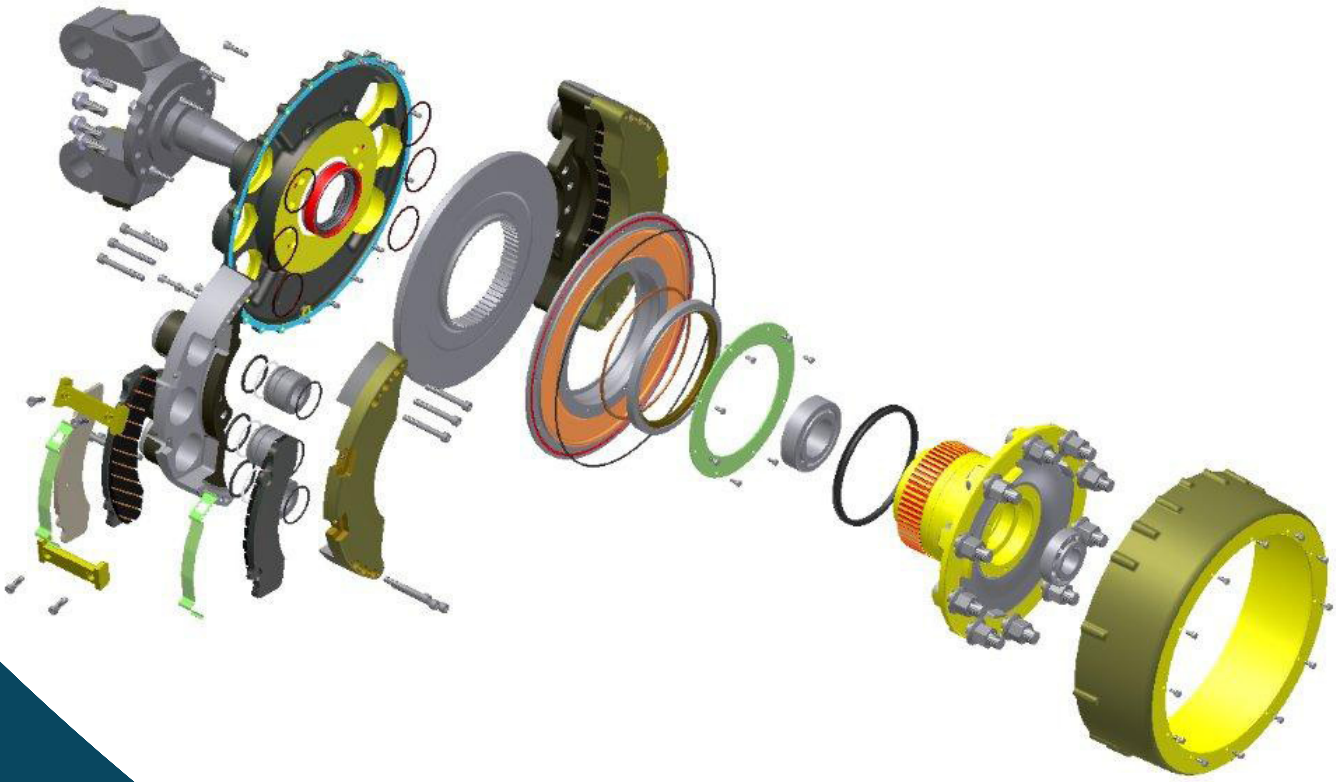
Advanced Braking Technology Ltd



ANNUAL REPORT 2012

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

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Chonburi 20230
Thailand

Share Registry
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Auditors
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Solicitors
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Perth, WA, 6000

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Country of Incorporation
Australia

Legal form of entity
Listed public company

ASX Code
ABV – Ordinary shares

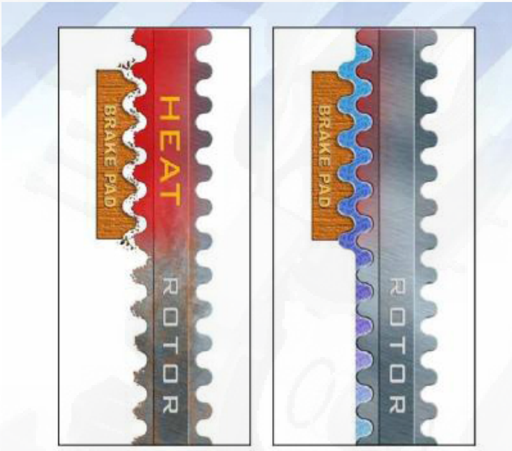
Advanced Braking Technology Ltd

CONTENTS

COMPANY OVERVIEW

The Advanced Braking Technology Ltd group (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

Having gained a strong presence in the mining sector with SIBS® ABT will, this coming financial year, begin the commercial sales of SIBS® in the waste collection market. Based on results of 4 years of development this promises to be a very lucrative business opportunity that will transition the Group from being a successful participant in a niche market to being a strong participant in a global and recession proof market.

Advanced Braking Technology Ltd

CHAIRMAN'S LETTER

Dear Shareholder,

Advanced Braking Technology has entered a new and exciting phase of growth. The future direction of the Company will focus on our mining sector products, the new Garbage Truck Brake and on further developing other Australian and overseas markets.

Progress during FY2012 was strong. The Company has consolidated its strong market position within the mining sector. There have also been significant advances in the development of our Garbage Truck Brake, with the decision to commercialise the revolutionary product in FY2013. ABT has invested heavily in product research and development across both the mining and waste removal sectors, laying solid foundations for significant growth in this coming financial year.

From a financial perspective, total revenue was up by 10% to $8 million. The mining sector experienced strong sales in the first three quarters, securing ABT's position in the mining market. In pursuing our growth strategy we increased expenditure on product upgrades. Funding for product development came from our internal cash flows, a substantial Commercialisation Australia grant and also from a successful equity capital raising in April 2012.

ABT's investment and commitment to upgrading our products have translated to a small statutory loss for the financial year. A continuing investment in the improvement and expansion of our product range is necessary to realising the long-term growth potential of the Company.

Despite the "end of the mining boom" commentary in recent weeks, industry sales volumes are at record levels and margins of profit in the major mineral classes are excellent. New mine development, particularly in iron ore, coal and copper is very strong. We expect to see the Chinese leadership fulfil its promise to its people that growth in China's economy will continue – this indicates a re-stimulation of that economy.

It is our intention to become a major player in the waste removal sector. Earlier this year, ABT announced its commitment to the commercial roll-out of the garbage truck brake in FY2013. The potential is unlimited and the product has global applications. Waste management is an essential, worldwide industry which is largely unaffected by fluctuating economic conditions.

ABT's future focus on its two core business divisions, mining and waste removal, will diversify the Company's exposure to the cyclical nature of the mining industry and minimises its overall risk profile. Both business divisions will continue to play an important role in our overall business strategy.

Our people are fundamental to our success. This year we have expanded our workforce, enhancing our sales and technical expertise. I am confident that this expansion in knowledge and experience will strengthen the Company's ability to deliver on its key priorities and developments. We have also focused on improving the efficiency of our manufacturing plant and the performance of our suppliers in Thailand. We have implemented sound project management, logistical and internal control systems, as well as active communication between our Western Australian and Thai operations. With administrative and resourcing improvements, ABT is well placed to manage the additional workload expected to arise following the commercial launch of our garbage truck product.

ABT's outlook for 2013 is very promising, with the Company's continued focus on product commercialisation. This is directly aligned with ABT's intended aim of delivering significant shareholder value.

I would like to acknowledge the dedication and efforts of our CEO, Ken Johnsen, throughout the year, and to thank my fellow Directors and all our staff for their diligent efforts. I would also like to thank you, our shareholders, for your ongoing support of ABT. I look forward to reporting to you over the next year with updates on our progress.

DAVID HUMANN
Chairman

CHIEF EXECUTIVE OFFICER UPDATE

Introduction

The 2012 financial year was a period of significant progress for Advanced Braking Technology Group (ABT). Substantial human and financial capital was invested over the year in the development of our revolutionary garbage truck brake and I am pleased to report that this "company making" product is now poised for commercial rollout in 2013.

