



**ADVANCED BRAKING TECHNOLOGY LTD
AND CONTROLLED ENTITIES**

ABN 66 099 107 623

HALF-YEAR REPORT

31 DECEMBER 2018

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2018

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CORPORATE DIRECTORY

Directors

Dagmar Parsons
David Slack
Adam Levine
Mark Lindh

Chief Executive Officer

John Annand

Company Secretary

Kaitlin Smith

Registered Office

19 Creative Street
Wangara, WA 6065
Telephone: + 61 8 9302 1922

Bankers

National Australia Bank Ltd
12/100 St Georges Terrace
Perth, WA, 6000

Auditors

Moore Stephens
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2 The Esplanade
Perth, WA, 6000

Share Registry

Computershare Investor Services Pty Ltd
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Telephone: + 61 8 9323 2000

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ASX Home Branch

Australian Securities Exchange (ASX)
Level 40, Central Park
152-158 St George's Terrace
Perth, WA, 6000

Country of Incorporation

Australia

ASX Code

ABV – Fully Paid Ordinary shares

DIRECTORS' REPORT

The Directors of Advanced Braking Technology Ltd (**ABT** or the **Company**) and its controlled entities (the **Group** or the **Consolidated Group**) submit the financial report of the Consolidated Group for the half-year ended 31 December 2018.

Directors

The names of Directors who held office during or since the end of the half-year and until the date of this report are:

Name	Position	Appointment Date
Dagmar Parsons	Non-Executive Chair	22 April 2018
David Slack	Non-Executive Director	9 September 2009
Adam Levine	Non-Executive Director	9 April 2013
Mark Lindh	Non-Executive Director	27 June 2017

REVIEW OF OPERATIONS

Business Overview

Advanced Braking Technology Ltd is an Australian company, listed on the Australian Securities Exchange (ASX:ABV) focusing on the design, development, manufacturing, marketing and distribution of high-performance brakes to the automotive, transport and mining industry. This incorporates the internationally patented single rotor enclosed wet brake technology, known as Sealed Integrated Braking System, Failsafe, plus the Terra Dura[®] brake, which is specifically designed for vehicles that operate in extreme conditions, both on-road and off-road. The Company has manufacturing bases in Australia, with its Head Office in Perth, Western Australia.

Highlights

The highlights for the half-year to 31 December 2018 and subsequent period to this report include:

- Operating revenue of \$3.275M and gross margin of 39% for the half year to 31 December 2018.
- During the period, the Company raised \$1.48M (before costs) via an entitlement offer to institutional and retail investors through the issue of 741,374,254 shares at \$0.002. A further \$500,000 was raised via a related party loan facility.
- Mr John Annand was appointed as Chief Executive Officer (CEO) in December 2018, replacing Mr Peter Hildebrandt. Mr Annand commenced with the Company in September 2018 and previously held the dual roles of Chief Operations Officer and Chief Financial Officer of the Company. Mr Annand brings significant experience to the role of CEO gained in executive finance and operations roles with ASX-listed and multi-national resources and pharmaceuticals companies.
- Mr Anthony Van Litsenborgh was appointed as Engineering Manager in December 2018. Mr Van Litsenborgh has significant automotive component manufacturing experience and brings an engineering discipline that will ensure the efficient and effective product design, development and release to market future of future ABT braking and associated product solutions.
- At the Company's Annual General Meeting held on 29 November 2018, shareholders approved the consolidation of all the Company's shares in the capital of the Company on the basis of every ten shares into one share. The share consolidation occurred on 12 December 2018 and the Company's 297,049,519 shares recommenced trading on 13 December 2018.

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2018

Financial Performance

Revenue from trading activities for the first half of FY 2019 was \$3.275M, representing a decrease of 1% compared to the corresponding period for FY 2018. The Company has maintained focus on operational efficiencies and achieved gross margin of 39%, representing a 5% decrease in margins from the corresponding period for FY 2018.

Expenses for the first half of FY 2019 totalled \$2.872M and resulted in a loss for the period of \$1.199M.

During the six-month period to 31 December 2018, the Company incurred a number of one-off costs primarily relating to corporate activity which included a capital raising, the consolidation of its shares on a 1 for 10 basis and the maturity of convertible notes. Costs incurred on these activities totalled approximately \$146,000. Further one-off costs were incurred on employee related expenses and totalled approximately \$63,000. These costs included recruitment fees associated with the appointments of senior members of the current management team including the CEO and Engineering Manager.

