



**ADVANCED BRAKING TECHNOLOGY LTD**

**AND CONTROLLED ENTITIES**

**ABN 66 099 107 623**

**ANNUAL REPORT  
2020**

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

**CORPORATE DIRECTORY**

**Directors**

Dagmar Parsons  
David Slack  
Adam Levine  
Mark Lindh

**Chief Executive Officer**

John Annand

**Chief Financial Officer**

Paige Exley

**Company Secretary**

Kaitlin Smith

**Registered Office**

19 Creative Street  
Wangara, WA 6065  
Telephone: + 61 8 9302 1922  
Telephone: 1800 317 543

**Auditors**

Moore Australia Audit (WA)  
Level 15, Exchange Tower  
2 The Esplanade  
Perth, WA, 6000

**Country of Incorporation**

Australia

**Legal form of entity**

Listed public company

**Bankers**

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

**Share Registry**

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth, WA, 6000  
Telephone: + 61 8 9323 2000  
Facsimile: + 61 8 9323 2033

**ASX Home Branch**

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

**ASX Code**

ABV – Ordinary shares

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## **CHAIRMAN'S REVIEW**

Dear Shareholder,

During FY20, Advanced Braking Technology Ltd ('ABT' or the 'Company') continued to deliver on its promise to stabilise its financial performance. With the repayment of the R&D prepayment loan facility and the extinguishment of the convertible notes the Company is, with the exception of some minor equipment leases, now debt free. In addition, ABT improved its financial performance through increased sales, improved margins and a reduction in expenditure, resulting in a positive cash flow from operations for the year.

Despite the COVID-19 challenge, business operations continued to function effectively and service levels were maintained. ABT's primary customer base remained within the mining and civil construction industries, which continued to operate during this challenging period. Thanks to our suppliers, our supply chain continued to function, which has ensured the continuity of business operations without compromising the supply of products to our customers, both here in Australia and internationally. In particular, the support the Harrop Engineering team provided from Melbourne, under lockdown restrictions is greatly appreciated and acknowledged.

Notwithstanding those added challenges, ABT focused on its clearly defined strategic direction, which led to further diversification of our product portfolio, customer base, industries and geographic regions. New mining customers include Fortescue Metals Group and Newmont's Tanami operations. In addition, we can count Scania Australia, as an OEM for mining trucks and John Holland & CBP Contractors within the civil construction industry, as new ABT customers.

During the year, the Company entered into a Technology Licence Agreement with VEEM Ltd. VEEM will manufacture and supply ABT's specialised park brake mechanism for the Thales' Hawkei Protected Mobility Vehicle – Light project. The Customer, Thales Australia Limited ('Thales') is part of the Thales Group, the world leading aerospace, defence, transport and security technology company headquartered in Paris, France. Besides opening up the opportunity to be recognised as an Original Equipment Manufacturer's (OEM) product designer, ABT also achieved the strategic goal of securing its first long-term supply agreement.

The Company is also encouraged by early stage enquiries about our braking solutions received from international companies involved in autonomous and electric vehicles. The use of electric and autonomous vehicles within the global mining industry continues to gather pace and ABT is actively engaged with the developers of this emerging technology. Our brakes are now installed on multiple electric vehicle platforms around the world, which are either being demonstrated or trialled at mine sites in Australia, Europe, Canada and South Africa.

In addition to product development and sales, ABT continued to strengthen its governance and operations to allow the Company to implement its growth strategy. And, as we look to grow the business through organic growth, ABT will also continue to investigate opportunities that will allow it to achieve size and to significantly upscale the business through either acquisitions, strategic partnerships or joint ventures.

I would like to thank the Board and the entire ABT team for their efforts and contribution. The progress our staff, led by John Annand and the leadership team, have made throughout the year has positioned us well for the future.

I would also like to thank our shareholders for their continued support of Advanced Braking Technology.

Dagmar Parsons  
**Chairman**

## CHIEF EXECUTIVE OFFICER OPERATING AND FINANCIAL REVIEW

### CHIEF EXECUTIVE OFFICER'S OPERATING AND FINANCIAL REVIEW

#### Overview

Advanced Braking Technology Ltd designs, manufactures and distributes its innovative braking solutions worldwide. From its head office in Perth, Western Australia, ABT continues to develop its product portfolio for a diverse range of industries that have a strong requirement for safety and environmental responsibility, including the mining, defence, civil construction and waste management industries.

ABT's innovative braking solutions are well known for their unparalleled safety, improved productivity, zero emissions and durability in the world's harshest conditions. As its reputation has grown, demand for ABT's brakes has expanded internationally with its braking solutions being used in all seven continents across the globe. Approximately 30% of the operating sales comes from overseas locations including Canada, Europe, Asia-Pacific and South Africa.

During FY20, ABT offered 3 key products:

- ABT Failsafe Brakes
- ABT Failsafe Emergency Driveline Brakes
- Terra Dura Brakes

During FY20, the Company continued to deliver improvements in our financial and operational performance. These improvements included:

- becoming substantially debt free during the year with \$2.25 million of debt extinguished;
- improving its financial position through increased sales, improved margins and a reduction in expenditure, resulting in a positive cash flow from operations for the year;
- further diversifying our product portfolio, customer base and the industries to which we supply our innovative braking solutions; and
- strengthening our Intellectual Property and patent protection.

The improvements noted above have set the Company up for a strong FY21 and will support the implementation of its growth strategy.

In addition to product development and sales, the Company continues to work on the intangible aspects of the business including corporate culture, systems and processes and stakeholder management, all of which improves business performance and creates the foundation to allow the Company to implement its strategy.

#### Impact of COVID-19

In FY20, the impact on ABT's operations due to coronavirus (COVID-19) was not material. ABT continues to review the COVID-19 operating environment and has amended its business operations to reflect the changing operating environment. The Company's primary customer base remains within the mining and civil construction industries, which to-date have continued to operate during this challenging period. The Company has benefited from the financial assistance measures provided by both the Federal and Western Australian governments, to help protect both the business operations and its employees. During FY20, ABT received approximately \$0.11 million in financial assistance.

#### Financial Summary

ABT achieved revenues of \$9.08m for FY20 (FY19: \$7.43m), which represents approximately a 22% increase on the prior year. The net profit for the year was \$0.171m (FY19: net loss \$1.713m), an improvement of 110% on the prior year and a \$1.88m turnaround for the Company. These results were achieved through an increase in sales revenue and a decrease in expenses, when compared to FY19.

The Company's net assets as at 30 June 2020 have increased approximately 96% or \$1.96m on FY19 balances, due to a reduction in debt funding via the conversion of convertible notes to nil from \$1.63m in FY19. The Company's total assets have remained at a similar level to the prior year, with an increase of 4% in FY20 to \$5.96m from the FY19 balance of \$5.72m.

## CHIEF EXECUTIVE OFFICER OPERATING AND FINANCIAL REVIEW

### Operating Revenue

The operating revenue in FY20 of \$8.35m (FY19: \$6.85m) was achieved primarily from sales of the Company's core Failsafe product and associated spares and consumables into the mining and civil construction industries.

The product margin for brake kits and consumable sales increased during the year to 48.5%, which was an improvement on FY19 when a product margin of 46.9% was achieved. The gross margin for FY20 is 46.3% (FY19: 41.6%).

There was a reduction in the estimated R&D tax incentive refund for the year of \$520k (FY19: \$600k), resulting from lower than historical staff numbers and an increase in the provision engineering services to customers, which resulted in less being spent on internal research and development (R&D) activities.

### Expenses

Expenses for FY20 totalled \$4.43m (FY19: \$5.14m) and resulted in a net profit for the year of \$0.17m (FY19: net loss \$1.71m).

During the twelve-month period to 30 June 2020, cost saving initiatives resulted in savings of \$711k compared to the prior year. The impact of these cost savings when combined with the improved sales and margin performance, has resulted in a net profit for FY20. The Company's improved performance during FY20 contributed to the extinguishment of \$2.25m of borrowings and resulted in a net cash inflow from operating activities for the year.

### Strategy implementation and product development

With the improved financial and operational performance achieved during FY20, the Company is now well placed to implement its growth strategy, which is depicted below.



## CHIEF EXECUTIVE OFFICER OPERATING AND FINANCIAL REVIEW

The growth strategy will be implemented through:

- organic growth of our existing business through continual internal innovation;
- pursuing high impact growth opportunities in markets that require innovative braking systems for transport and mobility solutions of the future;
- inorganic growth through implementing our Joint Ventures, Partnering and Acquisitions strategy; and
- increasing control of our supply chain.

Diversification has been a key theme for the Company in FY20 and this will continue into FY21 through the further diversification of:

- our product offering;
- the industries which we supply;
- our customer base;
- the geographic locations in which our products are found; and
- our network of suppliers and distributors.

This objective was achieved in FY20 by being successful in securing design work and product sales within the defence, waste management and civil construction industries, having secured contracts with Thales Australia, Cleanaway and the Lendlease Samsung Bouygues Joint Venture. The Company was also successful in supplying Failsafe brakes into the significant Chilean mining industry for the first time, through Minecorp-Chile; as well as supplying brakes to the Department of the Environment and Energy for use by the Australian Antarctic Division. As a result of these contracts, ABT braking solutions can now be found in all seven continents around the world.