Furthermore, advancements were also made to our existing business in the mining sector. Here, considerable enhancements were made to our product offering and the Company's market positioning was maintained despite challenging macro industry conditions.

Year's Highlights

- Readiness for commercial production and roll-out of the SIBS Garbage Truck Brake during FY13
- Development of an ABS (anti-skid) version of the SIBS Garbage Truck Brake
- Confirmation of the significant environmental benefits of the SIBS Garbage Truck Brake
- The transition to the improved SIBS II version of the light commercial vehicle brake across various Landcruiser models
- The expansion of the existing mining vehicle market by the development for the SIBS II variant for the Toyota Hilux and other similar sized vehicles.
- A successful $2.1 million capital raising in April 2012
- A small loss combined with a substantial investment in upgraded products
- An expanded workforce with bolstered expertise across sales and technical areas to support planned expansion of the mining business and the new garbage truck business.

SIBS® Garbage Truck Brake

ABT has developed a revolutionary new garbage truck braking product which aims to deliver significant "triple bottom line" benefits to fleet operators. These include: substantially reduced servicing costs, more consistent and reliable braking performance and the elimination of noise and dust emissions.

Importantly, Board approval was provided in July 2012 for the Group to progress towards the commercial rollout of its garbage truck brake in the second half of the 2013 financial year. This decision follows the culmination of a four year product development program and a comprehensive assessment of the products technical and commercial viability.

We strongly believe our garbage truck braking product has the potential to transform ABT and drive significant shareholder value over the long term. Put simply, the product's business fundamentals are compelling. Consider:

- The market opportunity – large, recession resistant, global market
- The customer proposition – significant savings, superior operating performance and environmental benefits
- Competition – none currently and protection is provided via a broad patent portfolio
- The commercial model based on healthy margins designed for scalability

Furthermore, the technical risk associated with our garbage truck braking product is considered to be very low. Our confidence in this assessment is based on:

- The ABT team's significant experience and expertise with the associated technology
- The Group's long history of successfully utilising this technology for other applications
- The extensive and successful testing process which has been undertaken through our multi-year product development phase

CHIEF EXECUTIVE OFFICER UPDATE *(continued)*

Importantly, our product development activities have confirmed that all of the key desired performance attributes established at the outset of the project will be delivered to customers. These comprise:

- **Significantly extended brake overhaul intervals**

  A compelling driver for the widespread adoption of this new approach to truck braking is that extensive testing has shown that the major brake overhaul interval on a garbage truck can be extended from an average of 5 months to potentially over 24 months.

- **Compatibility with modern anti-skid systems (ABS)**

  The Company has confirmed that the SIBS Garbage Truck Brake can interface with and is compatible with standard anti-lock braking. This will enable the system to be available on new truck models that are factory fitted with ABS and also provide the opportunity to provide an ABS upgrade for those operators wishing to retro-fit our system to their existing fleets.

- **Availability as a retro-fit braking system**

  A key design goal of ABT was to ensure that the SIBS Garbage Truck Brake could be retrofitted the garbage trucks. After fuel, brake repair and maintenance is the second highest cost of operating a garbage truck. The ability to retro-fit the system without any modifications to the vehicle provides huge benefits to potential customers and the immediate access to an enormous worldwide market for the Company.

- **A compelling commercial proposition**

  All current testing has indicated that the Group will be able to offer a braking system that will allow operators a payback on their initial investment of around two years and ongoing annual savings per truck of up to $15,000. From the Company's position, it has been confirmed that a selling price that will be attractive to fleet operators will also deliver the Group a gross margin in-line with expectations.

- **Environmental benefits**

  Apart from the supply of a key product to the waste collection industry, the commercial roll-out of the SIBS brake technology has significant community benefits. Firstly, standard braking systems on garbage trucks are a major source of noise pollution. Brake squeal is one of the most cited community complaints – especially by those awoken by brake squeal during early morning bin collection. The SIBS Garbage Truck Brake eliminates all brake squeal.

  Company research and testing has also confirmed that the SIBS Garbage Truck Brake will assist in improving the air quality by eliminating up to 30 kilograms of fine brake dust particles every year, for every truck that uses our system. In Australia, this translates to over 90 tonnes of fine particulate matter that could be eliminated from the atmosphere per annum if all garbage trucks used the SIBS Garbage Truck Brake.

ABT is currently finalizing all necessary arrangements to facilitate commercial rollout during the 2013 financial year. Final testing and validation of the pilot production sample will take place during the first half of FY13. The Group's aim is to have the SIBS Garbage Truck Brake sets available for sale during the second half of FY13. These final steps prior to the commercial release of the brakes continue to be supported with Commonwealth funding assistance through the Commercialisation Australia – Early Stage Commercialisation program. The Company's own investment in this activity is being matched with Commonwealth funding.

The year ahead for ABT is full of potential. The Group is being transformed and is well positioned for exponential growth as it prepares for first entry into the global waste industry, with a compelling new patented product.

CHIEF EXECUTIVE OFFICER UPDATE *(continued)*

Mining Products

Advanced Braking continues to offers a range of braking products based around its proprietary SIBS technology which allows mine operators to improve the safety, reliability and operating cost of the vehicle they use to support their mining activities. These vehicle fall into three categories; light commercial vehicles, such as Toyota Landcruisers, medium duty trucks, such as Fuso Canter, and heavy rigid trucks, such as Mack. The Company offers SIBS brakes for each of these three categories.

The Group experienced strong sales in the first three quarters of the year with sales as at 31 March being 17% ahead of the prior year. A softer than expected 4th quarter resulted in sales for the full year being 3% ahead of the prior year. This softening towards year end was due to a number of short term external factors impacting the resource sector resulting in capital expenditure being delayed and many mine expansions being curtailed.

The strong demand experienced through most of the year indicates that SIBS brakes are fulfilling a clear market need and are now well established as the benchmark product for safer braking systems in the mining sector with many mines having equipped their entire fleet of light vehicles.

The benefits of the upgraded SIBS II mining brake were realised across the Company's customer base with improved serviceability and reliability and reduced operating cost. SIBS II has replaced SIBS I our standard product offering across the Landcruiser range in Australia and is being carried across to other products.

Importantly, export sales now account for 22% of total sales – up from 19% in the prior year. This reflects an increasing awareness of our product internationally and demonstrates its global rollout potential.

Ongoing product development activities aimed at enhancing the attractiveness of the mining products and widening the areas of product application are expected to yield increased sales in the coming year.

The mining sales force has also increased with two additional sales staff to cover the eastern states of Australia and also augment the existing sales activity in South Africa.

The mining division contributed $1.33 million of profit to the group.

Results Discussion

Total revenue in the year for the Group increased 10% to $7.97 million (2011 - $7.24 million) and a net loss after tax of $123,000 was recorded compared to a profit last year of $550,000.

The main profit driver was the mining side of the business with a segment profit (before tax) of $1.33 million on sales of $6.4 million.

The increased investment in development activities aimed at enhancing growth prospects, supported by the cash generated by the mining division and external funding sources, served to reduce the mining profit to the small loss reported.

The engineering services division that is responsible for all Group development activities, had income of $1.6 million (grant and R&D incentives) and overall expenditure including depreciation of $3.78 million. Of this expenditure, $1.25 million was capitalised as pre-production and development expenditure relating to the SIBS Garbage Truck Brake. R&D expenditure on mining products is expensed as it is incurred. This division recorded a net loss of $927,000.

The net loss in the engineering division of $927k, combined with other unallocated costs (IP amortization, finance and legal fees) of $527k reduce the mining division profit of $1.33 million to a net after tax loss for the Group of $123k.

The Company benefits from two Commonwealth assistance programs in support of its development and commercialisation activities. In April 2011 it was awarded a $2 million Commercialisation Australia Early Stage Commercialisation grant. This year the Company recognized income of $761,000 from this grant and further amounts totalling up to $862,000 towards eligible expenditure will be receivable up to the completion of grant period on 30th June 2013.