A decision was made to write-off approximately \$137,000 of inventory which related to a historical research and development project for brakes used within the waste industry. As there is limited opportunity to utilise the remaining inventory of this product within the next 12-month period a decision was made to write its value down to nil.

Total costs of a one-off nature for the first half of FY 2019 referred to above are approximately \$346,000.

Operations

During the period the Company observed solid performance of its core business product, the fourth generation of its proven Failsafe and Failsafe Emergency brake range, with December year-to-date product sales being consistent with prior year.

During the period, a broad range of domestic and global customers had been trialling Terra Dura[®] brakes. Several of those trials were concluded successfully, however in trials under extreme mining conditions, difficulties with the polymer housing design were experienced. In November 2018, the Company initiated a design upgrade that will allow greater performance in all extreme conditions, and particularly, in extremely harsh mining applications.

A product re-design, focusing on an alternative housing material, was initiated and continues with good progress being achieved to date. The launch date for the re-design will be confirmed upon finalisation of the design changes and will follow comprehensive testing in harsh mining conditions. In the interim, existing Terra Dura customers continue to be supported by the Company.

During the period the Directors undertook an organisational review of the Company. The goal of the organisational review was to ensure:

- the appropriate resources are in place to implement the Company's strategy; and
- identifying cost saving initiatives with a view to returning the Company to a break-even position at the earliest opportunity.

As a result of the organisational review, in December 2018, ABT appointed a new Chief Executive Officer, Mr John Annand and a new Engineering Manager, Mr Anthony Van Litsenborgh. Subsequent to the period, a new Sales Director, Mr Geoff Lewis was appointed and commences with the Company in March 2019. These changes result in the entire management team of the Company now residing in one centralised Perth location.

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2018

Outlook

ABT's core business, Failsafe and Failsafe Emergency brakes, continue to enjoy a strong market reception. As both domestic and global customers are inquiring about additional applications, a new product line is in the early stages of development. This brake is targeting high-volume global on-road markets.

The Company expects to announce a number of additional initiatives in the coming months that will further add to its product applications targeting global automotive braking applications. Importantly, through the success of sales growth in Failsafe and Failsafe Emergency brakes, ABT has a strong global distribution network that it will continue to grow and look to add complimentary product offerings.

Following the appointment of a new management team, and in parallel to the existing product range opportunities, the Company is in early stage discussions with a number of potential customers regarding providing innovative braking solutions for non-mining applications, as the Company looks to diversify its product and service offering to a broader customer base across a number of different industries.

Separately, with the objective of achieving the Company's growth strategy, a key strategic initiative is currently underway to identify strategic partners and opportunities that will significantly upscale the business.

Directors and Management have undertaken an organisational review which has already resulted in improved business efficiencies, a consolidation of resources into one central location and significant improvements to the cost base resulting from a reduction in future corporate overheads, all of which place the Company in a much stronger position going forward.

Staff numbers have been reduced and a decision to close the Melbourne corporate office has also been made which will result in additional cost savings. The cost savings expected to be achieved will be seen from Q3 of FY19, total over \$800,000 on an annualised basis and are represented by:

- Employee expenses \$790,000
- Property expenses \$23,000

These costs will be offset by one-off termination obligations which currently total approximately \$67,000.

This organisational review continues into the current period so further cost savings are anticipated. A reduction in corporate overheads will be achieved in the current financial year and will assist in returning the Company to a break-even position.

Corporate

On 19 July 2018, Ms Kaitlin Smith was appointed joint Company Secretary and following the resignation of Mr Graham Atkinson in August 2018, Ms Smith became the sole Company Secretary.

During the period, the Company raised \$1.48M (before costs) via an entitlement offer to institutional and retail investors and via the placement of the offer shortfall, through the issue of 741,374,254 shares at \$0.002 per share.

On 2 October 2018, a convertible note holder elected to convert \$10,000 in convertible notes for 5,000,000 new shares for \$0.002 per share.

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2018

At the Company's Annual General Meeting held on 29 November 2018, shareholders approved the consolidation of all the Company's shares in the capital of the Company on the basis of every ten shares into one share. The share consolidation occurred on 12 December 2018 and the Company's 297,049,519 shares recommenced trading on 13 December 2018.

