from sale of fixed assets	1	(4)
- Export Market Development Grant	74	97
-Early Commercialisation Grant	377	-
Total revenue from other activities	607	227

3. PROFIT / (LOSS) BEFORE INCOME TAX

Profit / (Loss) before income tax has been determined after:
deducting the following expenses:

	2011	2010
Current year Cost of sales	2,179	1,250
Adjustment to prior period Cost of Sales	(141)	-
	2,038	1,250
Borrowing costs	33	34
Depreciation of non-current assets		
- plant and equipment	65	40
- motor vehicle	83	74
- office equipment and furniture	18	19
Total depreciation	166	133
Bad and doubtful debts		
- trade debtors	2	-
Total bad and doubtful debts	2	-
Operating leases		
- Property Rental expense	358	334
- Motor vehicle lease	12	-
Total operating leases	370	334
Overheads capitalised as pre-production activities	(583)	-

4. INCOME TAX

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

	CONSOLIDATED GROUP	
	2011	**2010**
	$'000	**$'000**
Profit / (Loss) from ordinary activities before income tax	243	(1,561)
Prima facie income tax expense / (benefit) on the loss at 30%	73	(468)
Tax effect of permanent differences:		
- Share options expensed	11	17
- Patent application expenses	20	14
- other non-deductible expenses	3	1
- section 40-880 deduction	(20)	(67)
	87	(503)
Tax effect of timing differences	68	(16)
Future income tax benefit not brought to account	-	224
Net deferred tax balances not brought to account	(462)	-
R&D tax offset / income tax expense	(307)	(295)

Future benefits of tax losses for the Consolidated Group at a tax rate of 30% total approximately $4,688,000 (2010: $4,692,000). 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.

	2011	**2010**
	$'000	**$'000**
Deferred Tax Assets not bought to account		
Tax losses	4,688	4,692
Provisions/accruals	68	(16)
Capital raising costs	28	14

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 & CEO	30 April 2007	-

(ii) Specified Executives

Name	Position	Appointment Date	Resignation Date
C Madelin	CFO & Company Secretary	11 January 2011	-
K Mckinnon	CFO & Company Secretary	21 April 2009	31January 2011
S Leighton	General Manager	12 April 2010	-
A Miller	Chief Engineer	21 March 2005	-

(b) Remuneration of Directors and Executives

Remuneration policy

The Remuneration Committee made up 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. As from 1 July 2011 executive Directors will be required to absent themselves from that part of any meeting where executive Directors' remuneration is discussed.

Executive Contracts

Mr K Johnsen, Ms Madelin, 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 Ms Madelin, Mr Leighton and Mr Miller require both parties to provide one month's notice to terminate the contract.

Directors' fees for the year to 30 June 2011 were paid in full by the year end in cash. On 26 July 2010, Mr D Humann was paid $35,000 plus $3,500 GST, 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. 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.The shares in the Company were issued at the weighted average ASX trading price in the 30 days immediately preceding 30 June 2010 and 31 December 2009.

5. DIRECTOR AND EXECUTIVE DISCLOSURES *(continued)*
(b) Remuneration of Directors and Executives *(continued)*

Directors	Year	*Primary* Salary & Fees $	*Post Employment* Super $	*Equity* Share Options $	*Equity* Ordinary Shares $	*Total* $
D Humann	**2011**	**75,000**	**-**	**-**	**-**	**75,000**
	2010	-	-	-	70,000	70,000
M Richmond	**2011**	**40,000**	**3,600**	**-**	**-**	**43,600**
	2010	-	-	-	40,000	40,000
D Slack	**2011**	**40,000**	**3,600**	**-**	**-**	**43,600**
	2010	-	-	-	32,391	32,391
K Johnsen	**2011**	**325,688**	**29,312**	**-**	**-**	**355,000**
	2010	275,229	24,771	40,500	-	340,500
Total	**2011**	**480,688**	**36,512,**	**-**	**-**	**517,200**
Total	2010	275,229	24,771	40,500	142,391	482,891