The introduction of the new Commonwealth R&D Tax Incentive arrangements will provide a 45% cash rebate on eligible R&D expenditure from 1st July 2012. An amount of $780,000 has been accrued and is expected as a cash payment following lodgment of the Company's 2012 tax return.

From a cash flow perspective, net cash used from operations for the 12 month period was $415,000 compared to cash provided over the previous year of $141,000. The cash balance at year's end was $2.925 million. Included in the investment activities for the 12 month period was the purchase of property plant and equipment of $647k and expenditure on capitalised pre-production activity of $1,252 million.

Included in the current assets at year's end is inventory of $2.23 million - up $452,000 on the previous year. Current and non-current interest bearing liabilities totaled $406,000 and comprised hire purchase and lease arrangements, primarily for test vehicles. Net assets increased by $2 million to $9.65 million this year as a result of a capital raising during the year.

Outlook

With the decision to commence commercial production of the SIBS Garbage Truck Brake this financial year, ABT will begin its transition from being a leading player in the small mine vehicles market to being a significant player in the global waste collection industry. In contrast to the highly cyclical mining sector, the shift into the waste industry provides solid growth potential in a recession proof sector.

The mining business will continue to play an important part in the Company's business as it grows and extends what has been proven as a viable business model across to the waste collection market. This business model combines low cost offshore manufacturing with ABT's proprietary technology to deliver significant value to customers and is expected to generate increasing shareholder value.

Acknowledgements

I would like to acknowledge the significant contribution over the period from all ABT staff members and the continued and valued support from our customers.

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

Ken Johnsen

Chief Executive Officer and Managing Director

31st August 2012

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

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. In particular the Board seeks a cross section of experience in commerce, technology and in related industry sectors as well as experience on Boards of other public listed companies. To maintain the balance of skills and experience, 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 requires that the Chairperson should be an independent director and that the role of 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.

Appointment of Directors

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

Retirement and re-election of Directors

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

Independence of Directors

The Board 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.

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 AND PERFORMANCE REVIEW

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.

SENIOR EXECUTIVES

The Board has delegated the operation and administration of the group to the Managing Director and the senior executive team. Their performance is assessed formally by the Board on an annual basis both subjectively and by measuring performance against Key Performance Indicators. Performance evaluations were completed in 2012 in accordance with the policy.

DIVERSITY POLICY

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Accordingly, the company has established a diversity policy which is provided to all staff with responsibility for recruitment.

This diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives over the next few years as positions become vacant and appropriately qualified candidates become available:

	Actual 2012		**Objectives 2013–2014**	
	No.	**%**	**No.**	**%**
Women on the Board	-	-	-	-
Women in senior executive positions	1	50%	1	50%
Women employees in the company	11	20%	18	25%

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 management has reported to the Board on the effectiveness of the Company's management of its material business risk. 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. The Audit Committee has a formal charter. 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, where appropriate, 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 Best Practice Recommendations, issued by the ASX Corporate Governance Council, with the exception of the following:

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, and one of the directors is an executive of 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. 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 2.4 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 4.2: The Audit Committee should be structured so

- *it consists only of non-executive directors*
- *consists of a majority of independent directors*
- *is chaired by an independent chair who is not chair of the Board*
- *has at least three members*

The Audit committee comprises 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 8.1: 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, except that Executive Directors are required to absent themselves from that part of any meeting where executive Directors' remuneration is discussed, 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.

DIRECTORS' REPORT

The Directors of Advanced Braking Technologies Ltd submit herewith the annual financial report for the financial year ended 30 June 2012. 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,* Appointed 28 August 2006

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.

Professor Malcolm Richmond *Non-Executive Director,* Appointed 28 August 2006

Professor Richmond was, until recently, visiting Professor of Business and Professor of Engineering at the University of Western Australia and was formerly Adviser Technology Commercialisation at Curtin University. Currently he is a Director of Water Resources Group Ltd, Argonaut Resources NL, 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.

Mr Ken Johnsen *Executive Director and CEO,* Appointed 30 April 2007

Mr Ken Johnsen joined the Company as Chief Executive Officer on 9 September 2005. Mr Johnsen has over 38 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.

David Slack *Non-Executive Director,* Appointed 9 September 2009

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 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 2007 was 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.

DIRECTORS' REPORT *(continued)*

Directorships of other listed companies

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

Name	Company	Period of Directorship
David Humann	Braemore Resources PLC	2006 – 2009
	India Resources Ltd (re-appointed)	2006 – 2008 and 2010 – to date
	Logicamms Ltd	2008 – 2011
	Matrix Metals Ltd	2006 – 2009
	Mincor Resources NL	2006 – to date
Malcolm Richmond	Argonaut Resources NL	2012 – to date
	Cuervo Resource Inc, (listed on Canadian National Stock Exchange)	2011 – to date
	Mil Resources Ltd	2001 – 2012
	Strike Resources Limited	2006 – to date
	Structural Monitoring Systems Ltd	2006 – 2010

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 2012 were a loss from continuing activities, after income tax, of $123,000 (2011: profit of $550,000) and a total comprehensive loss of $109,000 (2011: profit of $567,000). Revenues from trading activities were $6,299,000 for the year ending 30 June 2012 compared with $6,631,000 for the year ending 30 June 2011.

Dividends

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

Summary of material transactions

- 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.

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.

- During 2011 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 2.5 year period to support a project to accelerate the final validation and market entry of the Sealed Integrated Braking System (SIBS TM) on garbage trucks (the "supported product"). Under the original grant rules the grant was repayable at a rate of 5% of sales of the supported product once sales reach $100,000, but during the year ended 30 June 2012 the grant rules were amended and there is no longer a requirement to repay the grant.

- On 1 May 2012 the Company issued 126 million ordinary fully paid shares at an issue price of $0.017 per share to sophisticated investors, raising share capital of $2.1 million. A further 17 million were applied for by Directors on the same terms and conditions and these were issued post year end – see "Events subsequent to balance date" below.

Significant changes in the state of affairs

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

Events subsequent to balance date

On 22 August 2012 legal proceedings against the Company in connection with events of approximately nine years ago were successfully concluded with judgement being handed down, and costs awarded, in favour of the Company.

As announced by the Company on the 19th July 2012 the Board has approved that the Company undertake the final preparations to commence commercial production of the patented SIBS garbage truck brake during the year to June 2013.

On 26 July 2012 the Company issued 17 million ordinary fully paid shares at an issue price of $0.017 per share to Directors, raising share capital of $0.3 million. These shares were applied for as part of an offer to sophisticated investors in April 2012. Placement shares were issued to external investors on 1 May 2012, but issues to Directors were issued on 26 July 2012 after approval by Shareholders at a General Meeting of Shareholders on 12 July 2012.

Unissued Shares

At the date of this report there were 20,660,000 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 it will continue with the development and commercialization of wet brakes for refuse trucks.

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	154,132,883
K Johnsen	3,559,818

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	10,000,000
K Johnsen	4,500,000

During the financial year there were 3 meetings of the Audit Committee, including circulating and written resolutions. The Audit Committee members attended as follows:

	Meetings	
	Attended	Possible Attended
D Slack (Chairperson)	3	3
D Humann	3	3

Directors' meetings

During the financial year there were 18 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	18	18
M Richmond	17	18
D Slack	18	18
K Johnsen	17	18

DIRECTORS' REPORT *(continued)*

REMUNERATION REPORT

This remuneration report for the year ended 30 June 2012 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.

- **Individual key management personnel disclosures**

Details of KMP 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)
Sam Leighton	General Manager

There were no 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 role of a Remuneration Committee was undertaken by the full Board of Directors. The Board determines remuneration policy and recommends salary increases for executive Directors and specified executives. Executive Directors are required to absent themselves from that part of any meeting where executive Directors' remuneration is discussed.