The Company's remaining convertible notes of \$1,163,222 matured on 23 December 2018, of which:

- \$897,700 convertible notes agreed to extend the maturity date to 30 June 2019 at a new coupon rate of 15% pa;
- \$265,500 convertible notes elected to be redeemed; and
- \$234,000 in new convertible notes were raised with a maturity date of 30 June 2019 at a price of \$0.02 and a coupon rate of 15% pa.

Additionally, Director, David Slack, made a \$500,000 loan facility (related party loan facility) available to the Company. The related party loan facility is repayable within 6 months following the drawdown, made on 28 December 2018 and has an interest rate of 15% pa. Subject to shareholder approval, the related party loan facility will be converted to a convertible note on the same terms as the new convertible notes.

Events subsequent to the balance date

On 9 January 2019, the Company paid \$265,500 to convertible noteholders for the redemption of convertible notes that matured on 23 December 2018.

On 15 January 2019, the Company issued convertible notes with a face value of \$0.02 to raise \$234,000. The convertible notes mature on 30 June 2019. Interest is payable quarterly on the face value of the convertible notes at a rate of 15% per annum.

On 15 February 2019, the Company announced the appointment of a new Sales Director, Mr Geoff Lewis following the resignation of Mr Dean Robinson. Mr Lewis will commence with the Group in March 2019.

Auditor's Declaration

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 8 for the half year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors.



Director: Dagmar Parsons, Chair
Dated 28 February 2019

AUDITOR'S INDEPENDENCE DECLARATION

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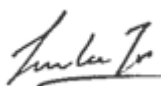
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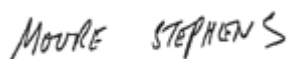
**AUDITOR'S INDEPENDENCE DECLARATION UNDER
S307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ADVANCED BRAKING TECHNOLOGY LIMITED**

As lead auditor for the review of Advanced Braking Technology Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



SUAN-LEE TAN
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of February 2019

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Notes	Consolidated Group 31 December 2018 \$'000	31 December 2017 \$'000
Revenue from trading activities	9	3,275	3,310
Cost of sales		(1,999)	(1,839)
Gross Profit		1,276	1,471
Revenue from other activities		397	487
Expenses			
Amortisation of IP		(32)	(32)
Bad and doubtful debts		-	-
Borrowing costs		(110)	(95)
Computer related expenses		(52)	(35)
Consulting fees		(123)	(162)
Consumables and minor equipment		(124)	(95)
Depreciation expense		(77)	(159)
Employee expenses		(1,541)	(1,371)
Insurance		(116)	(107)
Inventory obsolescence expense		(143)	-
Legal fees		(38)	(3)
Marketing and advertising		(58)	(85)
Patents		(17)	(18)
Property expenses		(80)	(76)
Telephone and other communication		(18)	(22)
Travel and accommodation		(152)	(190)
Other expenses		(191)	(107)
Total expenses		(2,872)	(2,557)
Loss before income tax		(1,199)	(599)
Income tax		-	-
Loss after income tax		(1,199)	(599)
Total comprehensive loss for the period		(1,199)	(599)
		Cents	Cents
Loss per share attributed to ordinary equity holders - basic & diluted (cents)		(0.40)	(0.27)*

*The basic and diluted loss in cents per share for the half year to 31 December 2017 has been adjusted by the share consolidation ratio of 10:1 to reflect the share consolidation that occurred during December 2018.

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2018

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Notes	Consolidated Group 31 December 2018 \$'000	30 June 2018 \$'000
CURRENT ASSETS			
Cash and cash equivalents		1,027	627
Trade and other receivables	3	980	1,344
Inventories		2,182	1,529
Other assets		580	905
Total current assets		4,769	4,405
NON-CURRENT ASSETS			
Property, plant and equipment		536	490
Intangible assets		767	799
Total non-current assets		1,303	1,289
TOTAL ASSETS	9	6,072	5,694
CURRENT LIABILITIES			
Trade and other payables	4	1,808	1,211
Interest bearing liabilities	5	1,443	1,818
Provisions	6	182	195
Total current liabilities		3,433	3,224
NON-CURRENT LIABILITIES			
Interest bearing liabilities		67	76
Provisions	6	24	42
Total non-current liabilities		91	118
TOTAL LIABILITIES		3,524	3,342
NET ASSETS		2,548	2,352
EQUITY			
Issued capital	7	54,200	52,805
Accumulated losses	8	(51,652)	(50,453)
TOTAL EQUITY		2,548	2,352