Executives	Year	*Primary* Salary & Fees $	*STI* Sales Commission	*Post Employment* Super $	*Other* Thailand Living Expenses $	*Equity* Share Options $	*Total* $
C Madelin	**2011**	**49,385**	**-**	**43,685**	**-**	**-**	**93,070**
	2010	-	-	-	-	-	-
K McKinnon	**2011**	**97,130**	**-**	**8,742**	**-**	**-**	**105,872**
	2010	150,000	-	13,500	-	-	163,650
S Leighton	**2011**	**159,384**	**22,354**	**16,356**	**-**	**-**	**198,094**
	2010	33,654	-	3,029	-	-	36,683
M Sheehan	**2011**	**-**	**-**	**-**	**-**	**-**	**-**
	2010	40,213	-	3,619	33,695	5,050	83,030
A Miller	**2011**	**117,343**	**-**	**10,561**	**-**	**-**	**127,904**
	2010	107,339	-	9,661	-	5,000	122,000
P Ng	**2011**	**-**	**-**	**-**	**-**	**-**	**-**
	2010	136,025	-	12,242	-	-	148,267
Total	**2011**	**423,242**	**22,354**	**79,344**	**-**	**-**	**524,940**
Total	2010	467,231	-	42,051	33,695	10,050	553,630

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 resigned on 31 January 2011, Mr Leighton was appointed on 12 April 2010 and Ms Madelin was appointed CFO on 11 January 2011 and Company Secretary on 27 January 2011.

(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:

5. DIRECTOR AND EXECUTIVE DISCLOSURES *(continued)*

(c) Equity holdings and transactions *(continued)*

Specified Directors	Held at 1 July 2010	Granted in lieu of previous year's fees paid in current year	Other Changes during the year	Held at 30 June 2011
K Johnsen	1,559,818	-	-	1,559,818
D Humann	11,239,434	2,138,889	-	13,378,323
M Richmond	7,006,100	1,111,111	-	8,117,211
D Slack	110,721,772	1,111,111	27,000,000	138,832,883
Total	130,527,124	4,361,111	27,000,000	161,888,235

Options held directly by directors were as follows:

	Vested	Granted	Expired	Granted Date	Terms and condition of each grant		
					value per option at grant date	*Exercise per price*	
	No.	No.			$	$	Expiry Date
Specified Directors							
K Johnsen	3,000,000	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	1/07/2011
		4,500,000		5/11/2009	0.009	0.035	5/11/2013
	6,000,000	10,500,000	(3,000,000)				

Options in which Directors held an indirect interest were as follows:

	Total Vested	Total Granted	Director's potential share	Granted Date	Terms and condition of each grant		
					value per option at grant date	*Exercise per price*	
	No.	No.			$	$	Expiry Date
Specified Directors							
D Slack	10,000,000	10,000,000	25%	2/04/2008	0.005	0.052	1/03/2012
	10,000,000	10,000,000	25%	2/04/2008	0.006	0.065	1/03/2013
	20,000,000	20,000,000					

	CONSOLIDATED GROUP 2011 $'000	CONSOLIDATED GROUP 2010 $'000
6. AUDITORS' REMUNERATION		
Remuneration of the auditor of the Consolidated Group for:		
Auditing the financial statements	34	32
Other services		-
	34	32
Remuneration of auditor Safe Effect (Thailand) Co. Ltd	4	5
7. EARNINGS PER SHARE		
Basic Earnings per share		
Net profit / (loss) ($'000's)	550	(1,266)
Weighted average number of ordinary shares during the year used in calculation of basic EPS (in '000's)	920,019	767,787
Basic profit / (loss) per share (cents)	0.06	(0.16)
Diluted earnings per share		
Weighted average number of ordinary shares and dilutive potential ordinary shares (in '000's)	926,824	
Diluted profit per share (cents)	0.06	

A diluted earnings per share has not been shown for 2010 as it would dilute the actual loss per share attributable to existing shareholders.

	CONSOLIDATED GROUP 2011 $'000	CONSOLIDATED GROUP 2010 $'000
8. CASH AND CASH EQUIVALENTS		
Cash at bank	2,737	510

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:

	2011	2010
Cash at bank	2,737	510

In respect of a debtor finance facility no longer in use the wholly owned subsidiary, Advanced Braking Pty Ltd (ABPL), had 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. The fixed and floating charge has been satisfied and the guarantee and indemnity has been cancelled between 30 June 2011 and the date of this report.

9. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED GROUP 2011 $'000	2010 $'000
Current		
Trade debtors	1,273	719
Less: provision for doubtful debts	(79)	(79)
	1,194	640
Other Debtors	-	57
Less: provision for doubtful debts	-	-
	1,194	697
Non-current		
Other receivables	30	34
	30	34

Receivables Ageing and Impairment losses

The aging of receivables for the consolidated group at the reporting date was:

	CONSOLIDATED GROUP			
	Total Receivables		Gross Impairment	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Not past due	949	399	(59)	(42)
Past due 0 – 30 days	242	301	(15)	(33)
Past due 31 – 60 days	7	17	-	(2)
Over 60 days	75	2	(5)	(2)
	1,273	719	(79)	(79)

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

	CONSOLIDATED GROUP 2011 $'000	2010 $'000
Balance at 1 July	(79)	(89)
Impairment provision recognised during the year	(2)	-
Bad debts written off	2	10
Closing balance at 30 June	(79)	(79)

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.

10. INVENTORIES

Current		
Finished Goods	915	615
Components and WIP	858	724
	1,773	1,339

11. OTHER CURRENT ASSETS

	CONSOLIDATED GROUP	
	2011	**2010**
	$'000	**$'000**
Prepayments	56	47

12. CONTROLLED ENTITES

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

	Parent Entity	
	2011	**2010**
	Number	**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, design, engineering and commercialisation, and sales of brakes and brake parts.

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

	Advanced Braking Pty Ltd	
	2011	**2010**
	Number	**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.

	CONSOLIDATED GROUP 2011 $'000	2010 $'000
13. PROPERTY. PLANT AND EOUIPMENT		
Plant and equipment at cost	823	458
Less: accumulated depreciation	(322)	(287)
	501	171
Motor vehicles at cost	408	444
Less: accumulated depreciation	(218)	(152)
	190	292
Office equipment and furniture at cost	176	199
Less: accumulated depreciation	(133)	(158)
	43	41
Leasehold improvements at cost	-	3
Less: accumulated depreciation	-	(3)
	-	-
Total at net written down value	734	504

Certain assets are secured in terms of Finance Lease and Hire Purchase Agreements as disclosed in Note 16(c).

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.

CONSOLIDATED GROUP 2011	Plant & Equipment $'000	Motor Vehicles $'000	Office Equipment & Furniture $'000	Leasehold Improvements $'000	Total $'000
Balance at the beginning of year	171	292	41	-	504
Additions	400	-	30	-	430
Disposals	-	(19)	(7)	-	(26)
Depreciation expense	(64)	(84)	(18)	-	(166)
Foreign exchange translation	(6)	-	(2)	-	(8)
Carrying amount at the end of year	501	189	44	-	734

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

2010	Plant & Equipment $'000	Motor Vehicles $'000	Office Equipment & Furniture $'000	Leasehold Improvements $'000	Total $'000
CONSOLIDATED GROUP					
Balance at the beginning of year	107	246	46	-	398
Additions	104	120	13	-	237
Disposals	-	-	-	-	-
Depreciation expense	(40)	(74)	(19)	-	(133)
Foreign exchange translation	-	-	-	-	-
Carrying amount at the end of year	171	292	40	-	504

	CONSOLIDATED GROUP 2011 $'000	2010 $'000
14. INTANGIBLES		
Wet Brake technology assigned from Safe Effect Technologies International Ltd	2,984	2,984
Less - Accumulated amortisation	(995)	(796)
Carrying amount at the end of year	1,989	2,188
Pre-Production Costs capitalised	583	-
Less-Accumulated amortisation	-	-
Carrying amounts at the end of year	583	-
Total carrying amount at the end of year	2,572	2,188

Impairment Disclosure
The intangible assets were tested for impairment at 30 June 2010. No impairment assessment was performed in 2011 as there were no impairment triggers.

	2011 $'000	2010 $'000
15. TRADE PAYABLES		
Current (unsecured)		
Trade creditors	866	638
Accrued expenses	119	25
Amounts due to Directors	-	75
	985	738

Included in the amounts due to Directors are:		
Directors fees outstanding	-	75

		CONSOLIDATED GROUP	
		2011 $'000	2010 $'000
16.	**INTEREST BEARING LIABILITIES**		
(a)	**Current and non-current**		
	Current (secured)		
	Lease and Hire purchase agreements	120	163
	Unexpired interest charges	(18)	(32)
	Insurance Premium Funding	-	12
		102	143
	Non-current (secured)		
	Lease and Hire purchase agreements	151	234
	Unexpired interest charges	(18)	(23)
		133	211
(b)	**Total of current and non-current**		
	Lease and Hire purchase agreements	271	397
	Unexpired interest charges	(36)	(55)
	Insurance Premium Funding	-	12
		235	354
(c)	**The carrying amounts of non-current assets pledged as security are:**		
	Plant and equipment	13	-
	Motor vehicles	186	279
	Office equipment	11	19
		210	298

17.	**PROVISIONS**		
	Current		
	Employee entitlements	179	98
	(a) Aggregate employee benefits liabilities	179	98
	Number of Employees		
	b) Number of employees at year-end	27	26

18. ISSUED CAPITAL

a) Issued Capital

The Parent Entity had issued 961,315,575 (2010: 769,454,464) fully paid ordinary shares as at the 30 June 2011.