Remuneration Policy

The remuneration policy of the Company is to pay 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, and employees may be issued shares, to encourage loyalty and to 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, but employees, including KMP but excluding directors, meeting prescribed criteria for length of employment, were offered shares under an employee share scheme. The Remuneration Committee members believe the remuneration policy to be appropriate and effective and tailored to increase congruence between shareholders and Directors and executives.

- **Non-executive director remuneration arrangements**

Remuneration policy

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

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

The board will not seek any increase for the non-executive directors' pool at the 2012 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 $55,000 plus the superannuation guarantee contribution. The Chairman received a base fee of $92,650 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 2012 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable remuneration

DIRECTORS' REPORT ***(continued)***

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	• Set with reference to role, market and experience	• Based on annual appraisal and reference to market rates.
Short term incentive component (STI)	• Paid in cash, plus • Up to $1,000 in shares (excluding executive directors)	• 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 judgement and discretion of the Board of Directors.

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

- **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	***STI***	***Post Employment***	***Total***
		Salary & Fees	**Cash bonus**	**Super**	
Directors	**Year**	$	$	$	$
D Humann	**2012**	**92,650**	**-**	**-**	**92,650**
	2011	75,000	-	-	75,000
M Richmond	**2012**	**55,000**	**-**	**4,950**	**59,950**
	2011	40,000	-	3,600	43,600
D Slack	**2012**	**55,000**	**-**	**4,950**	**59,950**
	2011	40,000	-	3,600	43,600
K Johnsen	**2012**	**341,971**	***70,000**	**30,777**	**442 ,748**
	2011	325,688	-	29,312	355,000
Total	**2012**	**544,621**	**70,000**	**40,677**	**655,298**
Total	2011	480,688	-	36,512	517,200

Note: Asterisked items relate wholly to performance in FY 2011

DIRECTORS' REPORT *(continued)*

		Primary	*STI*	*STI*	*LTI*	*Post Employ-ment*	*Equity*	*Total*
		Salary & Fees	**Sales Comm -ission**	**Cash Bonus**	**Cash Bonus**	**Super**	**Shares**	
Executives	**Year**	$	$	$	$	$	$	$
C Madelin	**2012**	**184,500**	**-**	***8,538**	***5,223**	**17,844**	**1,000**	**217,105**
	2011	85,385	-	-	-	7,685	-	93,070
S Leighton	**2012**	**168449**	**40,155**	***22,735**	***9,174**	**21,646**	**1,000**	**263,159**
	2011	159,384	22,354	-	-	16,356	-	198,094
Total	**2012**	**352,949**	**40,155**	**31,273**	**14,397**	**39,490**	**2,000**	**480,264**
Total	2011	244,769	22,354	-	-	24,041	-	291,164

Note: Asterisked items relate wholly to performance in FY 2011.

Note: Ms Madelin was appointed CFO on 11 January 2011 and Company Secretary on 27 January 2011.

- **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, other than up to $1000 of shares under an employee share scheme (ESS shares). In 2012 ESS shares were issued to all employees, including KMP but excluding directors and casual staff, whose period of employment exceeded three months.

- **Cash Bonuses, Performance-related Bonuses and Share-based Payments**

The terms and conditions relating to sales commission and bonuses granted as remuneration during the year to executive directors and key management personnel during the year are as follows:

Mr Johnsen: Received the following incentive payments:

– a short term incentive bonus of $70,000 relating to performance of the company in 2011

Mr Leighton: Received the following incentive payments:

– short term incentive sales commission calculated at a percentage of qualifying sales revenue. The percentage for commission for the last quarter of 2011, paid in 2012, was 0.75%, and for 2012 was 0.50%.
– a short term incentive bonus calculated at 0.375% of annual mining sales for 2011
– a long term incentive bonus of $9,174, relating to performance of the company in 2011
– $1000 of shares under an employee share scheme

Ms Madelin: received the following incentive payments:

– a short term incentive bonus of $8,538 relating to performance of the company in 2011
– a long term incentive payment of $5,223 relating to performance of the company in 2011
– $1000 of shares under an employee share scheme

- **Employment Contracts**

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

Further details of Directors' remuneration are contained in Note 5 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 $11,988 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.

Auditors' Independence Declaration

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

Non-Audit Services

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

	CONSOLIDATED GROUP	
	2012 $'000	2011 $'000
Auditor of Consolidated Group		
Audit and review of financial reports	32	34
Other Services	14	-
	46	34
Auditor of Safe Effect (Thailand) Co. Ltd		
Audit and review of financial reports	4	4
Other Services	-	-
	4	4

DIRECTORS' REPORT *(continued)*

Rounding of Amounts

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

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

Ken Johnsen
Chief Executive Officer and Managing Director
31st August 2012

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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 audit of Advanced Braking Technology Limited for the year ended 30 June 2012, 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 | MOORE STEPHENS

Suan-Lee Tan
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 31st day of August 2012.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	NOTES	CONSOLIDATED GROUP 2012 $'000	2011 $'000
Revenues from trading activities		6,299	6,631
Revenues from other activities	2	1,669	607
Total revenue		7,968	7,238
Cost of sales		(2,461)	(2,179)
Adjustment to prior period cost of sales		-	141
Amortisation of IP		(199)	(199)
Bad and doubtful debts		60	(2)
Borrowing costs		(73)	(33)
Computer related expenses		(52)	(48)
Consulting fees		(640)	(433)
Consumables and minor equipment		(370)	(319)
Depreciation expense		(220)	(166)
Employee expenses		(3,931)	(3,030)
Insurance		(100)	(85)
Legal fees		(277)	(138)
Marketing and advertising expenses		(68)	(51)
Patents		(40)	(92)
Property expenses		(331)	(370)
Share options cost		(22)	(36)
Telephone and other communication		(37)	(39)
Travel and accommodation		(213)	(215)
Other expenses		(369)	(284)
Overheads capitalised as development and pre-production activities		1,252	583
Total expenses		(8,091)	(6,995)
Profit / (Loss) from continuing activities before related income tax benefit	3	(123)	243
Income tax credit	4	-	307
Profit / (Loss) from continuing activities after related income tax benefit		(123)	550
Other comprehensive income/(loss)			
Foreign exchange translation		14	17
Total comprehensive income / (loss) for the period		(109)	567
		cents	**cents**
Basic profit / (loss) per share (cents)	7	(0.01)	0.06
Diluted profit per share (cents)	7		0.06

A diluted earnings per share has not been shown for 2012 as it would dilute the actual loss per share attributable to existing shareholders.

Notes to the financial statements are included on pages 29 to 69.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

		CONSOLIDATED GROUP	
		2012	2011
	NOTES	$'000	$'000
CURRENT ASSETS			
Cash and Cash equivalents	8	2,925	2,737
Trade and other Receivables	9	797	1,194
Inventories	10	2,225	1,773
Other current assets	11	839	56
Total current assets		6,786	5,760
NON-CURRENT ASSETS			
Trade and other Receivables	9	31	30
Property, plant and equipment	13	1,162	734
Intangibles	14	3,625	2,572
Total non-current assets		4,818	3,336
TOTAL ASSETS		11,604	9,096
CURRENT LIABILITIES			
Trade and other Payables	15	848	985
Interest bearing liabilities	16	89	102
Provisions	17	223	179
Share Application funds held in trust	18	294	-
Deferred Income	19	23	-
Total current liabilities		1,477	1,266
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	16	317	133
Provisions	17	74	-
Deferred Income	19	88	-
Total non-current liabilities		479	133
TOTAL LIABILITIES		1,956	1,399
NET ASSETS		9,648	7,697
EQUITY			
Issued Capital	20	45,153	43,115
Foreign Currency Reserve	21	(238)	(252)
Other Reserves	21	730	708
Accumulated losses	22	(35,997)	(35,874)
TOTAL EQUITY		9,648	7,697