With a focus on exploiting our existing product range and capitalising on our historical R&D, the Company is well placed to increase sales during FY21 to a broader range of customers in a diverse range of industries across a number of geographic regions. Our future product offering will be primarily based on the existing Failsafe and Terra Dura brake technology. The vehicle variants to which these products can be fitted will be prioritised based on market intelligence and listening to the requirements of the customer, whilst at the same time ensuring an acceptable return on investment is achieved.

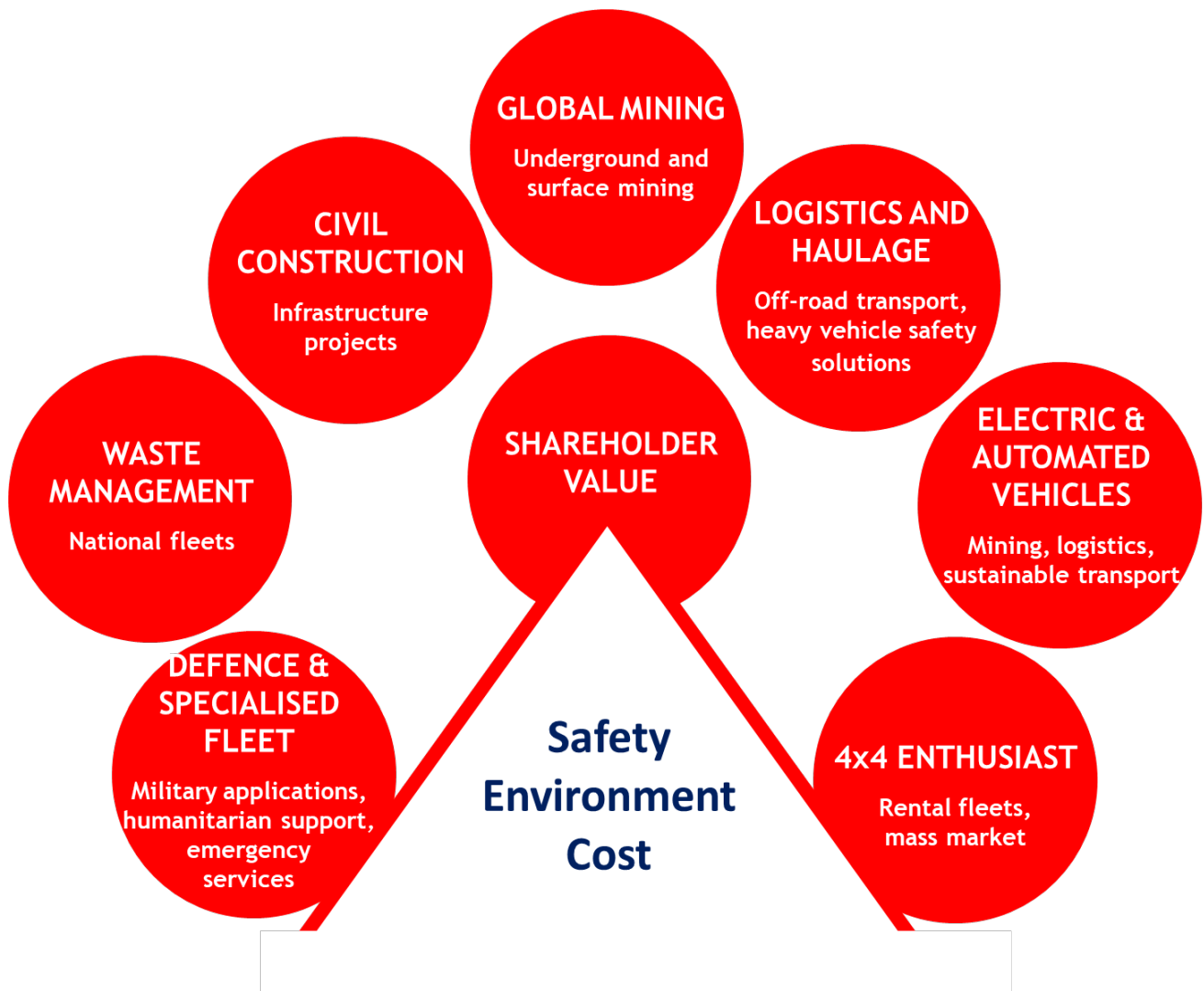
The Company will continue to develop its product offering through ongoing R&D to ensure it remains relevant long into the future as automation and electrification of vehicles gains momentum around the world, and the environmental impacts from non-exhaust vehicle emissions, including brake dust particles, are better understood by government and consumers.

### Growth and Outlook

For FY21 and beyond, revenues will be derived from a broader product offering. Furthermore, the Company has recently diversified its customer base to include customers not only in our primary mining market, but also the defence, waste management and civil construction industries.

ABT not only has the product portfolio to meet the existing needs of both current and future customers, but we believe we have the intellectual property that will ensure we can participate in future braking technology that will not only assist the environment but will help create a sustainable future for vehicle transportation into the future.

## CHIEF EXECUTIVE OFFICER OPERATING AND FINANCIAL REVIEW



The growth plan will deliver a greater product offering to a broader customer base across diverse industries which in turn will lead to increasing revenues, profits and ultimately shareholder value.

### Acknowledgements

I would like to thank the Board for their guidance and all ABT staff for their support and continued dedication during what was a challenging period.

Also, I would like to thank the shareholders of ABT who have remained invested in the ABT story. With the strong foundations we now have in place, I believe we are now well placed to reward shareholders for their continued support.

John Annand  
Chief Executive Officer



## DIRECTORS' REPORT

The Directors of Advanced Braking Technology Ltd ('Company' or 'ABT') and its controlled entity Advanced Braking Pty Ltd (the 'Group' or the 'Consolidated Group' or the 'Consolidated Entity'), submit the annual financial report for the financial year ended 30 June 2020. For the purposes of the Corporations Act 2001, the Directors provide the report as follows:

### **Directors**

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

**Ms Dagmar Parsons** Dipl.-Ing. (TH), MBA, GAICD *Chairman and Non-Executive Director*, Appointed 22 April 2018

Ms Parsons has more than 25 years of experience in the mining and resources industry across a range of functions, working in senior executive roles with Worley Parsons, AECOM and Downer.

Ms Parsons has worked with major national and multinational entities to drive critical market success by providing strategic direction, visionary leadership and innovative thinking. As a Mechanical Engineer, Ms Parsons has developed an in-depth knowledge of engineering, manufacturing, and service industry environments in the Mining, Oil and Gas, Power and Infrastructure sectors.

Ms Parsons has considerable experience in transforming and growing complex businesses across diverse corporate, operational and entrepreneurial roles in Australia, Asia and Europe. She has a strong appreciation of the role of good governance in setting, implementing and overseeing strategic imperatives. Ms Parsons is the Managing Director of Rail Safety Systems Pty Ltd and a director of Transport Safety Systems Group Ltd. Ms Parsons holds a Masters Degree in Mechanical Engineering and a Masters in Business Administration. She is also a graduate member of the Australian Institute of Company Directors.

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

Mr Slack is the founding Managing Director of Australian equity fund manager Karara Capital Pty Ltd. Mr Slack is also a director of a private company, Transport Safety Group Ltd, which has developed an innovative wireless solar rail crossing technology in the commercialisation phase. Over the past 30 years, Mr Slack has made a significant contribution to the Australian funds management industry. Notably, he was co-founder and joint managing director of Portfolio Partners Limited, which was sold to Norwich Union in 1998. Prior to that, Mr Slack was a founding executive director of County Nat West Investment Management, where he was head of Australian Equities. He was a non-executive director of the Victorian Funds Management Corporation until 2007, holding positions of deputy Chair and Chair of the Board Investment Committee. David has a Bachelor of Economics with Honours and is a fellow of FINSIA. He is a member of the Australian Institute of Company Directors.

**Mr Adam Levine** LL.B (Hon), B.Ec (Acc). *Non-Executive Director*, Appointed 9 April 2013

Mr Levine, a lawyer by profession, has over 25 years national and global experience in structuring and executing private equity investments and corporate finance transactions both as legal advisor and a principal investor.

The Founder and Executive Chair of law firm Rockwell Bates, Mr Levine has grown the storied Melbourne based legal firm from a boutique M&A practice established during the height of the 2008 GFC, into a pre-eminent private wealth law firm focused on building and protecting clients' wealth.

Mr Levine is also the Executive Chair and Founder of the Rockwell Group which undertakes principal investments into regulated financial and professional services businesses. Mr Levine's extensive private equity experience and proactive investment practice have been the major contributory factor to the Rockwell Group's success with a portfolio IRR in excess of most leading national and global private equity funds.

Mr Levine is the Chair of the Audit & Risk Committee (a position which he has held for several years). He brings a very analytical and inquiring mind when engaging with, challenging and supporting the key Executives of the company.