	CONSOLIDATED GROUP			
	2011		2010	
	Number of shares	$'000	Number of shares	$'000
Ordinary shares				
At the beginning of the financial year	769,454,464	40,150	763,084,510	40,024
Shares issued 24 July 2009 to Mr Humann and Professor Richmond for Directors' Fees including GST			3,925,437	55
Shares issued 29 January 2010 to Mr Humann, Professor Richmond and Mr Slack for Directors' Fees including GST			2,444,517	71
Shares issued 26 July 2010 to Mr Humann, Professor Richmond and Mr Slack for Directors' Fees including GST	4,361,111	78		
Shares issued for cash on 23 August 2010	116,000,000	1,856		
Shares issued for cash on 28 October 2010	71,500,000	1,144		
	961,315,575	43,228	769,454,464	40,150
Transaction costs relating to share issues		(113)	-	-
Balance at end of financial year	961,315,575	43,115	769,454,464	40,150

b. **Capital Management**

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. Management aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The gearing ratios for the years ended 30 June 2011 and 30 June 2010 are as follows:

The gearing ratio is calculated as net debt divided by total capital. Net debt is defined as interest bearing liabilities less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

As noted below, the Group's gearing ratio is nil as it has no net debt.

	2011	2010
Gearing ratio	nil	nil

	CONSOLIDATED GROUP 2011 $'000	2010 $'000
19. RESERVES		
Foreign Exchange Translation Reserve	(252)	(269)
Option premium reserve	708	672

In accordance with a resolution of the shareholders on 9 November 2009, Mr Johnsen was granted 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 $10,125 (2010: $6,574) being expensed during the year ended 30 June 2011. No options were issued in the year ended 30 June 2011.

20. ACCUMULATED LOSSES

	2011 $'000	2010 $'000
Accumulated losses at the beginning of the financial year	(36,424)	(35,158)
Net profit / loss attributable to members of the parent entity	550	(1,266)
Accumulated losses at the end of the financial year	(35,874)	(36,424)

21. CONTRACT AND LEASING COMMITMENTS

(a) Hire purchase and Finance Lease commitments

	2011 $'000	2010 $'000
Payable		
- not later than 1 year	120	163
- later than 1 year but not later than 5 years	151	234
	271	397
Less future finance charges	(36)	(55)
Total hire purchase and finance lease liability	235	342

(b) Operating lease commitments

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

	2011 $'000	2010 $'000
Payable		
- not later than 1 year	262	160
- later than 1 year but not later than 5 years	180	133
	442	293

22. 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.

22. SEGMENT REPORTING *(continued)*

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 with those adopted in the annual financial statements of the Group.

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.

In 2011 corporate charges are allocated in proportion to direct wages allocated to each segment. In 2010 corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes that in each of the years the methodology 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. Tax liabilities are generally considered to relate to the Group as a whole and are not allocated.

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:

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

22. SEGMENT REPORTING *(continued)*

Segment performance	Mining brakes $'000	Engineering services $'000	Total $'000
30 June 2011			
Revenue			
External Sales	6,126	505	6,631
Other income	177	430	607
Total segment revenue	6,303	935	7,238
Reconciliation of segment revenue to group revenue	-	-	-
Total group revenue	6,303	935	7,238
Cost of materials	(2,038)	-	(2,038)
Depreciation	(77)	(89)	(166)
Other expenses	(2,369)	(2,773)	(5,142)
Overheads capitalised as pre-production activities	-	583	583
Segment net profit before tax	1,819	(1,344)	475
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			(33)
Net profit before tax from continuing operations			243
30 June 2010			
Revenue			
External Sales	3,763	689	4,452
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)
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			(199)
---Amortisation			
ii. Unallocated items			(34)
---Finance costs			
Net loss before tax from continuing operations			(1,561)