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2018

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	Issued Capital	Accumulated losses	Reserves	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	52,805	(50,453)	-	2,352
Total net loss for the period	-	(1,199)	-	(1,199)
Subtotal	52,805	(51,652)	-	1,153
Issue of ordinary shares	1,483	-	-	1,483
Conversion of convertible notes	10	-	-	10
Cost of share issue	(98)	-	-	(98)
Balance at 31 December 2018	54,200	(51,652)	-	2,548
Balance at 1 July 2017	52,655	(48,798)	-	3,857
Total net loss for the period		(599)		(599)
Subtotal	52,655	(49,397)	-	3,258
Issue of ordinary shares	74	-	-	74
Conversion of convertible notes	76	-	-	76
Cost of share issue	-	-	-	-
Balance at 31 December 2017	52,805	(49,397)	-	3,408

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES
INTERIM FINANCIAL REPORT OF THE HALF YEAR ENDED 31 DECEMBER 2018

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

	Consolidated Group	
	31 December 2018 \$'000	31 December 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,637	4,617
Payments to suppliers and employees	(5,160)	(5,594)
Interest received	1	6
Finance costs	(78)	(30)
Proceeds from grants and research & development incentive	838	832
Net cash used in operating activities	(762)	(169)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of non-current assets	-	-
Purchase of property, plant and equipment	(123)	(147)
Net cash used in investing activities	(123)	(147)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	500	-
Repayment of borrowings	(600)	(77)
Proceeds from issue of shares	1,483	150
Share issue costs	(98)	-
Net cash provided by financing activities	1,285	73
Net decrease in cash held	400	(243)
Cash and cash equivalents at beginning of period	627	1,733
Cash and cash equivalents at end of period	1,027	1,490

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards

This interim financial report is intended to provide users with an update on the latest annual financial statements of Advanced Braking Technology Ltd and its controlled entities (referred to as the "Consolidated Group" of "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2018, together with any public announcements made during the following half-year.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for those as described below.

c. New & Amended Standards Adopted by the Group

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

(i) AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below.

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

From 1 July 2018, the Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below.

Under AASB 15, revenue generated by the Group is categorised into the Group's reportable segments as follows:

Design, development, manufacturing and distribution of improved vehicle braking systems based on the Group's patented technology to customers worldwide.

For sales of these products, revenue is recognised when control of the products has transferred to the customer, which is usually when the products are delivered to the customers. Volume discounts could be provided with the sale of these items depending on the volume of aggregate sales made to eligible customers. A receivable will be recognised when the goods are delivered. The Group's right to consideration is deemed unconditional at this time as only the passage of time is required before payment of that consideration is due. There is no financing component because sales are made within standard credit terms as agreed with the customers.

As noted above, the application of AASB 15 did not have a material impact on the Group's financial statements.

d. Impact of Standards Issued but not yet applied by the Group

(i) AASB 16 Leases

AASB 16: *Leases* (issued February 2016) will supersede the existing lease accounting requirements in AASB 117: *Leases* and the related Interpretations from its application date of 1 July 2019. It introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership. The key requirements of AASB 16 are summarised as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

- components, instead accounting for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The Company is likely to apply the latter option in which case comparative information shall not be restated.

The Company has assessed the full impact of the Standard and assuming no significant changes to its existing lease arrangements (including the exercise of any renewal options), expects to recognise a Right of Use Asset and Lease Liability of approximately \$553,000 respectively. Adjustments to these balances could also arise from prepaid or accrued lease payments made during the year ended 30 June 2019. Any resulting changes shall be disclosed in the Company's 30 June 2019 annual financial statements.

e. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Advanced Braking Technology Limited and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

f. Critical Accounting Estimates and Significant Judgments Used in Applying Accounting Policies

The critical estimates and judgments are consistent with those applied and disclosed in the June 2018 annual report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

g. Going Concern

The financial statements of the Group have been prepared on a going concern basis of accounting which assumes that the Group will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business. During the half year ended 31 December 2018, the Group reported a net loss after tax of \$1.199 million, net operating cash outflow of \$0.76 million and closing cash/bank balance of \$1.027 million.