His current outside directorships include Rockwell Group Holdings Pty Ltd, Rockwell Bates Pty Ltd, FMD Financial Pty Ltd, and a number of other private companies. Mr Levine is also the founder (with his wife) and Chair of the Rockwell Foundation, a private ancillary fund, which focuses on supporting opportunities for under privileged youth. He is also a Trustee Director of the Australian Jewish Museum Foundation Limited.

**Mr Mark Lindh** *Non-Executive Director*, Appointed 27 June 2017

Mr Mark Lindh is an investment banker and corporate advisor, with in excess of 15 years of experience in Australian equity and debt markets as well as advising on capital raisings, mergers and acquisitions and investor relations.

He is a founding executive director of Adelaide Equity Partners Limited, an Australian investment and advisory company and is non-executive director of Bass Oil Limited and Aerometrex Ltd.

### ***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, or at date of retirement if earlier, are as follows:

<b>Name</b>	<b>Company</b>	<b>Period of Directorship</b>
Mr Mark Lindh	Bass Oil Limited (ASX code: BAS)	2014 to date
	Aerometrex Ltd (ASX code: AMX)	2019 to date

### ***Chief Executive Officer***

**Mr John Annand** B.Bus, CA, AGIA ACG, A Fin

Mr Annand brings significant experience to the role of CEO gained in executive finance and operations roles with ASX-listed and multi-national resources and pharmaceutical companies. Prior to his current role at ABT, he held the role of Acting CEO and Chief Financial Officer at Norwest Energy NL and more recently Chief Operations Officer at AusCann Group Holdings Limited. He also held a number of management roles during his 16 years with Woodside Energy including Commercial Manager and Finance Manager.

Mr Annand's prior experience has seen him responsible for strategy development and execution, marketing, research and development, operations, supply chain management, contract management, capital raisings, investor relations and corporate governance. He also brings to the CEO role customer, stakeholder, and joint venture relationship skills gained from working across international jurisdictions and diverse industries.

In addition to his accounting and corporate governance qualifications, John also holds a Bachelor of Business and a Graduate Diploma in Applied Finance and Investment.

### ***Chief Financial Officer***

**Ms Paige Exley** B.Com, CA, FGIA FCG (CS)

Ms Exley is a Chartered Accountant and Chartered Secretary, with over 20 years of experience in financial and management accounting. She brings significant experience to the position, gained in finance and governance roles with ASX-listed companies in Australia, with domestic and overseas operations, in industries such as resources, mining services, information technology, professional services, not-for-profit and retail. Ms Exley's prior experience has seen her responsible for business finance functions, asset development, corporate compliance, continuous process improvement, treasury management, capital raisings, investor relations and corporate governance.

### ***Company Secretary***

**Ms Kaitlin Smith** B.Com (Acc), CA

Ms Smith was appointed joint Company Secretary 19 July 2018 and Company Secretary on 10 August 2018. Ms Smith provides Company Secretarial and Accounting services to various public and proprietary companies. She holds a Bachelor of Commerce (Accounting) and 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 ABT Failsafe Brakes, ABT Failsafe Emergency Driveline Brakes and Terra Dura Brakes and associated braking systems.

### ***Operating results***

The results of the Consolidated Group for the year ended 30 June 2020 were a net profit from continuing activities, after income tax, of \$171,000 (2019: loss of \$1,713,000). Revenues from trading activities were \$8,349,000 (2019: \$6,847,000). Revenues from other activities were \$730,000 (2019: \$583,000).

### ***Dividends***

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

### ***Summary of material transactions***

#### **Issue of Securities**

On 24 July 2019, ABT issued 855,636 ordinary fully paid shares to a consultant, KS Capital Pty Limited, in lieu of \$11,000 in fees for services under an agreement to provide Corporate Advisory Services to ABT dated 7 May 2019.

The Company also issued 5,000,000 unlisted options to KS Capital Pty Limited on 24 July 2019, exercisable at 2.5 cents (\$0.025) at any time on or before 30 June 2022, under an agreement to provide Corporate Advisory Services to ABT dated 7 May 2019. The issue of unlisted options was valued at approximately \$63,523.

On 29 July 2019, ABT issued 10,700,000 convertible notes to new note holders, each with a face value of \$0.02, maturing on 31 December 2019. The new notes were issued for \$214,000 in proceeds following the redemption of \$214,000 by existing convertible note holders that matured on 30 June 2019.

On 29 July 2019, ABT issued 25,000,000 convertible notes to a related party of Director, David Slack in satisfaction of the outstanding \$500,000 for the related party loan facility. Each convertible note had a face value of \$0.02 and matured on 31 December 2019.

#### **Satisfaction of Debt**

During September 2019, ABT drew down the second tranche of \$200,000 of the R&D Loan Facility for up to \$620,000 with R&D Capital Partners Pty Ltd. The first tranche of \$420,000 was received in April 2019. During December 2019, the Company repaid the R&D prepayment loan facility of \$620,000 to R&D Capital Partners Pty Ltd, following the receipt of the ATO R&D tax incentive refund of approximately \$689,000.

During November and December 2019, the Company's convertible notes totalling \$1.631m, that were due to mature on 31 December 2019, were extinguished by the conversion of \$1.624m through the issue of 81,243,334 shares at \$0.02 per share and \$0.007m of the notes were repaid to a note holder in cash.

With the repayment of the R&D prepayment loan facility and the extinguishment of the convertible notes, the Company, with the exception of some minor equipment leases, had no material debt.

#### **Technology Licence Agreement**

During the period, ABT entered into a Technology Licence Agreement with VEEM Ltd (VEEM) for VEEM to manufacture and supply ABT's specialised park brake mechanism for Thales' Hawkei Protected Mobility Vehicle – Light project.

In May 2019, ABT was selected to provide brake related design, prototype development and testing services to Thales, who have been contracted by the Commonwealth of Australia to supply 1,100 Hawkei PMV-L vehicles as part of the LAND 121 project. Following the successful design and testing of a prototype, ABT has been working closely with Thales to determine how the Company was best placed to participate in the manufacture and supply phase. It was agreed that ABT would participate through a Technology Licence Agreement that protects its Intellectual Property and provides the best risk and return outcome.

ABT has licenced the manufacture and supply of 1,100 park brake mechanisms for consideration of approximately \$630,000 in licence and engineering support fees and product revenue for the supply of specified components for 1,100 brake mechanisms, by the earlier of 29 April 2022 or the date that VEEM sells 1,100 brake mechanisms to Thales Australia Ltd. In addition, ABT will supply spare parts and consumables for the life of product.

VEEM's supply of the brake mechanisms to Thales Australia Ltd for Thales' Hawkei Protected Mobility Vehicle – Light project commenced in July 2020.

### ***Significant changes in the state of affairs***

On 31 October 2019, Ms Paige Exley was appointed as Chief Financial Officer of the Group.

On 1 June 2020, the Company appointed Mr Ben Suda as Director of Sales & Marketing of the Group, following the resignation of Mr Geoff Lewis as Sales Director in February 2020.

During the reporting period, global health warnings were made by the World Health organisation (WHO) regarding the Coronavirus (COVID-19) pandemic and the Australian Governor General declared that a human biosecurity emergency exists on 18 March 2020. There have been widespread and varying operational impacts to many industries that form ABT's supply chain and customers in Australia and overseas. During FY20, the impact on ABT's operations was not material and ABT amended its business operations

to reflect the changing operating environment. The Company's primary customer base remains within the mining and civil construction industries, which to-date have continued to operate during the period of emergency. The Company has benefited from the financial assistance measures provided by both the Federal and Western Australian governments, to help protect both the business operations and its employees. During FY20, ABT received approximately \$0.11 million in financial assistance from government sources.

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***

The impact of COVID-19 pandemic is ongoing and while it has been financially positive for the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 17 September 2020, ABT received \$534,000 as a refundable tax offset for eligible research and development expenditure relating to the development of its innovative braking solutions during FY20, following the lodgement of the Company's FY20 income tax return.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

#### ***Future developments***

The Economic Entity will continue to commercialise the Failsafe sealed wet braking system business in Australia and Overseas markets, along with the recently redesigned Terra Dura sealed dry braking system.

#### ***Directors' interests***

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

<b>Director</b>	<b>Ordinary shares (as at 30/09/2020)</b>
D Parsons	840,000
D Slack	69,169,252
A Levine	777,778
M Lindh	3,033,334

#### ***Directors' meetings***

During the financial year there were 13 meetings of Directors, including committees of Directors but excluding circulating and written resolutions.