22. SEGMENT REPORTING *(continued)*

Segment assets	Mining brakes $'000	Engineering services $'000	Total $'000
30 June 2011			
Segment assets			
Segment asset increases for the period			
— capital expenditure	53	377	430
— pre-production activities capitalised	-	583	583
Reconciliation of segment assets to group assets			
Segment assets	4,079	3,028	7,107
Inter-segment eliminations			-
Unallocated assets:			
— Intangibles			1,989
Total group assets			9,096
30 June 2010			
Segment assets			
Segment asset increases for the period			
— capital expenditure	18	219	237
— pre-production activities capitalised	-	-	-
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

22. SEGMENT REPORTING *(continued)*

Segment liabilities	**Mining brakes $'000**	**Engineering services $'000**	**Total $'000**
30 June 2011			
Segment liabilities			
Reconciliation of segment liabilities to group liabilities			
Segment liabilities	907	492	1,399
Inter-segment eliminations			-
Unallocated liabilities:			-
Total group liabilities			1,399
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

Revenue by geographical region

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

	2011 $'000	**2010 $'000**
Australia	5,355	4,452
Canada	651	-
New Zealand	54	-
Papua New Guinea	87	-
South Africa	380	-
USA	95	-
Zambia	9	-
Thailand	-	-
Total revenue from trading activities	6,631	4,452

Assets by geographical region

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

Australia	7,981	4,073
South Africa	82	-
Thailand	1,033	1,246
Total assets	9,096	5,319

Major customers

The Group has a number of customers to whom it provides both products and services. The two most significant customers are in the Mining Brake segment and account for 15.3% (2010: 12.1%) and 9.8% (2010: 7.6%) of total revenue from trading activities. The next most significant customer is in the Engineering Services segment which accounts for 98.9% (2010: 87.1%) of sales in that segment and 7.5% (2010: 13.4%) of total revenue from trading activities.

	CONSOLIDATED GROUP	
	2011	2010
	$'000	$'000

23. CASH FLOW INFORMATION

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

	2011 $'000	2010 $'000
Profit / (Loss) from ordinary activities after income tax	550	(1,266)
(Profit)/loss on disposal of property, plant and equipment	(1)	4
Non-cash flows in loss from ordinary activities		
Cost of share options	35	56
Depreciation	166	133
Unrealised foreign exchange loss on Fixed Assets	8	-
Amortisation of IP	199	199
Bad and doubtful debts	-	(10)
Shares issued for professional services	79	126
Foreign exchange (gain)/loss	24	(229)
Other		
R&D tax offset	(307)	(295)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivable	(497)	(74)
(Increase)/decrease in deferred income	-	(585)
(Increase)/decrease in inventories	(434)	79
(Increase)/decrease in other current assets	(9)	(14)
Increase/(decrease) in trade and other payables	247	307
Increase/(decrease) in provisions	81	(14)
Cash inflows / (outflows) from operations	141	(1,583)

(b) Non-cash financing and investing activities

2011

During the year to 30 June 2011 ordinary shares were issued to Mr Humann, Professor Richmond and Mr Slack in satisfaction of Directors' fees outstanding from the previous year. These Director transactions were approved by shareholders in General Meeting on 2 November 2009. The transactions were as follows:

- On 26 July 2010, Mr D Humann was paid $35,000 plus $3,500 GST, 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 were priced at the ASX volume weighted average price in the month leading up to 30 June 2010.

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.

24. RELATED PARTY TRANSACTIONS

a) Intercompany 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. Related party transactions are eliminated on consolidation. Intercompany related party transactions are eliminated on consolidation.

b) Directors and Key Management Personnel

During 2011 and the preceding year, ordinary shares were issued in satisfaction of Directors' fees. Details are disclosed in note 23(b) above.

25. 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 and lease and hire purchase finance. The purpose of these financial instruments is to finance the growth of the Group 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:

(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:

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Market Risk - 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
2011						
Financial assets						
Cash	3.9%	2,737	-	-	-	2,737
Receivables - current	-	-	-	-	1,194	1,194
Receivables - non-current	-	-	-	-	30	30
Total financial assets		2,737	-	-	1,224	3,961
Financial liabilities						
Payables	-	-	-	-	985	985
Hire purchase liabilities	11.4%	-	102	133	-	235
Total financial liabilities		-	102	133	985	1,220
Net Financial Assets/(Liabilities)		2,737	(102)	(133)	239	2,741