Directors and Management are cognisant that the Convertible Notes and the related party loan with Director David Slack both mature in June 2019. Discussions have already commenced, both internally and with external advisors, as to how the maturity of these debt instruments can be converted into shares, extended, or repaid prior to maturity. Directors and Management are actively progressing these discussions and presently believe that a timely solution is achievable which will ensure the best outcome for all parties.

The Directors believe that the going concern basis is appropriate, primarily based on current working capital available combined with budgeted cashflows expected to be generated from trading operations over the next 12 months.

The Directors believe that as at the date of signing the financial statements there are reasonable grounds to believe that, having regards to the matters set out above, the Group will be able to continue to operate as a going concern and to meet its obligations as and when they fall due, for at least the next 12 months.

NOTE 2: DIVIDENDS

No dividends were provided for or paid during the half year to 31 December 2018 and no dividends were provided for or paid during the preceding half year to 31 December 2017.

CONSOLIDATED GROUP

31 December 2018 \$'000	30 June 2018 \$'000
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NOTE 3: RECEIVABLES

Current

Trade debtors	1,000	1,364
Less: provision for doubtful debts	(20)	(20)
Total	980	1,344

NOTE 4: TRADE AND OTHER PAYABLES

Trade creditors	1,425	876
Accrued expenses	383	335
Total	1,808	1,211

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	CONSOLIDATED GROUP	
	31 December 2018 \$'000	30 June 2018 \$'000
NOTE 5: INTEREST BEARING LIABILITIES		
(a) Current		
R&D rebate loan	-	600
Lease & hire purchase agreements	21	24
Unexpired interest charges	(4)	(4)
	17	620
Convertible notes (1)	898	1,173
Accrued interest on convertible notes	28	25
	926	1,198
Related party loan facility (2)	500	-
	500	
Total current	1,443	1,818

(1) During the period, the Company's convertible notes of \$1,163,222 matured on 23 December 2018, of which, \$897,700 convertible notes agreed to extend the maturity date to 30 June 2019 at a new coupon rate of 15% pa and \$265,500 of convertible notes elected to be redeemed, which was paid on 9 January 2019.

(2) During December 2018, Director, David Slack, made a \$500,000 loan facility (related party loan facility) available to the Company. The related party loan facility is repayable within 6 months following the drawdown, made on 28 December 2018 and has an interest rate of 15% pa. Subject to shareholder approval, the related party loan facility will be converted to a convertible note on the same terms as the new convertible notes.

	CONSOLIDATED GROUP	
	31 December 2018 \$'000	30 June 2018 \$'000
(b) Non-current		
Lease & hire purchase agreements	71	82
Unexpired interest charges	(4)	(6)
Total	67	76

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

CONSOLIDATED GROUP

31 December 2018 \$'000	30 June 2018 \$'000
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NOTE 6: PROVISIONS

Current provisions

Annual leave	101	107
Long service leave	48	55
Warranty	33	33
Total	182	195

Non-current

Long service leave	24	42
Total	24	42

NOTE 7: ISSUED CAPITAL

Ordinary Shares

	31 December 2018		30 June 2018	
	Number of Shares	\$'000	Number of Shares	\$'000
Fully paid ordinary shares	297,049,796	54,200	2,224,120,936	52,805
At the beginning of the financial period / year	2,224,120,936	52,805	2,199,637,634	52,655
06 Sep 2017 - Shares issued pursuant to the Key Management Incentive Scheme			3,671,050	27
19 Sep 2017 - Convertible notes converted to shares			3,900,000	21
12 Oct 2017 - Convertible notes converted to shares			10,500,000	55
30 Oct 2017 - Shares issued pursuant to Key Management Incentive Scheme			6,412,252	47
10 Aug 2018 – Institutional Entitlement Offer	219,720,665	439		
12 Sep 2018 – Retail Entitlement Offer	420,427,270	841		
14 Sep 2018 – Entitlement Offer Shortfall	101,226,319	203		
02 Oct 2018 - Convertible notes converted to shares	5,000,000	10		
12 Dec 2018 – Share consolidation 10:1 basis	(2,673,445,394)	-		
Sub-total	297,049,796	54,298	2,224,120,936	52,805
Transaction costs relating to share issues		(98)	-	-
Balance at end of financial period / year	297,049,796	54,200	2,224,120,936	52,805

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	CONSOLIDATED GROUP	
	31 December	30 June
	2018	2018
	\$'000	\$'000
NOTE 8: ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial period / year	(50,453)	(48,798)
Net loss attributable to members of the parent entity	(1,199)	(1,655)
Accumulated losses at the end of the financial period / year	<u>(51,652)</u>	<u>(50,453)</u>

NOTE 9: SEGMENT REPORTING

The Group's principal activities are commercialisation, research, development, manufacture and installation of the Failsafe® and Terra Dura® brake and associated braking systems. The Group's activities are predominantly conducted in Australia and via distribution arrangements to other countries.