The attendances of the Directors at these meetings were:

	<b>Directors' Meetings</b>		<b>Audit Committee</b>		<b>Remuneration &amp; Nomination Committee</b>	
	<b>Number eligible to attend</b>	<b>Number attended</b>	<b>Number eligible to attend</b>	<b>Number attended</b>	<b>Number eligible to attend</b>	<b>Number attended</b>
D Parsons	13	13	5	5	3	3
D Slack	13	13	5	5	3	3
A Levine	13	13	5	5	3	3
M Lindh	13	13	5	5	3	3

## REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2020 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.

#### Directors

Name	Position	Appointment Date	Resignation Date
D Parsons	Non-Executive Chair	22 April 2018	-
D Slack	Non-Executive Director	9 September 2009	-
A Levine	Non-Executive Director	9 April 2013	-
M Lindh	Non-Executive Director	27 June 2017	-

#### Executives

Name	Position	Appointment Date	Resignation Date
J Annand	Chief Executive Officer	20 August 2018	-
P Exley	Chief Financial Officer	20 November 2018	-
A Van Litsenborgh	Engineering Manager	10 December 2018	-
G Lewis	Sales Director	11 March 2019	28 February 2020
B Suda	Director of Sales & Marketing	1 June 2020	-

### Board Oversight of Remuneration

#### Remuneration Committee

During the year, the Remuneration Committee met three times to make recommendations to the Board on remuneration policy and to recommend salary reviews and short and long-term incentives for the executive Director and executives.

#### Remuneration Policy

The remuneration policy of the Company is to pay executive directors and executives at market rates which are sourced from average wage and salary publications are subject to periodic reviews by external consultants and which may include a mix of short and long-term incentives linked to performance and aligned with market practice. In addition, Directors and employees may be issued shares and share options to encourage loyalty and to provide an incentive through the sharing of wealth created through equity growth which is linked to Company performance. The Remuneration Committee members believe the remuneration policy to be appropriate and effective and tailored to increase congruence between shareholders and Directors and executives.

The following table shows the gross revenue, net profit / loss and ABV share price of the Company at the end of each respective financial year.

Company Performance	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Total Revenue (\$'000)	9,079	7,430	7,870	7,686	5,352
Net profit / (loss) (\$'000)	171	(1,713)	(1,656)	(565)	(1,758)
ABV Share price	2.4 cents	1.9 cents	2.8 cents	5.5 cents	6.4 cents

### 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.

#### **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 per annum plus the superannuation guarantee contribution. The Chairman received a base fee of \$85,000 plus the superannuation guarantee contribution. During the year ended 30 June 2020, Non-Executive Mr D Slack, elected to waive payment of his annual director's fees for the period July 2019 to December 2019.

#### **Voting and comments from the Company's 2019 Annual General Meeting**

At the Company's most recent Annual General Meeting held in November 2019, over 97% of eligible votes were cast for the adoption of the 30 June 2019 remuneration report. As no comments were received from shareholders who had voted against the resolution at that meeting, the Board does not propose any action with respect to its resolution at this time. The Board considers its remuneration policy to be appropriate and properly aligned with the current size and performance of the Group.

#### **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. ABT undertakes an annual remuneration review to determine the total remuneration positioning against the market.

##### **Remuneration Structure**

In the financial year ended 30 June 2020, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable remuneration

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

Remuneration component	Payment Vehicle	Purpose	Link to performance
Fixed remuneration	Represented by total employment cost (TEC). Comprises base salary, plus superannuation contributions.	Set with reference to role, market and experience.	Based on annual appraisal and reference to market rates.
Short-term incentive component (STI)	Paid in cash or share based incentives for KMPs. A share-based scheme was put in place for KMP executives.	Rewards executives for their contribution to achievement of Group and business unit outcomes.	Linked to key performance indicators including group performance such as sales revenue, profit targets, and performance against budget and targets such as product commercialisation. All grants are at the discretion of the Board of Directors.
Long-term incentive component (LTI)	Paid in cash or share based incentives for KMPs. During the F20 year, a new share-based scheme was put in place for KMP executives.	Rewards executives for their contribution to performance of Group.	Linked to Total Shareholder Return, sales budgets and profit targets. At judgement and discretion of the Board of Directors.

## DIRECTORS' REPORT

### Equity holdings and transactions

The movement during the reporting period in the number of securities of Advanced Braking Technology Ltd held, directly, indirectly or beneficially, by each Director or Executive, including their related party entities, are as follows:

#### i) Ordinary Shares

	Held at 1 July 2019	Granted as compensation during year	Exercise of options during year	Other movement during year	Held at date of resignation	Held at 30 June 2020
<b>(a) Directors</b>						
D Parsons	500,000	-	-	-	n/a	500,000
D Slack	42,645,664	-	-	25,000,000	n/a	67,645,664
A Levine	777,778	-	-	-	n/a	777,778
M Lindh	3,033,334	-	-	-	n/a	3,033,334
<b>Total</b>	<b>46,956,776</b>	<b>-</b>	<b>-</b>	<b>25,000,000</b>		<b>71,956,776</b>
<b>(b) Executives</b>						
J Annand	-	-	-	-	n/a	-
P Exley	-	-	-	36,000	n/a	36,000
T Van Litsenborgh	-	-	-	-	n/a	-
G Lewis	-	-	-	-	-	-
B Suda	-	-	-	-	n/a	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,000</b>	<b>-</b>	<b>36,000</b>

1. G Lewis ceased employment on 28 February 2020
2. B Suda Commenced employment on 1 June 2020

#### ii) Unlisted Options

	Held at 1 July 2019	Granted during the period as compensation <sup>1</sup>	Exercised during the period	Held at 30 June 2020 (or date of resignation)	Vested and exercisable at 30 June 2020
<b>(a) Directors</b>					
D Parsons	-	-	-	-	-
D Slack	-	-	-	-	-
A Levine	-	-	-	-	-
M Lindh	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(b) Executives</b>					
J Annand	-	11,916,217	-	11,916,217	-
P Exley	-	5,958,109	-	5,958,109	-
T Van Litsenborgh	-	5,958,109	-	5,958,109	-
G Lewis	-	-	-	-	-
B Suda	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>23,832,435</b>	<b>-</b>	<b>23,832,435</b>	<b>-</b>

1. The unlisted options granted and issued during the period are unvested and subject to vesting conditions. Refer to Note 22 for further details.



## DIRECTORS' REPORT

### Details of Remuneration of Directors and Executives

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

Year 2020	Short term benefits Salary & Fees	Share based remuneration	Post-Employment Superannuation	Termination Benefits	Total	Performance based Remuneration
	\$000's	\$000's	\$000's	\$000's	\$000's	%
<b>Directors</b>						
D Parsons	85	-	8	-	93	-
D Slack	27	-	3	-	30	-
A Levine	58	-	2	-	60	-
M Lindh	55	-	5	-	60	-
<b>Total</b>	<b>225</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>243</b>	<b>-</b>

Year 2019	Short term benefits Salary & Fees	Share based remuneration	Post-Employment Superannuation	Termination Benefits	Total	Performance based Remuneration
	\$000's	\$000's	\$000's	\$000's	\$000's	%
<b>Directors</b>						
D Parsons	86	-	8	-	94	-
D Slack	-	-	-	-	-	-
A Levine	55	-	5	-	60	-
M Lindh	60	-	-	-	60	-
<b>Total</b>	<b>201</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>214</b>	<b>-</b>

1. Ms D Parsons - \$1,038 of Directors fee paid during the period related to services provided in the financial year ended 30 June 2018.

Year	2020	Short-term benefits Salary & fees	Bonus or Sales Commission	Share based remuneration	Post- Employment Superannuation	Total	Performance- based remuneration
	Note	\$000's	\$000's	\$000's	\$000's	\$000's	%
<b>Executives</b>							
J Annand		303	-	53	26	382	14
P Exley	1	157	-	26	15	198	13
T Van Litsenborgh		182	-	26	17	225	12
G Lewis	2	146	-	-	13	159	-
B Suda	3	18	-	-	2	20	-
<b>Total</b>	<b>2020</b>	<b>806</b>	<b>-</b>	<b>105</b>	<b>73</b>	<b>984</b>	<b>11</b>

1. P Exley was appointed Chief Financial Officer on 31 October 2019.
2. G Lewis ceased employment on 28 February 2020.
3. B Suda commenced employment on 1 June 2020.

Year	2019	Short-term benefit Salary & Fees	Bonus or Sales Commission	Share based remuneration	Post- Employment Superannuation	Total	Performance- based remuneration
	Note	\$000's	\$000's <sup>(8)</sup>	\$000's	\$000's	\$000's	%
<b>Executives</b>							
P Hildebrandt	1	163	-	-	15	178	-
M Johnston	2	40	-	-	3	43	-
D Robinson	3	170	15	-	14	199	-
J Annand	4	241	-	-	21	262	-
P Exley	5	68	-	-	6	74	-
T Van Litsenborgh	6	96	-	-	9	105	-
G Lewis	7	65	-	-	6	71	-
<b>Total</b>	<b>2019</b>	<b>843</b>	<b>15</b>	<b>-</b>	<b>74</b>	<b>932</b>	<b>-</b>

1. P Hildebrandt ceased employment on 3 December 2018.
2. M Johnston ceased employment on 22 August 2018.
3. D Robinson ceased employment on 31 March 2019.
4. J Annand commenced employment on 20 August 2018 as Chief Financial Officer and was appointed CEO on 3 December 2018.
5. P Exley commenced employment on 20 November 2018.



## DIRECTORS' REPORT

6. T Van Litsenborgh commenced employment on 10 December 2018.
7. G Lewis commenced employment on 31 March 2019.
8. Sales commissions were earned in 2018, of which, commissions relating to the final quarter of FY2018 were paid in first quarter of FY 2019 in the amount of \$14,539 to Mr D Robinson

No STI's, LTI's or Sales commissions were accrued or earned by KMP's for the period 1 July 2018 to 30 June 2019.