As at 30 June 2011 Advanced Braking Pty Ltd was entitled to interest on deposits at various banks at rates up to 6.1% per annum (2010: 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 assets						
Cash	2.9%	510	-	-	-	510
Receivables - current	-	-	-	-	697	697
Receivables – non-current	-	-	-	-	34	34
Total financial assets		510	-	-	731	1,241
Financial liabilities						
Payables	-	-	-	-	738	738
Hire purchase liabilities	10.8%	-	143	211	-	354
Total financial liabilities		-	143	211	738	1,092
Net Financial Assets/(Liabilities)		510	(143)	(211)	(7)	149

The sensitivity analysis below is based on the interest rate risk exposure in existence at the balance sheet date. The 0.9% (2010: 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 2011, 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):

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*
(a) Market Risk - Interest rate risk *(continued)*

	CONSOLIDATED GROUP 2011 $'000	2010 $'000
Possible movements before tax:		
+0.9% (2010: 0.5%) per annum	21	5
-0.9% (2010: 0.5%) per annum	(21)	(5)

	2011 $'000	2010 $'000
Reconciliation of net financial assets to net assets		
Net financial (liabilities)/assets as above	2,741	149
Non-financial assets and liabilities		
Inventories	1,773	1,339
Property, plant & equipment	734	504
Intangible Assets	2,572	2,188
Other	(123)	(51)
Net (liabilities)/assets as per the Balance Sheet	7,697	4,129

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 subsidiary Safe Effect (Thailand) Co Ltd (SETT) in Thailand 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 currently hedge this exposure and, as the net investment in SETT is not a financial asset, the foreign currency risk is not analysed hereunder. However the Company may hedge against future foreign currency risk when considered appropriate.

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 2011 neither the Company nor its subsidiaries had any forward foreign exchange contracts in place. As at 30 June 2011 the Group had the following exposure to foreign currency:

	2011 $'000	2010 $'000
Financial Assets		
Cash and cash equivalents	37	54
Trade and other receivables	41	36
Other financial assets	-	-
	78	90
Financial Liabilities		
Payables	401	260
Net Exposure	(323)	(170)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*
(a) Market Risk -Foreign Currency Risk *(continued)*

The following sensitivity analysis is based on the foreign currency risk exposure in existence at the balance sheet date. The 8% (2010: 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 2011 if the Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, the results before tax relating to financial assets and would have been affected as shown below:

	CONSOLIDATED GROUP	
	2011 $'000	**2010 $'000**
Possible movements before tax:		
Pre Tax Profit – higher/(lower)		
+8% (2010:+5%) per annum	(24)	(1)
-8% (2010: -5%) per annum	28	1

. (b) Liquidity Risk

The Group's objective is to fund growth through shareholder equity until sustainable profitability is achieved. Operations and working capital are funded through a combination of equity, lease and hire purchase finance, government grants and R&D tax credits.

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.

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

0 – 6 months	1,045	828
6 – 12 months	60	85
1 – 5 years	151	234
	1,256	1,147

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*
(b) Liquidity Risk *(continued)*

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

CONSOLIDATED GROUP as at 30 June 2011

	< 6 Mths $'000	6 - 12 Mths $'000	1 - 5 Years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	2,737	-	-	2,737
Trade and other receivables	1,194	-	30	1,224
Other financial assets	-	-	-	-
	3,931	-	30	3,961
Financial Liabilities				
Payables	1,045	60	151	1,256
	1,045	60	151	1,256
Net exposure	2,886	(60)	(121)	2,705

CONSOLIDATED GROUP 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

(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 Consolidated Group which have been recognised on Balance Sheet is the carrying amount, net of any provision for doubtful debts. At year end the Consolidated Group's exposure to credit risk arises primarily from the mining industry.

The Consolidated Group is not materially exposed to any individual overseas country or individual customer.

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Credit Risk *(continued)*

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.

(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 comprises

a) the Wet Brake technology assigned from Safe Effect Technologies International Ltd on 27 June 2006, which is amortised over 15 years being the average life of patents which underpin the carrying value.
b) pre-production overheads capitalised, amortisation of which will commence with commercial production. The amortisation period will be 10 years being the average life of patents which underpin the development.

26. EVENTS SUBSEQUENT TO BALANCE DATE

In March 2008 the Company entered into a Development and Licence Agreement with Brake Developments Pty Ltd under which Brake Developments would provide up to $4 million towards the development of the SIBS® garbage truck brake in return for the payment of 10% royalty on the sale of each SIBS® braking system.