For management purposes, the Group is organised into one main operating segment. All the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. The financial results from this segment are equivalent to the financial statements of the Group.

The performance of the operating segment is evaluated based on profit before tax and net finance costs (profit before interest and tax) and is measured in accordance with the Group's accounting policies. The Group's financing requirements, finance income, finance costs and taxes are managed on a group basis.

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

	For the six months ended 31 December 2018 \$'000	For the six months ended 31 December 2017 \$'000
Revenue from trading activities		
Australia	2,370	2,491
Export (Overseas)	905	819
Total revenue from trading activities	<u>3,275</u>	<u>3,310</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

NOTE 9: SEGMENT REPORTING

Assets by geographical region

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

	Balance as at 31 December 2018 \$'000	Balance as at 30 June 2018 \$'000
Australia	6,072	5,694
Other	-	-
Total Assets	6,072	5,694

Intangible assets are treated as located in Australia.

NOTE 10: RELATED PARTY TRANSACTIONS

		CONSOLIDATED GROUP 31 December 2018 \$'000	30 June 2018 \$'000
Directors	Note		
Related Party Loan Facility	a)	500	-
Total		500	-

- a) During December 2018, Director, David Slack, made a \$500,000 loan facility (related party loan facility) available to the Company. The related party loan facility is repayable within 6 months following the drawdown, made on 28 December 2018 and has an interest rate of 15% pa. Subject to shareholder approval, the related party loan facility will be converted to a convertible note on the same terms as the new convertible notes.

		31 December 2018 \$'000	31 December 2017 \$'000
Directors			
Company Secretarial Services	b)	34	-
Legal Services	c)	4	-
Total		38	-

- b) AE Administrative Services Pty Ltd provides company secretarial services to the Company, which is a related party of Director, Mark Lindh.
- c) Rockwell Bates Pty Ltd T/A R.B. Flinders provides legal services to the Company, which is a related party of Director, Adam Levine.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

NOTE 11: EVENTS OCCURING AFTER THE REPORTING PERIOD

On 9 January 2019, the Company paid \$265,500 to convertible noteholders for the redemption of convertible notes that matured on 23 December 2018.

On 15 January 2019, the Company issued convertible notes with a face value of \$0.02 to raise \$234,000. The convertible notes mature on 30 June 2019. Interest is payable quarterly on the face value of the convertible notes at a rate of 15% per annum.

On 15 February 2019, the Company announced the appointment of a new Sales Director, Mr Geoff Lewis following the resignation of Mr Dean Robinson. Mr Lewis will commence with the Group in March 2019.

The Directors are not aware of any significant events since the end of the reporting period.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 20 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
2. 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.



Director & Chair

Dagmar Parsons

Dated 28 February 2019

INDEPENDENT AUDITOR'S REPORT

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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
ADVANCED BRAKING TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Advanced Braking Technology Limited which comprises the consolidated condensed statement of financial position as at 31 December 2018, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Advanced Braking Technology Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Advanced Braking Technology Limited's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Advanced Braking Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the Corporations Act, 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 time of this auditor's review report.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ADVANCED BRAKING TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES (CONTINUED)

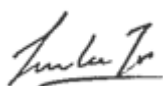
Conclusion

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

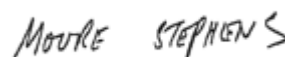
- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

Emphasis of Matter – Material Uncertainty Related to Going Concern

In forming our conclusion on the half-year financial report, which is not modified, we have considered the adequacy of the disclosure made in Note 1(g) to the financial report concerning the Group's ability to continue as a going concern. The conditions explained in Note 1(g) to the financial report indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group's half-year financial report does not include any adjustments that would result if the Group were unable to continue as a going concern.



SUANN-LEE TAN
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of February 2019