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

Details of STI's and LTI's are as follows:

- No STI's were accrued or provided during FY2020
- No STI's or LTI's were accrued or earned during FY2019.

### FY20 Long term incentive plan

On 27 November 2019, shareholders approved the adoption of a Share Option Plan and the grant of 23,832,435 unlisted options with an exercise price of \$0.04 per ABV share and an expiry date of 30 June 2023. The unlisted options were issued on 26 February 2020 to the Executives as below, vesting over a 3-year period.

Executive	Number of KMP Options - Vesting 1 year from issue	Number of KMP Options - Vesting 2 years from issue	Number of KMP Options - Vesting 3 years from issue	Total KMP Options on Expiring 30 June 2023
John Annand	2,979,054	2,979,054	5,958,109	11,916,217
Paige Exley	1,489,527	1,489,527	2,979,055	5,958,109
Tony Van Litsenborgh	1,489,527	1,489,527	2,979,055	5,958,109
<b>Total</b>	<b>5,958,108</b>	<b>5,958,108</b>	<b>11,916,219</b>	<b>23,832,435</b>

The earliest vesting date for the KMP Options is 26 February 2021. Refer to Note 22 for details of the valuation methodology and assumptions for these share options.

### Executive Contracts

Mr John Annand, Mr Tony Van Litsenborgh, Ms P Exley, and Mr Ben Suda are employed through employment contracts.

The terms of the Employment Contracts with all Executives require both parties to provide three months of notice to terminate the contract.

### Transactions with key management personnel

Refer to Note 26 for details of transactions with Directors and key management personnel.

### 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 \$20,746 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.

### Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

***Auditor's Independence Declaration***

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

**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 in respect of the year are set out below:

	<b>CONSOLIDATED GROUP</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>AUDITOR'S REMUNERATION</b>		
Remuneration of the auditor of the Consolidated Group for:		
Auditing the financial statements	43	48
Other services	12	11
	<u>55</u>	<u>59</u>

***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.



Dagmar Parsons  
Non-Executive Chairman  
30 September 2020

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

- i. The auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. Any applicable code of professional conduct in relation to the audit.



SL Tan  
Partner



Moore Australia Audit (WA)  
Chartered Accountants

Signed at Perth on the 30<sup>th</sup> day of September 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

		CONSOLIDATED GROUP	
	NOTES	2020 \$'000	2019 \$'000
Revenues from trading activities		8,349	6,847
Cost of sales	3	(4,482)	(4,006)
<b>Gross Profit</b>		<b>3,867</b>	<b>2,841</b>
Revenues from other activities	2	730	583
<b>Expenses</b>			
Amortisation of intellectual property		(64)	(64)
Audit and accounting fees		(54)	(48)
Bad and doubtful debts	3	(10)	(4)
Consulting and contract labour expenses		(311)	(312)
Consumables and minor equipment		(113)	(170)
Depreciation expense	3	(206)	(159)
Employee expenses		(2,718)	(2,793)
Finance expenses	3	(295)	(361)
Information technology expenses		(49)	(62)
Insurance		(140)	(190)
Inventory obsolescence expense		(1)	(143)
Legal fees		(33)	(70)
Marketing and advertising expenses		(26)	(26)
Patent expense		(40)	(32)
Property expenses		(47)	(166)
Telephone and other communication		(32)	(38)
Travel and accommodation		(114)	(212)
Warranty expense		(50)	(54)
Other expenses		(123)	(233)
<b>Total expenses</b>		<b>(4,426)</b>	<b>(5,137)</b>
<b>Profit / (loss) from continuing operations</b>		<b>171</b>	<b>(1,713)</b>
<b>Profit / (loss) before income tax</b>		<b>171</b>	<b>(1,713)</b>
Income tax	4	-	-
<b>Profit / (loss) after income tax</b>		<b>171</b>	<b>(1,713)</b>
<b>Other comprehensive income/(loss)</b>			
Items that may be reclassified subsequently to profit or loss		-	-
<b>Total comprehensive profit / (loss) for the period</b>		<b>171</b>	<b>(1,713)</b>
<b>Basic profit / (loss) per share (cents)</b>	7	<b>Cents 0.05</b>	<b>Cents (0.61)</b>

The consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the notes to the financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

		CONSOLIDATED GROUP	
		2020	2019
	NOTES	\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash and Cash equivalents	8	516	716
Trade and other Receivables	9	1,275	1,295
Inventories	10	2,001	1,836
Other current assets	11	714	677
Total current assets		4,506	4,524
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	292	463
Right of use assets	14	487	-
Intangibles	15	671	735
Total non-current assets		1,450	1,198
<b>TOTAL ASSETS</b>		5,956	5,722
<b>CURRENT LIABILITIES</b>			
Trade and other Payables	16	1,165	1,295
Interest bearing liabilities	17	55	2,129
Provisions	18	257	201
<b>Total current liabilities</b>		1,477	3,625
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	17	472	59
Provisions	18	14	4
<b>Total non-current liabilities</b>		486	63
<b>TOTAL LIABILITIES</b>		1,963	3,688
<b>NET ASSETS</b>		3,993	2,034
<b>EQUITY</b>			
Issued Capital	19	55,819	54,200
Reserves	20	169	-
Accumulated losses	21	(51,995)	(52,166)
<b>TOTAL EQUITY</b>		3,993	2,034

The consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020**

		<b>CONSOLIDATED GROUP</b>	
		<b>2020</b>	<b>2019</b>
	<b>NOTES</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Net cash flows from operating activities</b>			
Receipts from customers		8,941	7,391
Payments to suppliers, consultants and employees		(9,274)	(9,526)
Borrowing costs		(247)	(155)
Interest received		3	1
Other – Grants and R&D tax incentive		799	838
Net cash provided by / (used in) operating activities	25	222	(1,451)
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		79	-
Purchase of property, plant and equipment		(26)	(133)
Net cash provided by / (used in) investing activities		53	(133)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		517	1,154
Repayment of borrowings		(944)	(866)
Proceeds from issue of shares		-	1,483
Cost of issuing shares		(48)	(98)
Net cash provided by / (used in) financing activities		(475)	1,673
<b>Net increase / (decrease) in cash and cash equivalents held</b>		<b>(200)</b>	<b>89</b>
<b>Cash and Cash equivalents at the beginning of the financial year</b>		<b>716</b>	<b>627</b>
<b>Cash and Cash equivalents at the end of the financial year</b>	8	<b>516</b>	<b>716</b>

The consolidated statement of cash flow should be read in conjunction with the notes to the financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2020**

	Attributable to equity holders of the parent			
	Issued Capital	Accumulated Losses	Other Reserves	Total
	\$'000	\$'000	\$'000	\$'000
<b>CONSOLIDATED GROUP</b>				
<b>At 1 July 2019</b>	54,200	(52,166)	-	2,034
Profit for the year	-	171	-	171
Share-based payments	-	-	169	169
Total comprehensive income / (loss) for the year	-	171	169	340
Issue of ordinary shares	1,636	-	-	1,636
Transaction costs relating to share issues	(17)	-	-	(17)
Total transactions with owners	1,619	-	-	1,619
<b>At 30 June 2020</b>	<b>55,819</b>	<b>(51,995)</b>	<b>169</b>	<b>3,993</b>
<b>CONSOLIDATED GROUP</b>				
<b>At 1 July 2018</b>	52,805	(50,453)	-	2,352
Loss for the year	-	(1,713)	-	(1,713)
Total comprehensive income / (loss) for the year	-	(1,713)	-	(1,713)
Issue of ordinary shares	1,493	-	-	1,493
Transaction costs relating to share issues	(98)	-	-	(98)
Total transactions with owners	1,395	-	-	1,395
<b>At 30 June 2019</b>	<b>54,200</b>	<b>(52,166)</b>	<b>-</b>	<b>2,034</b>

The consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

These general-purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The financial report is presented in Australian dollars. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, 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.

These financial statements were authorised for issue by the Board of Directors on 30 September 2020.

#### (a) New and amended accounting policies adopted by the Group

The Company has considered the implications of new or amended Accounting Standards which have become applicable for the current financial report and the Company had to change its accounting policies as a result of adopting the following standard:

- AASB 16 Leases

The impact of the adoption of this standard is discussed below:

#### Leases

##### The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Initial Application of AASB 16: *Leases*

The Group has adopted the modified retrospective approach under AASB 16: *Leases* as at 1 July 2019. In accordance with AASB 16, the comparatives for the 2019 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: *Leases* where the Group is the lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- applying AASB 16 to leases previously identified as leases under AASB 117: *Leases* and Interpretation 4: *Determining whether an arrangement contains a lease* without reassessing whether they are, or contain, a lease at the date of initial application.
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 8%.

### (b) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Advanced Braking Technology Ltd) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 12.

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

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

### 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 as incurred.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

### (c) 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.

### (d) 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.

### (e) 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.

### (f) 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 (e.g. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

### **(g) 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 as 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.