A total of $2.5 million of funding has been provided by Brake Developments, the majority of which was used to in the development phase of the project that in March 2010 successfully demonstrated the "proof of concept" sign off the garbage truck brake.

Subsequent to the year end, on 30th August 2011, an agreement between the Company and Brake Developments Pty Ltd was signed to vary the terms of the Development and Licence Agreement so that royalty payable by ABT to Brake Developments is reduced from 10% to 6.25% and in consideration for this Brake Development are not required to make any further payment under the Development and Licence Agreement.

27. CONTINGENT LIABILITIES

The Company is presently involved in litigation with three parties, two of whom are claiming that the Company is indebted to them. Two of the actions arise from events of approximately seven years ago and the Company has lodged a notice of defence against each of the claims. The third action has been initiated by the Company against former employees for breach of confidentiality. In the opinion of the Directors, there are no contingent liabilities arising from these claims as at 30 June 2011 or which have arisen in the interval between 30 June 2011 and the date of this report.

During the year the Australian operating subsidiary, Advanced Braking Pty Ltd, accepted an Early Stage Commercialisation Grant under which the Commonwealth Government will provide $2 million over a 2 year period to support a project to accelerate the final validation and market entry of the Sealed Integrated Braking System (SIBS ™) on garbage trucks (the "supported product"). The funding covers eligible expenditure on the project from 4 January 2011, and an amount of $377,232 was received pre 30 June 2011 for the period then ended. Under the grant rules the grant will be repayable at a rate of 5% of sales of the supported product once sales reach $100,000. If sales do not meet this target or are insufficient to fully repay the grant then other rules take effect,

27. CONTINGENT LIABILITIES *(continued)*

but the directors fully expect that sales will exceed $100,000 and will be sufficient to ensure that the grant is repaid in full.
The liability to repay the grant has not been recognised in the balance sheet. It will be recognised at 5% of supported product sales once they exceed $100,000.

28. SHARE BASED PAYMENTS

The following share based payments were made during the financial year ended 30 June 2011:

a) On 26 July 2010, 4,361,111 ordinary shares were issued at 1.8 cents each as payment of directors' fees, plus GST where appropriate, for the six months to 30 June 2010.

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 31 December 2009.

OPTIONS	**CONSOLIDATED GROUP**			
	2011		**2010**	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
		$		**$**
Outstanding at the beginning of the year	42,660,000	0.06	32,750,000	0.08
Granted	-		12,410,000	0.02
Forfeited	(1,750,000)	0.02	(2,500,000)	0.15
Exercised	-		-	
Expired	(7,250,000)	0.11	-	
Outstanding at the year end	33,660,000	0.05	42,660,000	0.06
Exercisable at the year end	20,000,000	0.06	22,500,000	0.07

No options were granted during the year ended 30 June 2011.

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%

28. SHARE BASED PAYMENTS *(continued)*

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 $36,000 (2010: $57,000) and relates to the total cost value of all share options not forfeited, spread over the vesting period.

29. PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

	2011 $'000	2010 $'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	1,898	210
TOTAL ASSETS	13,118	10,034
LIABILITIES		
Current Liabilities	45	122
TOTAL LIABILITIES	45	122
EQUITY		
Issued Capital	43,115	40,150
Foreign Currency Reserve	-	-
Other reserves	708	672
Accumulated losses	(30,750)	(30,910)
	13,073	9,912
STATEMENT OF COMPREHENSIVE INCOME		
Total profit after tax	160	291
Total Comprehensive Income	177	62

29. PARENT INFORMATION *(continued)*

Guarantees

At 30 June 2011 Advanced Braking Technology Ltd had granted a guarantee and indemnity in relation to the obligations of Advanced Braking Pty Ltd in favour of NAB in connection with a debtor finance facility which is no longer in use. The guarantee and indemnity has been cancelled between 30 June 2011 and the date of this report.

Advanced Braking Technology Ltd has not entered into any other formal guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries, but the Directors have resolved that the Company will continue to provide financial support to its subsidiaries for as long as it is required.

Contingent Liabilities

Advanced Braking Technology Ltd is presently involved in litigation with three parties, two of whom are claiming that the Company is indebted to them. Two of the actions arise from events of approximately seven years ago and the Company has lodged a notice of defence against each of the claims. The third action has been initiated by the Company against former employees for breach of confidentiality. In the opinion of the Directors, there are no contingent liabilities arising from these claims as at 30 June 2011 or which have arisen in the interval between 30 June 2011 and the date of this report.