Notes to the financial statements are included on pages 29 to 69.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	NOTES	CONSOLIDATED GROUP 2012 $'000	2011 $'000
Net cash flows from operating activities			
Receipts from customers		8,202	7,159
Payments to suppliers, consultants & employees		(8,642)	(7,088)
Borrowing costs		(73)	(33)
Interest received		98	103
Net cash provided by / (used in) operating activities	25	(415)	141
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		19	27
Purchase of property, plant and equipment		(647)	(430)
Development and Pre-production expenditure capitalised		(1,252)	(583)
Net cash (used in) investing activities		(1,880)	(986)
Cash flows from financing activities			
Recovery of non-current deposits / bonds		-	4
Proceeds from borrowings		371	92
Costs of issuing shares		(120)	(113)
Proceeds from issue of shares		2,137	3,000
Share Application funds held in trust		294	-
Proceeds from R&D tax offset		-	307
Finance lease and HP repayments		(200)	(211)
Net cash provided by financing activities		2,482	3,079
Net increase / (decrease) in cash and cash equivalents held		187	2,234
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies		1	(7)
Cash and Cash equivalents at the beginning of the financial year		2,737	510
Cash and Cash equivalents at the end of the financial year	8	2,925	2,737

Notes to the financial statements are included on pages 29 to 69.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Attributable to equity holders of the parent			
	Issued Capital	Accumulated Losses	Other Reserves	Total
	$'000	$'000	$'000	$'000
CONSOLIDATED GROUP				
At 1 July 2011	43,115	(35,874)	456	7,697
Foreign currency translation	-	-	14	14
Profit for the year	-	(123)	0	(123)
Total comprehensive income for the year	-	(123)	14	(109)
Cost of share-based payment	-	-	22	22
Issue of ordinary shares	2,038	-	-	2,038
Total transactions with owners	2,038	-	22	2,060
At 30 June 2012	45,153	(35,997)	492	9,648

	Issued Capital	Accumulated Losses	Other Reserves	Total
	$'000	$'000	$'000	$'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

Notes to the financial statements are included on pages 29 to 69.

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 when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the 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.

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.

R&D Tax incentives have been accounted for as government grants.

(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 will be amortised over their expected useful life once commercial sales commence.

(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 periodically 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 and externally supplied services.

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	3-15 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 a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

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

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

  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.

  The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

– 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 and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

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

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

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 are not expected to significantly impact the Group.

– AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

– AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 17, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Group.

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

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

– AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Group.

– AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB101, AASB124, AASB134, AASB1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) for an offer that may be withdrawn – when the employee accepts;

(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

(iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

	CONSOLIDATED GROUP	
	2012	2011
	$'000	$'000
2. REVENUES FROM OTHER ACTIVITIES		
Other activities		
- interest received	98	103
- net foreign exchange gain	5	52
- income from sale of fixed assets	19	1
- Export Market Development Grant	-	74
-Early Commercialisation Grant	761	377
-R&D Tax Incentive	786	-
Total revenue from other activities	1,669	607

3. PROFIT / (LOSS) BEFORE INCOME TAX

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

	2012	2011
Current year Cost of sales	2,461	2179
Adjustment to prior period Cost of Sales	-	(141)
	2,461	2,038
Borrowing costs	73	33
Depreciation of non-current assets		
- plant and equipment	102	65
- motor vehicle	83	83
- office equipment and furniture	28	18
- leasehold improvements	7	-
Total depreciation	220	166
Bad and doubtful debts		
- trade debtors	(60)	2
Total bad and doubtful debts	(60)	2
Operating leases		
- Property Rental expense	303	358
- Motor vehicle lease	20	12
- Office Equipment Lease	2	-
Total operating leases	325	370
Overheads capitalised as development and pre-production activities	(1,252)	(583)

4. INCOME TAX EXPENSE

	CONSOLIDATED GROUP 2012 $'000	2011 $'000
(a) The components of tax expense comprise:		
Current tax	-	(307)
Deferred tax	-	-
	-	(307)
(b) The prima facie tax expense / (benefit) on profit / (loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax expense / (benefit) on loss from ordinary activities before income tax at 30% (2011: 30%)	(37)	73
Add tax effect of:		
- Non-allowable items	433	34
	396	107
Less tax effect of:		
- Revenue losses and other deferred tax balances not recognised	(160)	(414)
- R&D tax offset	(236)	-
Income tax benefit	-	(307)
(c) Unrecognised deferred tax assets:		
Carry forward revenue losses	3,713	4,688
Capital raising costs	60	28
Provisions and accruals	153	68
Plant and Equipment	577	-
	4,503	4,784

The tax benefits of the above deferred tax assets will only be obtained if:

(a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the company continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the company in utilising the benefits.

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	-
S Leighton	General Manager	12 April 2010	-

b. Remuneration of Directors and Executives

Remuneration policy

The role of a Remuneration Committee is undertaken by the full Board of Directors, which 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 have been required to absent themselves from that part of any meeting where executive Directors' remuneration is discussed.

Executive Contracts

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

Directors fees for the year to 30 June 2012 and 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.The shares in the Company were issued at the weighted average ASX trading price in the 30 days immediately preceding 30 June 2010.

5. DIRECTOR AND EXECUTIVE DISCLOSURES *(continued)*

(b) Remuneration of Directors and Executives *(continued)*

		Primary	*STI*	*Post Employment*	*Total*
		Salary & Fees	Cash bonus	Super	
Directors	**Year**	$	$	$	$
D Humann	**2012**	**92,650**	**-**	**-**	**92,650**
	2011	75,000	-	-	75,000
M Richmond	**2012**	**55,000**	**-**	**4,950**	**59,950**
	2011	40,000	-	3,600	43,600
D Slack	**2012**	**55,000**	**-**	**4,950**	**59,950**
	2011	40,000	-	3,600	43,600
K Johnsen	**2012**	**341,971**	***70,000**	**30,777**	**442 ,748**
	2011	325,688	-	29,312	355,000
Total	**2012**	**544,621**	**70,000**	**40,677**	**655,298**
Total	2011	480,688	-	36,512	517,200

		Primary	*STI*	*STI*	*LTI*	*Post Employment*	*Equity*	*Total*
		Salary & Fees	Sales Commis sion	Cash Bonus	Cash Bonus	Super	Shares	
Executives	**Year**	$	$	$	$	$	$	$
C Madelin	**2012**	**184,500**	**-**	***8,538**	***5,223**	**17,844**	**1,000**	**217,105**
	2011	85,385	-	-		7,685	-	93,070
S Leighton	**2012**	**168,449**	**40,155**	***22,735**	***9,174**	**21,646**	**1,000**	**263,159**
	2011	159,384	22,354	-		16,356	-	198,094
Total	**2012**	**352,949**	**40,155**	**31,273**	**14,397**	**39,490**	**2,000**	**480,264**
Total	2011	244,769	22,354	-	-	24,041	-	291,164

Note: Asterisked items relate wholly to performance in FY 2011.

Note: 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 2011	Movement during year	Held at 30 June 2012
D Humann	13,378,323	-	13,378,323
M Richmond	8,117,211	-	8,117,211
D Slack	138,832,883	-	138,832,883
K Johnsen	1,559,818	-	1,559,818
Total	161,888,235	-	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 price*	
	No.	No.	No.		$	$	Expiry Date
Specified Directors							
K Johnsen	3,000,000	3,000,000	(3,000,000)	25/10/2007	0.044	0.075	1/7/2011
	1,500,000	4,500,000	-	5/11/2009	0.009	0.035	5/11/2013
	4,500,000	7,500,000	(3,000,000)				

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

	Total Vested	Total Granted	Expired	Director's potential share	Granted Date	Terms and condition of each grant		
						value per option at grant date	*Exercise price*	
	No.	No.	No.			$	$	Expiry Date
Specified Directors								
D Slack	10,000,000	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	(10,000,000)					

	CONSOLIDATED GROUP	
	2012	**2011**
	$'000	**$'000**
6. AUDITORS' REMUNERATION		
Remuneration of the auditor of the Consolidated Group for:		
Auditing the financial statements	32	34
Other services	14	-
	46	34
Remuneration of auditor Safe Effect (Thailand) Co. Ltd	4	4

7. EARNINGS PER SHARE

Basic Earnings per share	**$'000**	**$'000**
Net profit / (loss) ($'000's)	(123)	550
	Number (‘000's)	**Number (‘000's)**
Weighted average number of ordinary shares during the year used in calculation of basic EPS (in ‘000's)	985,069	920,019
	cents	**cents**
Basic profit / (loss) per share (cents)	(0.01)	0.06

Diluted earnings per share	**Number (‘000's)**
Weighted average number of ordinary shares and dilutive potential ordinary shares (in ‘000's)	926,824
	cents
Diluted profit per share (cents)	0.06

A diluted earnings per share has not been shown for 2012 as it would dilute the actual loss per share attributable to existing shareholders.