### **(h) Financial Instruments**

#### **Recognition and initial measurement**

Financial assets and financial liabilities are recognised when the Group 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 (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) 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. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Classification and subsequent measurement

#### *Financial liabilities*

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: *Business Combinations* applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in effective a hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

#### *Financial assets*

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a Company of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

### *Equity instruments*

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3: *Business Combinations* applies, the Group has the option to make an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss. The Group currently has no equity instrument financial assets.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Company's accounting policy.

### **Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

### *Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### *Derecognition of financial assets*

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

### Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- contract assets (eg amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due, and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approach to impairment, as applicable under AASB 9: Financial Instruments:

- the simplified approach

#### *Simplified approach*

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

#### *Recognition of expected credit losses in financial statements*

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

### (i) 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.

### (j) 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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

### **(k) 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.

### **(l) Revenue and Other Income**

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018.

Under AASB 15, revenues are generated by the Group through the design, development, manufacture and distribution of improved vehicle braking systems based on the Group's patented technology to customers worldwide.

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

#### **Other Revenue**

Interest revenue is recognised using the effective interest rate method.

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

### **(m) 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 and are recognised on an accruals basis.

### **(n) Intangibles Other than Goodwill**

#### **Technology Assets / Patents**

Such assets are recognised at cost of acquisition. The cost of technology assets is 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 Technologies International Ltd (SETI) was initially amortised over 15 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

The amortisation rate was reassessed in prior years, based on the extended patents, which currently run through to December 2030.

#### **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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 attributed to the intangible asset during its development.

Capitalised development costs will be amortised over their expected useful lives once commercial sales commence.

### **(o) Leases**

#### Prior to 1 July 2019

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.

#### Post 1 July 2019

Refer to the new accounting policy adopted from 1 July 2019 discussed in Note 1(a).

### **(p) 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 is 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 expensed to profit and loss during the financial period in which they are incurred.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 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	2-5 years
Motor vehicles	3-15 years
Office equipment and furniture	3-5 years
Software	3-5 years
Leasehold improvements	5-10 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 profit and loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

### (q) Employee Benefits

#### Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

#### Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### (r) 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.

### (s) Rounding of Amounts

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

### (t) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

### (u) Critical Accounting Judgements, 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.

### Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

### Key Estimates – Impairment

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### **Key Estimates - Share based payment transactions**

The fair value of any options issued as remuneration is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historic volatility adjusted for changes expected due to publicly available information, if any), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

### **Key Estimates - Recoverability of Intangible Assets (Development Expenditure)**

The recoverability of capitalised development expenditure recognised as a non-current asset is dependent upon the successful commercialisation, or alternatively sale, of the respective intellectual property which comprise the assets.

### **(v) New Standards and Interpretations not yet adopted**

A number of new accounting standards, amendments to standards and interpretations are not yet effective for 30 June 2020 reporting period and have not been early adopted in preparing these financial statements.

The directors' assessment of these new accounting standards (to the extent relevant to the Group) and interpretations is that they are not expected to have a material effect on the financial statements of the Group.

### **(w) Going Concern Basis of Preparation**

The financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realization of assets and extinguishment of liabilities in the ordinary course of business. For the year ended 30 June 2020, the Group recorded a profit after tax of \$0.171m (2019: Loss of \$1.713m) and reported operating cash inflows of \$0.222m (2019: outflows \$1.451m). At balance date and as detailed in Note 17, the Company has current borrowings of \$0.055m (FY19: \$2.129m).

The ability of the Company to continue as a going concern is dependent on it being able successfully raise further funding or generate adequate cashflows from its operations or a combination of both. The Directors believe that the going concern basis is appropriate, primarily based on current working capital available combined with budgeted cashflows expected to be generated from trading operations over the next 12 months.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

		<b>CONSOLIDATED GROUP</b>	
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>2</b>	<b>REVENUES FROM OTHER ACTIVITIES</b>		
	Other activities		
	- interest received	3	1
	- net foreign exchange (loss) / gain	(7)	(19)
	- profit from sale of fixed assets	14	-
	- R&D Tax Incentive	609	600
	- other Government Grants related to the coronavirus (COVID-19)	110	-
	- Other income	1	1
	<b>Total revenue from other activities</b>	<b>730</b>	<b>583</b>
<b>3</b>	<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>		
	Profit / (Loss) before income tax has been determined after deducting the following expenses:		
	Cost of sales	4,482	4,006
	Finance expenses	295	361
	Depreciation of non-current assets		
	- plant and equipment	90	85
	- motor vehicle	17	35
	- office equipment and furniture	18	18
	- leasehold improvements	9	9
	- software	6	12
	-right of use assets	66	-
	<b>Total depreciation</b>	<b>206</b>	<b>159</b>
	Bad and doubtful debts		
	- trade debtors	10	4
	<b>Total bad and doubtful debts</b>	<b>10</b>	<b>4</b>
	Inventory obsolescence expense	1	143

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4. INCOME TAX EXPENSE	Note	CONSOLIDATED GROUP	
		2020 \$'000	2019 \$'000
<b>a. The components of tax expense comprise:</b>			
Current tax		-	-
Deferred tax		-	-
Income tax		-	-
<b>b. The prima facie tax benefit on profit / (loss) from ordinary activities before income tax is reconciled to the income tax as follows:</b>			
Prima facie tax benefit on profit / (loss) from ordinary activities before income tax at 27.5% (2019: 27.5%)		47	(471)
Add tax effect of:			
- Non-allowable items		379	437
- Revenue losses and other deferred tax balances not recognised		154	199
- Recoupment of prior year losses not previously recognised		(391)	-
- R&D tax incentive		(168)	(165)
- Other non-assessable items		(21)	-
Income tax		-	-
<b>c. Deferred tax recognised at 26% (2019:27.5%):</b>	4e		
<b>Deferred tax liabilities:</b>			
Prepayments		(6)	(6)
Intellectual Property		(42)	(7)
<b>Deferred tax assets:</b>			
Carry forward revenue losses		48	13
<b>Net deferred tax</b>		-	-
<b>d. Unrecognised deferred tax assets at 26% (2019:27.5%):</b>	4e		
Carry forward revenue losses		5,149	5,672
Carry forward capital losses		79	83
Capital raising costs		40	61
Provisions and accruals		118	123
Leases		6	-
Intangible assets		2	-
Other		5	1
		<b>5,399</b>	<b>5,940</b>

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

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the company continues to comply with the conditions for deductibility imposed by law; and
- no changes in income tax legislation adversely affect the company in utilising the benefits.

**e. Corporate Tax Rate:**

The corporate tax rate for eligible companies will reduce from 30% to 25% by 30 June 2022 providing certain turnover thresholds and other criteria are met. Deferred tax assets and liabilities are required to be measured at the tax rate that is expected to apply in the future income year when the asset is realised, or the liability is settled. The Directors have determined that the deferred tax balances be measured at the tax rates stated.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 5. Key Management Personnel Compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2020.

The totals of remuneration paid to KMP's of the company and the Group during the year are as follows:

	2020 \$'000	2019 \$'000
Short-term employee benefits	1,031	1,059
Post-employment benefits	91	87
Other long-term benefits	-	-
Share-based payments	105	-
<b>Total KMP compensation</b>	<b>1,227</b>	<b>1,146</b>

#### Short-term employee benefits

These amounts include fees and benefits paid to the Non-Executive Chairman and Non-Executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other KMP.

#### Post-employment benefits

These amounts are the superannuation contributions made during the year.

### 6. AUDITOR'S REMUNERATION

Remuneration of the auditor of the Consolidated Group for:

	2020 \$'000	2019 \$'000
Auditing the financial statements	43	48
Other services	12	11
	<b>55</b>	<b>59</b>

### 7. EARNINGS PER SHARE

	\$'000	\$'000
<b>Basic Earnings per share</b>		
Net profit / (loss) (\$'000's)	171	(1,713)
	<b>Number ( '000's)</b>	<b>Number ( '000's)</b>
Weighted average number of ordinary shares during the year used in calculation of basic EPS (in '000's)	349,097	282,474
	<b>Cents</b>	<b>Cents</b>
Basic profit / (loss) per share (cents)	0.05	(0.61)

A diluted earnings per share has not been shown for either 2020 or 2019 as it would dilute the actual profit or loss per share attributable to existing Shareholders.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

	CONSOLIDATED GROUP	
	2020	2019
	\$'000	\$'000
<b>8 CASH AND CASH EQUIVALENTS</b>		
Cash at bank	516	716
<b>Reconciliation of cash</b>		
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	516	716

Advanced Braking Pty Ltd has an invoice finance facility agreement with NAB under which it may borrow up to \$0.5m secured against debtors. The amount which may be borrowed at any time varies depending on the debtor balance.

At 30 June 2020, the borrowing facility available was \$500,000 (2019: \$500,000) and the amount borrowed was nil (2019: nil).

Borrowings are secured by a general security agreement over the assets of Advanced Braking Pty Ltd and are guaranteed by Advanced Braking Technology Ltd.