Contractual Commitments

As at 30 June 2011, Advanced Braking Technology Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2010: Nil).

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 27 to 71, are in accordance with the Corporations Act 2001:

   (a) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2011 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
6 September 2011

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

Level 3, 12 St Georges Terrace
Perth WA 6000

PO Box 3019, Perth Adelaide
Terrace WA 6832

T +61 (0)8 9225 5355
F +61 (0)8 9225 6181

www.moorestephens.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Advanced Braking Technology Limited (the company) and Advanced Braking Technology Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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*, which has been given to the directors of Advanced Braking Technology Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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Auditor's Opinion

In our opinion:

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

   i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report as included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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 Limited for the year ended 30 June 2011 complies with s 300A of the *Corporations Act 2001*.

Moore Stephens

Suan-Lee Tan
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 6th day of September 2011.

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 1st September 2011.

(a) Distribution of fully paid ordinary shares

Size of Holding			Number of Shareholders	Shares Held
1	-	1,000	50	2,853
1,001	-	5,000	19	71,222
5,001	-	10,000	152	1,451,533
10,001	-	100,000	576	25,921,620
100,001	and	Over	565	933,868,347
Total			1,362	961,315,575

(b) There are 397 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 41,084,036 shares
- Ms Tracey-Ann Palmer 38,394,893 shares

3. Shareholders

The twenty largest shareholders hold 42.36% of the total issued ordinary shares in the Company as at 1 September 2011.

STOCK EXCHANGE INFORMATION

4. Share Options

Unlisted Options expired 1 July 2011 (prior to the date of this report) 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	1

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	6,160,000
Number of Holders	8

Unlisted Options expiring 5 November 2013 exercisable at $0.035

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

5. Quotation

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

6. 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. There were two meetings of the Audit Committee held during the year ended 30th June 2011. Mr Slack and Mr Humann attended both meetings. In addition to Audit Committee meetings, meetings are held between senior management and the auditors as required during 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.

Advanced Braking Technology Ltd

STOCK EXCHANGE INFORMATION

Twenty Largest Fully Paid Ordinary Shareholders

The names of the twenty largest shareholders who hold 42.36% of the fully paid ordinary shares in the Company at 1st September 2011.

		Number of Shares	% of Issued Shares
1.	WINDPAC PTY LTD	73,399,750	7.64
2.	MR RICHARD PALMER + MRS TRACEY-ANN PALMER <PALMER FAMILY RETIRE A/C>	32,500,000	3.38
3.	DASI INVESTMENTS PTY LTD	31,494,746	3.28
4.	MR RICHARD ANDREW PALMER	24,334,036	2.53
5.	MR DALE ALBERT MONSON + MRS DAGMAR ERNA MONSON <DALE MONSON S/F NO2 A/C>	22,639,843	2.36
6.	M/S TRACEY-ANN PALMER	22,144,893	2.30
7.	LOST ARK NOMINEES PTY LTD <MYA SUPER A/C>	19,159,500	1.99
8.	WINDPAC PTY LTD <THE DAVID EARL SLACK SUPERANNU>	17,500,000	1.82
9.	MR PETER RODNEY BOWER	17,251,000	1.79
10.	MR JIM SUMPTER + MRS DALE ELIZABETH SUMPTER	17,000,000	1.77
11.	KNARF INVESTMENTS PTY LTD <TERRIGAL A/C>	15,145,980	1.58
12.	ANNAPURNA PTY LTD	15,000,000	1.56
13.	WINDPAC PTY LTD <THE SLACK FAMILY A/C>	14,900,000	1.55
14.	530 COLLINS ST PTY LTD	13,649,127	1.42
15.	MR DAVID HUMANN + MRS ANNE HUMANN <DAVID & ANNE HUMANN S/F A/C>	13,378,323	1.39
16.	CLAYMORE CAPITAL PTY LTD	12,312,500	1.28
17.	MONDAL INVESTMENTS PTY LTD	12,273,927	1.28
18.	GALVALE PTY LTD	12,000,000	1.25
19.	R E JONES PROPERTIES PTY LTD <GREENHILL PROPERTY A/C>	10,829,399	1.13
20.	KITTREDGE PTY LTD	10,329,399	1.07
	Total	**407,242,423**	**42.36**

Advanced Braking Technology Ltd

Unit 1, 3 McDonald Street
Osborne Park, Western Australia 6017