	CONSOLIDATED GROUP	
8. CASH AND CASH EQUIVALENTS	**2012**	**2011**
	$'000	**$'000**
Cash at bank	2,925	2,737

Reconciliation of cash

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

Cash at bank	2,925	2,737

9. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED GROUP	
	2012	2011
	$'000	$'000
Current		
Trade debtors	816	1,273
Less: provision for doubtful debts	(19)	(79)
	797	1,194
Non-current		
Other receivables	31	30
	31	30

Receivables Ageing and Impairment losses

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

	CONSOLIDATED GROUP			
	Total Receivables		Gross Impairment	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Not past due	509	949	(13)	(59)
Past due 0 – 30 days	190	242	(4)	(15)
Past due 31 – 60 days	17	7	-	-
Over 60 days	100	75	(2)	(5)
	816	1,273	(19)	(79)

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

	CONSOLIDATED GROUP	
	2012	2011
	$'000	$'000
Balance at 1 July	(79)	(79)
Impairment provision recognised / reversed during the year	60	(2)
Bad debts written off	-	2
Closing balance at 30 June	(19)	(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	1,147	915
Components and WIP	1,078	858
	2,225	1,773

11. OTHER CURRENT ASSETS

	CONSOLIDATED GROUP	
	2012	2011
	$'000	$'000
Prepayments	53	56
Accrued Income-R&D Tax incentive	786	-
	839	56

12. CONTROLLED ENTITES

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

	Parent Entity	
	2012 Number	2011 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	
	2012 Number	2011 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	
	2012	2011
	$'000	$'000
13. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment at cost	1,104	823
Less: accumulated depreciation	(428)	(322)
	676	501
Motor vehicles at cost	591	408
Less: accumulated depreciation	(269)	(218)
	322	190
Office equipment and furniture at cost	273	176
Less: accumulated depreciation	(161)	(133)
	112	43
Leasehold improvements at cost	59	-
Less: accumulated depreciation	(7)	-
	52	-
Total at net written down value	1,162	734

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 2012	Plant & Equipment $'000	Motor Vehicles $'000	Office Equipment & Furniture $'000	Leasehold Improvements $'000	Total $'000
Balance at the beginning of year	501	189	44	-	734
Additions	276	217	95	59	647
Disposals	-	-	-	-	-
Depreciation expense	(102)	(84)	(27)	(7)	(220)
Foreign exchange translation	1	-	-	-	1
Carrying amount at the end of year	676	322	112	52	1,162

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

2011 CONSOLIDATED GROUP	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

14. INTANGIBLES

	CONSOLIDATED GROUP 2012 $'000	2011 $'000
Wet Brake technology assigned from Safe Effect Technologies International Ltd	2,984	2,984
Less - Accumulated amortisation	(1,194)	(995)
Carrying amount at the end of year	1,790	1,989
Development and Pre-Production Costs capitalised	1,835	583
Less-Accumulated amortisation	-	-
Carrying amounts at the end of year	1,835	583
Total carrying amount at the end of year	3,625	2,572

Reconciliation

Movement in the carrying amounts for each class of intangible asset between the beginning and the end of the current financial year:

CONSOLIDATED GROUP 2012	Wet Brake Technology $'000	Development and pre-production costs capitalised $'000	Total $'000
Balance at the beginning of year	1,989	583	2,572
Additions-internally developed	-	1,252	1,252
Amortisation expense	(199)	-	(199)
Carrying amount at the end of year	1,790	1,835	3,625

14. INTANGIBLES *(continued)*

CONSOLIDATED GROUP 2011	Wet Brake Technology $'000	Development and pre-production costs capitalised $'000	Total $'000
Balance at the beginning of year	2,188	-	2,188
Additions-internally developed	-	583	583
Amortisation expense	(199)	-	(199)
Carrying amount at the end of year	1,989	583	2,572

Impairment Disclosure

No impairment assessment was performed in either 2012 or 2011 as there were no impairment triggers.

	CONSOLIDATED GROUP 2012 $'000	2011 $'000
15. TRADE PAYABLES		
Current (unsecured)		
Trade creditors	742	866
Accrued expenses	106	119
	848	985
16. INTEREST BEARING LIABILITIES		
(a) Current and non-current		
Current (secured)		
Lease and Hire purchase agreements	128	120
Unexpired interest charges	(39)	(18)
	89	102
Non-current (secured)		
Lease and Hire purchase agreements	372	151
Unexpired interest charges	(55)	(18)
	317	133
(b) Total of current and non-current		
Lease and Hire purchase agreements	500	271
Unexpired interest charges	(94)	(36)
	406	235
(c) The carrying amounts of non-current assets pledged as security are:		
Plant and equipment	-	13
Motor vehicles	313	186
Office equipment	32	11
	345	210

		CONSOLIDATED GROUP	
		2012 $'000	2011 $'000
17.	**PROVISIONS**		
(a)	**Current and non-current**		
	Current		
	Warranties	60	-
	Employee entitlements	163	179
	Total	223	179
	Non-Current		
	Employee Entitlements	71	-
	Other	3	-
	Total	74	-

(b)	**Number of Employees**	**Number**	**Number**
	Number of employees at year-end		
	Australia	37	27
	Overseas	18	13
	Total	55	40

		CONSOLIDATED GROUP	
		2012 $'000	2011 $'000
18.	**SHARE APPLICATION FUNDS HELD IN TRUST**		
	Directors' share application funds	294	-
	Total	294	-

On 26 July 2012 the Company issued 17 million ordinary fully paid shares at an issue price of $0.017 per share to Directors, raising share capital of $294,000. These shares were applied for as part of an offer to sophisticated investors in April 2012. Placement shares were issued to external investors on 1 May 2012, but issues to Directors were issued on 26 July 2012 after approval by Shareholders at a General Meeting of Shareholders on 12 July 2012.

19.	**DEFERRED INCOME**		
	Current		
	Early Commercialisation Grant	23	-
	Total	23	-
	Non -current		
	Early Commercialisation Grant	88	-
		88	-

20. ISSUED CAPITAL

(a) Issued Capital

The Parent Entity had issued 1,088,204,889 (2011: 961,315,575) fully paid ordinary shares as at the 30 June 2012.

	CONSOLIDATED GROUP			
	2012		2011	
	Number of shares	$'000	Number of shares	$'000
Ordinary shares				
At the beginning of the financial year	961,315,575	43,115	769,454,464	40,150
Shares issued 26 July 2010 to Mr Humann, Professor Richmond and Mr Slack for Directors' Fees, including GST, for FY 2010			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
Shares issued under an Employee share scheme 24 January 2012	1,189,314	21		
Shares issued for cash under a placement to sophisticated investors on 1 May 2012	125,700,000	2,137		
	1,088,204,889	45,273	961,315,575	43,228
Transaction costs relating to share issues		(120)		(113)
Balance at end of financial year	1,088,204,889	45,153	961,315,575	43,115

(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 2012 and 30 June 2011 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.

	2012	2011
Gearing ratio	nil	nil

	CONSOLIDATED GROUP 2012 $'000	2011 $'000
21. RESERVES		
Foreign Exchange Translation Reserve	(238)	(252)
Option premium reserve	730	708

No options were issued in the year ended 30 June 2012 (2011: nil).