	Note	CONSOLIDATED GROUP	
		2020	2019
		\$'000	\$'000
<b>9 TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Trade receivables		1,295	1,305
Provision for impairment	9a(i)	(20)	(10)
Total current trade and other receivables		1,275	1,295

The following table shows the movement in lifetime expected credit loss that has been recognised for trade and other receivables in accordance with the simplified approach set out in AASB 9: *Financial Instruments*.

	Note	CONSOLIDATED GROUP			
		Opening balance under AASB 139	Adjustment for AASB 9	Net measurement of loss allowance	Closing balance
		1 July 2018		Amounts written off	30 June 2019
		\$'000	\$'000	\$'000	\$'000
<b>a. Lifetime Expected Credit Loss: Credit Impaired</b>					
(i) Current trade receivables		(20)	-	10	(10)
		(20)	-	10	(10)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

9 TRADE AND OTHER RECEIVABLES (Continued)		Note	CONSOLIDATED GROUP				
			Opening balance under AASB 139 1 July 2019 \$000	Adjust- ment for AASB 9 \$000	Net measure- ment of loss allowance \$000	Amounts written off \$000	Closing balance 30 June 2020 \$000
(i)	Current trade receivables		(10)	-	(10)	-	(20)
			(10)	-	(10)	-	(20)

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 June 2020 is determined as follows:

- the expected credit losses also incorporate forward-looking information.
- The amounts written off are all due to customers declaring bankruptcy, or term receivables that have now become unrecoverable.

	Current	>30 days past due	>60 days past due	>90 days past due	Total
	\$000	\$000	\$000	\$000	\$000
<b>2020</b>					
Expected loss rate	0%	0%	68%	0%	1.5%
Gross carrying amount	1,116	149	30	-	1,295
Loss allowing provision	-	-	(20)	-	(20)

	Current	>30 days past due	>60 days past due	>90 days past due	Total
	\$000	\$000	\$000	\$000	\$000
<b>2019</b>					
Expected loss rate	0%	0%	12%	0%	0.8%
Gross carrying amount	787	435	84	(1)	1,305
Loss allowing provision	-	-	(10)	-	(10)

10 INVENTORIES	CONSOLIDATED GROUP	
	2020	2019
Current	\$'000	\$'000
Finished goods	-	-
Components and WIP	2,085	1,939
Less: Provision for obsolescence	(84)	(103)
	<u>2,001</u>	<u>1,836</u>
<b>11 OTHER CURRENT ASSETS</b>		
Prepayments	194	77
Other receivables - R&D Tax incentive	520	600
	<u>714</u>	<u>677</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**12. CONTROLLED ENTITIES**

	<b>PARENT ENTITY</b>	
	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
<b>Advanced Braking Pty Ltd</b> ACN 088 129 917 (Incorporated in WA)		
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.

**13. PROPERTY, PLANT AND EQUIPMENT**

	<b>CONSOLIDATED GROUP</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Plant and equipment at cost	620	607
Less: accumulated depreciation	(457)	(367)
	<u>163</u>	<u>240</u>
Motor vehicles at cost	75	181
Less: accumulated depreciation	(51)	(83)
	<u>24</u>	<u>98</u>
Leasehold Improvements at cost	91	88
Less: accumulated depreciation	(26)	(17)
	<u>65</u>	<u>71</u>
Office equipment and furniture at cost	151	140
Less: accumulated depreciation	(112)	(93)
	<u>39</u>	<u>47</u>
Software at cost	120	120
Less: accumulated depreciation	(119)	(113)
	<u>1</u>	<u>7</u>
Total at net written down value	<u>292</u>	<u>463</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

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

**Reconciliation**

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

<b>CONSOLIDATED GROUP</b>	<b>Plant &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Office Equipment &amp; Furniture</b>	<b>Leasehold Improvements</b>	<b>Software</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2020</b>						
Balance at the beginning of year	240	98	47	71	7	463
Additions	13	-	10	3	-	26
Disposals	-	(57)	-	-	-	(57)
Written-off	-	-	-	-	-	-
Depreciation expense	(90)	(17)	(18)	(9)	(6)	(140)
Carrying amount at the end of year	163	24	39	65	1	292
<b>2019</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of year	207	133	51	80	19	490
Additions	118	-	14	-	-	132
Disposals	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
Depreciation expense	(85)	(35)	(18)	(9)	(12)	(159)
Carrying amount at the end of year	240	98	47	71	7	463

**14. RIGHT-OF-USE ASSETS**

The Group's lease portfolio currently includes buildings. This lease runs for a period of 5 years with an option to renew for a further 5-year period after that period. The extension option which management were reasonably certain to be exercised have been included in the calculation of the lease liability. Previously, this lease was classified as an operating lease under AASB 17.

The Group has elected not to recognise right-of-use assets for low value items and any short-term leases.

	<b>CONSOLIDATED GROUP</b>
	<b>2020</b>
	<b>\$'000</b>
(i) AASB 16 related amounts recognised in the balance sheet	
<b>Right-of-use assets</b>	
Leased building	553
Accumulated depreciation	(66)
	<u>487</u>
Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)	
Depreciation expense for the year ended	<u>66</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

<b>14. RIGHT-OF-USE ASSETS (continued)</b>	<b>CONSOLIDATED GROUP</b>	
	<b>2020</b>	
	<b>\$'000</b>	
(ii) AASB 16 related amounts recognised in the statement of profit or loss		
Depreciation charge related to right-of-use assets	66	
Interest expense on lease liabilities (under finance cost)	43	
Short-term leases expense	-	
Low-value asset leases expense	14	
Variable lease payment expense	-	
	<b>2020</b>	<b>2019</b>
(iii) Total cash outflows for leases	<b>\$'000</b>	<b>\$'000</b>
- Financing cash outflow (principal repaid)	92	-
- Operating cash outflow (finance costs)	43	-

<b>15. INTANGIBLES</b>	<b>CONSOLIDATED GROUP</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Wet Brake technology assigned from Safe Effect Technologies International Ltd	2,984	2,984
Less - Accumulated amortisation	(2,313)	(2,249)
Carrying amount at the end of year	671	735
Total carrying amount at the end of year	671	735

**Reconciliation**

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

<b>CONSOLIDATED GROUP</b>	<b>Wet Brake Technology</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2020</b>		
Balance at the beginning of year	735	735
Amortisation expense	(64)	(64)
Carrying amount at the end of year	671	671
<b>2019</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of year	799	799
Amortisation expense	(64)	(64)
Carrying amount at the end of year	735	735

**Impairment Disclosure**

An impairment assessment of intangibles was performed in April 2017, triggered by the impending introduction of the new polymer Terra Durra brake. This assessment confirmed the carrying amount of the SIBS (Failsafe) Wet Brake Intellectual Property and extended the amortisation period to December 2030 to coincide with the expiry date of the existing patents. No impairment assessment of intangibles was performed 2020 or 2019, as there were no impairment triggers.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

		<b>CONSOLIDATED GROUP</b>	
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>16 TRADE AND OTHER PAYABLES</b>			
<b>Current (unsecured)</b>			
Trade creditors		771	1,069
Other payables		283	63
Accrued expenses		111	163
		<u>1,165</u>	<u>1,295</u>
<b>17 INTEREST BEARING LIABILITIES</b>			
<b>(a) Current</b>			
R&D incentive prepayment loan (i)		-	420
Other (secured)		7	17
		<u>7</u>	<u>437</u>
Lease liability – Right-of-use assets		<u>48</u>	<u>-</u>
Convertible Notes (ii)		-	1,632
Interest due on Convertible note		-	60
		<u>-</u>	<u>1,692</u>
<b>Total</b>		<b><u>55</u></b>	<b><u>2,129</u></b>

- (i) The R&D incentive prepayment loan provided the Company with of \$420,000 in April 2019 and a further \$200,000 in September 2019 from the forecast research and development tax incentive offset for the year ended 30 June 2019. The lender is R&D Capital Partners Pty Limited and the loan annual interest rate was 15%. During December 2019, the Company repaid the R&D prepayment loan facility of \$620,000 to R&D Capital Partners Pty Ltd, following the receipt of the ATO R&D tax incentive refund of approximately \$689,000.
- (ii) During November and December 2019, the Company converted convertible notes with a face value of \$1,624,867 into 81,243,334 shares at \$0.02 per share. A note holder elected to redeem convertible notes to the value of \$6,833, which was paid on 11 December 2019. The convertible notes had a coupon rate of 15% pa and \$61,692 was paid to convertible note holders in the year ended 30 June 2020.