	2012 $'000	2011 $'000
22. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial year	(35,874)	(36,424)
Net profit / loss attributable to members of the parent entity	(123)	550
Accumulated losses at the end of the financial year	(35,997)	(35,874)

23. CONTRACT AND LEASING COMMITMENTS

(a) Hire purchase and Finance Lease commitments

	2012 $'000	2011 $'000
Payable		
- not later than 1 year	128	120
- later than 1 year but not later than 5 years	372	151
	500	271
Less future finance charges	(94)	(36)
Total hire purchase and finance lease liability	406	235

(b) Operating lease commitments

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

	2012 $'000	2011 $'000
Payable		
- not later than 1 year	123	262
- later than 1 year but not later than 5 years	62	180
	185	442

24. SEGMENT REPORTING

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

Types of products by segment

(i) Mining brakes

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

24. SEGMENT REPORTING *(continued)*

(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.

Corporate charges are allocated in proportion to direct wages allocated to each segment. The Board of Directors believes that this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

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

Segment assets

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

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. 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 re Wet Brake Technology. (Intangible assets re development and pre-production overheads capitalised are allocated to Engineering)
- Amortization of Wet Brake Technology intangible assets
- Finance Costs
- Legal fees re court costs
- Income tax expense

24. SEGMENT REPORTING *(continued)*

Segment performance	Mining brakes $'000	Engineering services $'000	Total $'000
30 June 2012			
Revenue			
External Sales	6,299	-	6,299
Other income	72	1,597	1,669
Total segment revenue	6,371	1,597	7,968
Reconciliation of segment revenue to group revenue	-	-	-
Total group revenue	6,371	1,597	7,968
Cost of materials	(2,461)	-	(2,461)
Depreciation	(57)	(163)	(220)
Other expenses	(2,522)	(3,613)	(6,135)
Overheads capitalised as development and pre-production activities	-	1,252	1,252
Segment net profit / (loss) before tax	1,331	(927)	404
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			(73)
--- Legal fees re court cases			(255)
Net loss before tax from continuing operations			(123)
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 / (loss) 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

24. SEGMENT REPORTING *(continued)*

Segment assets	Mining brakes $'000	Engineering services $'000	Total $'000
30 June 2012			
Segment assets			
Additions to non-current assets			
— capital expenditure	71	576	647
— development and pre-production activities capitalised	-	1,252	1,252
Reconciliation of segment assets to group assets			
Segment assets	4,123	5,691	9,814
Inter-segment eliminations			
Unallocated assets:			
— Intangible assets re Wet Brake Technology			1,790
Total group assets			11,604
30 June 2011			
Segment assets			
Additions to non-current assets			
— 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:			
— Intangible assets re Wet Brake Technology			1,989
Total group assets			9,096

Segment liabilities

30 June 2012			
Segment liabilities			
Reconciliation of segment liabilities to group liabilities			
Segment liabilities	824	1,132	1,956
Inter-segment eliminations			-
Unallocated liabilities:			-
Total group liabilities			1,956
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			1,339

24. SEGMENT REPORTING *(continued)*

Revenue by geographical region

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

	2012 $'000	2011 $'000
Australia	4,882	5,355
Canada	670	651
New Zealand	36	54
Papua New Guinea	35	87
South Africa	513	380
USA	162	95
Zambia	1	9
Total revenue from trading activities	6,299	6,631

Assets by geographical region

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

	2012 $'000	2011 $'000
Australia	10,093	7,981
South Africa	72	82
Thailand	1,439	1,033
Total assets	11,604	9,096

Major customers

The Group has a number of customers to whom it provides both products and services. The three most significant customers are :

Significance	2012 Sector	2012 % of total revenue from trading activities	2011 Sector	2011 % of total revenue from trading activities
1st	Mining	11.9%	Mining	15.3%
2nd	Mining	10.6%	Mining	9.8%
3rd	Mining	8.6%	Engineering	7.5%

	CONSOLIDATED GROUP	
	2012 $'000	2011 $'000

25. CASH FLOW INFORMATION

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

	2012 $'000	2011 $'000
Profit / (Loss) from ordinary activities after income tax	(123)	550
(Profit) / loss on disposal of property, plant and equipment	(19)	(1)
Non-cash flows in loss from ordinary activities		
Cost of share options	22	35
Depreciation	220	166
Unrealised foreign exchange (profit) / loss on Fixed Assets	(1)	8
Amortisation of IP	199	199
Shares issued for professional services	-	79
Shares issued to employees	21	-
Foreign exchange (gain)/loss	13	24
Other		
R&D tax offset	-	(307)
Changes in assets and liabilities		
(Increase) / decrease in trade and other receivable	396	(497)
(Increase) / decrease in inventories	(452)	(434)
(Increase) / decrease in other current assets	(783)	(9)
Increase / (decrease) in deferred income	111	-
Increase / (decrease) in trade and other payables	(137)	247
Increase / (decrease) in provisions	118	81
Cash inflows / (outflows) from operations	(415)	141

(b) Non-cash financing and investing activities

2012

During the year to 30 June 2012 ordinary shares were issued to a number of employees, including key management personnel, but excluding directors, as remuneration under an employee share scheme. The transactions were as follows:

- On 24 January 2012 twenty one employees were each paid $1000 remuneration in the Company's shares. The shares were priced at the ASX volume weighted average trading price on the day of issue and the preceding four days.

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.

26. 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 2012, ordinary shares were issued under an employee share scheme to key management personnel. During 2011 ordinary shares were issued in satisfaction of Directors' fees for the previous financial year. Details are disclosed in note 25(b) above.

27. 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 Audit Committee, established by the Directors, 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:

27. 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
2012						
Financial assets						
Cash	4.2%	2,925	-	-	-	2,925
Receivables - current	-	-	-	-	797	797
Accrued income-R&D Tax incentive (note 11)	-	-	-	-	786	786
Receivables - non-current	-	-	-	-	31	31
Total financial assets		2,925	-	-	1,614	4,539
Financial liabilities						
Payables	-	-	-	-	848	848
Hire purchase and finance lease liabilities	10.4%	-	89	317	-	406
Total financial liabilities		-	89	317	848	1,254
Net Financial Assets/(Liabilities)		2,925	(89)	(317)	766	3,285

As at 30 June 2012 Advanced Braking Pty Ltd was entitled to interest on deposits at various banks at rates up to 3.75% per annum. (2011: 6.1% per annum).

	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

The sensitivity analysis below is based on the interest rate risk exposure in existence at the balance sheet date. The 0.6% (2011: 0.9%) 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 2012, 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):

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

(a) Market Risk - Interest rate risk *(continued)*

	CONSOLIDATED GROUP	
	2012 $'000	2011 $'000
Possible movements before tax:		
+0.6% (2011: 0.9%) per annum	12	21
-0.6% (2011: 0.9%) per annum	(12)	(21)
Reconciliation of net financial assets to net assets		
Net financial (liabilities)/assets as above	3,285	2,741
Non-financial assets and liabilities		
-Inventories	2,225	1,773
-Property, plant & equipment	1,162	734
-Intangible Assets	3,625	2,572
-Other current assets-prepayments (note 11)	53	56
-Provisions	(297)	(179)
-Share Application Funds held in trust	(294)	-
Deferred income	(111)	-
Net (liabilities)/assets as per the Balance Sheet	9,648	7,697

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 USD. The Company does not currently hedge this exposure. However the Company may hedge against future foreign currency risk when considered appropriate.

At 30 June 2012 neither the Company nor its subsidiaries had any forward foreign exchange contracts in place. As at 30 June 2012 the Group had the following exposure to foreign currency:

Financial Assets		
Cash and cash equivalents	46	37
Trade and other receivables	67	41
Other financial assets	-	-
	113	78
Financial Liabilities		
Payables	334	401
Net Exposure	(221)	(323)

27. 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 7% (2011: 8%) 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 2012 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	
	2012	**2011**
	$'000	**$'000**
Possible movements before tax:		
Pre Tax Profit – higher/(lower)		
+7% (2011:+8%) per annum	(14)	(24)
-7% (2011: -8%) per annum	16	28

. (b) Liquidity Risk

The Group's objective is to fund new product development and commercialisation through shareholder equity, government grants, R&D tax incentives and lease and hire purchase finance. Ongoing commercial operations support existing business growth.

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	912	1,045
6 – 12 months	64	60
1 – 5 years	372	151
	1,348	1,256

27. 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 2012

	< 6 Mths $'000	6 - 12 Mths $'000	1 - 5 Years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	2,925	-	-	2,925
Trade and other receivables	797	-	31	828
Accrued Income-R&D Tax Incentive	786	-	-	786
	4,508	-	31	4,539
Financial Liabilities				
Payables	848	-	-	848
Hire purchase and finance lease liabilities	44	45	317	406
Total financial liabilities	892	45	317	1,254
Net exposure	3,616	(45)	(286)	3,285

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

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

(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.

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. No impairment assessment was performed in either 2012 or 2011as there were no impairment triggers.

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) development and pre-production overheads capitalised, which will be amortised over their expected useful life once sales commence.

28. EVENTS SUBSEQUENT TO BALANCE DATE

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

On 22 August 2012 legal proceedings against the Company in connection with events of approximately nine years ago were successfully concluded with judgement being handed down, and costs awarded, in favour of the Company.

As announced by the Company on the 19th July 2012 the Board has approved that the Company undertake the final preparations to commence commercial production of the patented SIBS garbage truck brake during the year to 30 June 2013.

28. EVENTS SUBSEQUENT TO BALANCE DATE *(continued)*

On 26 July 2012 the Company issued 17 million ordinary fully paid shares at an issue price of $0.017 per share to Directors, raising share capital of $294,000. These shares were applied for as part of an offer to sophisticated investors in April 2012. Placement shares were issued to external investors on 1 May 2012, but issues to Directors were issued on 26 July 2012 after approval by Shareholders at a General Meeting of Shareholders on 12 July 2012.

29. CONTINGENT LIABILITIES

There are no contingent liabilities.

30. SHARE BASED PAYMENTS

The following share based payments were made during the financial year ended 30 June 2012:

(a) On 24 January 2012 1,189,314 ordinary shares were issued at 1.77 cents each to a number of employees under an employee share scheme.

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.

OPTIONS	CONSOLIDATED GROUP			
	2012		2011	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	33,660,000	0.05	42,660,000	0.06
Granted	-	-	-	-
Forfeited	-	-	(1,750,000)	0.02
Exercised	-	-	-	
Expired	(13,000,000)	0.06	(7,250,000)	0.11
Outstanding at the year end	20,660,000	0.04	33,660,000	0.05
Exercisable at the year end	11,500,000	0.06	20,000,000	0.06

No options were granted during the year ended 30 June 2012 (2011: nil).

Under cost of share options the expense in the income statement relating to share-based payments is $22,000 (2011: $36,000) and relates to the total cost value of all share options not forfeited, spread over the vesting period.

31. 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.

	2012 $'000	2011 $'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	1,529	1,898
TOTAL ASSETS	14,916	13,118
LIABILITIES		
Current Liabilities	415	45
TOTAL LIABILITIES	415	45
EQUITY		
Issued Capital	45,153	43,115
Foreign Currency Reserve	-	-
Other reserves	730	708
Accumulated losses	(31,382)	(30,750)
	14,501	13,073
STATEMENT OF COMPREHENSIVE INCOME		
Total profit/(loss) after tax	(632)	160
Total Comprehensive Income/(Loss)	(632)	160

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 was no longer in use. The guarantee and indemnity was cancelled during the year ended 30 June 2012.

In 2012 Advanced Braking Technology Ltd provided guarantees to a number of suppliers of Advanced Braking Pty Ltd in connection with the subsidiary negotiating finance under lease or HP agreements. The Directors have also resolved that the Company will continue to provide financial support to its subsidiaries for as long as it is required.

31. PARENT INFORMATION *(continued)*

Contingent Liabilities

There are no contingent liabilities.

Contractual Commitments

As at 30 June 2012, Advanced Braking Technology Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2011: Nil)

At the date of this report the Company is negotiating the renewal of the lease of its Australian premises.

Advanced Braking Technology Ltd

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 25 to 69, 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 compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated group.

2. The Chief Executive Officer and Chief Finance Officer have each given the declarations required by s295A of the Corporations Act 2001.

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
31st August 2012

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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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 which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 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
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Auditor's Opinion

In our opinion:

(a) the financial report of Advanced Braking Technology Limited is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report as included in the directors' report for the year ended 30 June 2012. 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 2012 complies with s 300A of the *Corporations Act 2001*.

Moore Stephens

Suan-Lee Tan
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 31st day of August 2012.

STOCK EXCHANGE INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

1. Statement of issued capital at 24th August 2012.

(a) Distribution of fully paid ordinary shares

Size of Holding			Number of Shareholders	Shares Held
1	-	1,000	54	3,026
1,001	-	5,000	19	67,722
5,001	-	10,000	152	1,451,533
10,001	-	100,000	591	26,601,538
100,001	and	Over	579	1,077,381,070
Total			1,395	1,105,504,889

(b) There are 445 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 at 24th August 2012:

- Mr David Slack 154,132,883 shares
- Mr Richard Andrew Palmer 92,748,929 shares

3. Shareholders

The twenty largest shareholders hold 41.51% of the total issued ordinary shares in the Company as at 24th August 2012.

4. Share Options

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. On-market buy-back.

There is no current on-market buy-back.

6. Quotation

Shares in Advanced Braking Technologies Ltd are listed on the Australian Securities Exchange.

STOCK EXCHANGE INFORMATION *(continued)*

Largest Fully Paid Ordinary Shareholders

The names of the twenty largest shareholders who hold 41.51% of the fully paid ordinary shares in the Company at 24th August 2012, are:

		Number of shares	% of Issued Shares
1.	WINDPAC PTY LTD	73,399,750	6.64
2.	DASI INVESTMENTS PTY LTD	46,794,746	4.23
3.	MR RICHARD PALMER + MRS TRACEY-ANN PALMER <PALMER FAMILY RETIRE A/C>	32,500,000	2.94
4.	M/S TRACEY-ANN PALMER	25,144,893	2.27
5.	MR RICHARD ANDREW PALMER	24,334,036	2.20
6.	ANNAPURNA PTY LTD	24,000,000	2.17
7.	FITEL NOMINEES LIMITED	23,000,000	2.08
8.	MR DALE ALBERT MONSON + MRS DAGMAR ERNA MONSON <DALE MONSON S/F NO2 A/C>	22,639,843	2.05
9.	MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C>	20,759,500	1.88
10.	CLAYMORE CAPITAL PTY LTD	19,591,302	1.77
11.	MR PETER RODNEY BOWER	19,500,000	1.76
12.	WINDPAC PTY LTD <THE DAVID EARL SLACK SUPERANNUATION A/C>	17,500,000	1.58
13.	PERSHING AUSTRALIA NOMINEES PTY LTD <BLUE OCEAN EQUITIES A/C>	16,000,000	1.45
14.	MR JIM SUMPTER + MRS DALE ELIZABETH SUMPTER	15,200,093	1.37
15.	KNARF INVESTMENTS PTY LTD <TERRIGAL A/C>	15,145,980	1.37
16.	WINDPAC PTY LTD <THE SLACK FAMILY A/C>	14,900,000	1.35
17.	MR DAVID HUMANN + MRS ANNE HUMANN <DAVID & ANNE HUMANN S/F A/C>	13,378,323	1.21
18.	MONDAL INVESTMENTS PTY LTD	12,273,927	1.11
19.	GALVALE PTY LTD	12,000,000	1.09
20.	R E JONES PROPERTIES PTY LTD <GREENHILL PROPERTY A/C>	10,829,399	0.98
Total		**458,891,792**	**41.51**

Advanced Braking Technology Ltd

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