		<b>CONSOLIDATED GROUP</b>	
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(b) Non-current</b>			
Other		<u>16</u>	<u>59</u>
Lease Liability – Right of use asset (c)		<u>456</u>	<u>-</u>
<b>Total</b>		<b><u>472</u></b>	<b><u>59</u></b>

**(c) Lease Liability – Right of use asset**

The measurement principles of AASB 16 are only applied from 1 July 2019. At the date of initial application, the right-of-use assets equals to the lease liabilities and there was no adjustment to the retained earnings. The lease liabilities are presented below:

Operating lease commitments disclosed at 30 June 2019	322	-
Changes to extension options assumptions & discounting using incremental borrowing rate at date of initial application	231	-
Balance at 1 July 2019	<u>553</u>	<u>-</u>
Payments	(92)	-
Interest charges during the period	43	-
Balance at 30 June 2020	<u>504</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**18 PROVISIONS**

**CONSOLIDATED GROUP**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Warranties	82	68
Employee entitlements	175	133
<b>Total</b>	<b>257</b>	<b>201</b>
<b>Non-Current</b>		
Employee Entitlements	14	4
<b>Total</b>	<b>14</b>	<b>4</b>

**(b) Number of Employees**

**Number Number**

Number of employees at year-end		
Australia	18	16
<b>Total</b>	<b>18</b>	<b>16</b>

**19 ISSUED CAPITAL**

**(a) Ordinary Shares**

The Parent Entity had issued 379,148,766 (2019: 297,049,796) fully paid ordinary shares as at the 30 June 2020.

	<b>2020</b>		<b>2019</b>	
	<b>Number of shares</b>	<b>\$'000</b>	<b>Number of shares</b>	<b>\$'000</b>
<b>Ordinary shares</b>				
Balance at beginning of the financial year 1 July	297,049,796	54,200	2,224,120,936	52,805
31 August 2018 – Institutional Entitlement Offer			219,720,665	439
12 September 2018 – Retail Entitlement Offer			420,427,270	841
17 September 2018 – Entitlement Offer shortfall			101,226,319	203
2 October 2018 – Convertible Notes converted to shares			5,000,000	10
12 December 2018 – Share Consolidation 10:1 basis			(2,673,445,394)	
24 July 2019 – Issue of shares to a consultant	150,754	3		
24 July 2019 – Issue of shares to a consultant	184,049	3		
24 July 2019 – Issue of shares to a consultant	520,833	5		
23 October 2019 – Convertible Notes converted to shares	500,000	10		
29 October 2019 – Convertible Notes converted to shares	950,000	19		
11 November 2019 – Convertible Notes converted to shares	72,541,668	1,451		
14 November 2019 – Convertible Notes converted to shares	1,500,000	30		
09 December 2019 – Convertible Notes converted to shares	5,751,666	115		
	<b>379,148,766</b>	<b>55,836</b>	<b>297,049,796</b>	<b>54,298</b>
Transaction costs relating to share issues		(17)		(98)
<b>Balance at end of financial year</b>	<b>379,148,766</b>	<b>55,819</b>	<b>297,049,796</b>	<b>54,200</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Number of options	Exercise price \$	Expiry date
<b>(b) Options</b>			
<b>Unlisted Options</b>			
Balance at beginning of the financial year 1 July 2019	-		
24 July 2019 – Issue of unlisted options to a consultant	5,000,000	0.025	30 June 2022
26 February 2020 – Issue of KMP Options	23,832,435	0.040	30 June 2023
Balance at end of financial year 30 June 2020	<u>28,832,435</u>	0.037	WAEP (i)
(i) Weighted Average exercise price			

### (c) 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. Advanced Braking Pty Ltd has a finance agreement with NAB under which it may borrow up to \$500,000 secured against debtors. The amount which may be drawn down at any time is dependent on the debtor balance - see note 9.

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, share issues and convertible note issues.

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 2020 and 30 June 2019 are as below.

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.

	CONSOLIDATED GROUP	
	2020	2019
<b>Gearing ratio</b>	0.3%	42.0%

As the Group's gearing ratio has dropped significantly in 2020 due to the extinguishment of the majority of the Group's debt, the Group's capital risk management focus has become the management of its current working capital position to meet anticipated operating requirements.

The working capital positions of the Group at 30 June 2020 and 30 June 2019 were as follows:

	CONSOLIDATED GROUP	
	2020	2019
	\$'000	\$'000
Cash and cash equivalents	516	716
Trade and other receivables	1,275	1,295
Other current assets	714	677
Trade and other payables	(1,165)	(1,295)
Current liabilities	(55)	(2,129)
Current provisions	(257)	(201)
<b>Working Capital Position as at 30 June</b>	<u>1,028</u>	<u>(937)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**20 RESERVES**

	<b>CONSOLIDATED GROUP</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Option reserve	64	-
Share based payment reserve	105	-
Total reserves at the end of the financial year	169	-

**21 ACCUMULATED LOSSES**

	<b>CONSOLIDATED GROUP</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Accumulated losses at the beginning of the financial year	(52,166)	(50,453)
Net profit / (loss) attributable to members of the parent entity	171	(1,713)
Accumulated losses at the end of the financial year	(51,995)	(52,166)

**22 SHARE-BASED PAYMENTS**

	<b>CONSOLIDATED GROUP</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
(a) Share-based payment expense	180	-

**Schedule of share-based payments**

**(i) Shares**

24 July 2019 – Issue of 150,754 shares to a consultant	3	-
24 July 2019 – Issue of 184,049 shares to a consultant	3	-
24 July 2019 – Issue of 520,833 shares to a consultant	5	-
<b>Total allocated to Issued Capital</b>	<b>11</b>	<b>-</b>

**(ii) Options**

24 July 2019 – Issue of 5,000,000 unlisted options to a consultant	64	-
<b>Total allocated to Issued Capital</b>	<b>64</b>	<b>-</b>
26 February 2020 – Issue of 23,832,435 unlisted options to KMP	105	-
<b>Total allocated to Share-based Payment Reserve</b>	<b>105</b>	<b>-</b>

**(b) Options issued during the period**

- On 24 July 2019, the Company issued 5,000,000 unlisted options with an exercise of \$0.025 and an expiry date of 30 June 2020 to a consultant, K S Capital Pty Limited under an agreement to provide corporate advisory services dated 7 May 2019.
- On 27 November 2019, the Company received shareholder approval for the adoption of a new Share Option Plan and key management personnel were granted and issued a total of 23,832,435 unlisted options which have an exercise price of \$0.04 per share and an expiry date of 30 June 2023, subject to vesting conditions (KMP Options).

The KMP Options were issued on 26 February 2020 and are subject to the following vesting conditions:

- Ongoing employment; and
- Vesting in 3 tranches over a 3-year period, as below.

KMP Options Vesting 1 year from issue date (T1) 25%	KMP Options Vesting 2 years from issue date (T2) 25%	KMP Options Vesting 3 years from issue date (T3) 50%	Total
5,958,108	5,958,108	11,916,219	23,832,435

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**(c) Unlisted options valuation**

The fair value of the equity settled share options granted during the period are estimated at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 30 June 2020

	Consultant Options	KMP Options Tranche 1	KMP Options Tranche 2	KMP Options Tranche 3
Fair value at grant date	\$0.0127	\$0.0103		
Share price at grant date	\$0.02	\$0.03	\$0.03	\$0.03
Exercise price	\$0.025	\$0.04	\$0.04	\$0.04
Expected volatility	113%	111%	111%	111%
Expected life	2.94 years	1 year	2 years	3 years
Expected dividends	Nil	Nil	Nil	Nil
Risk-free interest rate	0.89%	0.75%	0.68%	0.65%
Number of options issued	5,000,000	5,958,108	5,958,108	11,916,219
<b>Valuation</b>	<b>\$63,523</b>	<b>\$61,287</b>	<b>\$90,884</b>	<b>\$220,989</b>

The total value of the Consultant Options was \$63,523 at the date they were granted and vested immediately.

The total value of the KMP Options is \$373,159 at the date they were granted. The KMP Options are subject to vesting conditions:

- ongoing service and
- vest in three tranches at 1, 2 and 3 years from the date of issue.

The KMP Option valuations are amortised over the period of vesting for each tranche, as follows:

KMP Options	FY2020	FY2021	FY2022	FY2023	Total
Tranche 1	\$35,737	\$25,550	-	-	\$61,287
Tranche 2	\$26,570	\$45,318	\$18,996	-	\$90,884
Tranche 3	\$43,110	\$73,529	\$73,529	\$30,822	\$220,989
<b>Total</b>	<b>\$105,416</b>	<b>\$144,396</b>	<b>\$92,525</b>	<b>\$30,822</b>	<b>\$373,159</b>

**23 CONTRACT AND LEASING COMMITMENTS**

**(a) Finance lease commitments**

	CONSOLIDATED GROUP	
	2020	2019
	\$'000	\$'000
Payable		
- not later than 1 year	-	20
- later than 1 year but not later than 5 years	-	63
	-	83
Less future finance charges	-	(7)
	-	76

**(b) Operating lease commitments**

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

Payable		
- not later than 1 year	-	105
- later than 1 year but not later than 5 years	-	217
	-	322

The liabilities associated with leases now form part of the borrowings disclosure at Note 17.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**24 SEGMENT REPORTING**

The Consolidated Group's principal activities are research and development, commercialisation and manufacture of Failsafe wet sealed braking systems and the Terra Dura dry sealed braking systems, predominantly in Australia and via distribution arrangements to other countries.

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

**(a) Revenue by geographical region**

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

	<b>CONSOLIDATED GROUP</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Australia	5,684	5,011
Oversea / Export	2,665	1,836
<b>Total revenue from trading activities</b>	<b>8,349</b>	<b>6,847</b>

**(b) Assets by geographical region**

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

Australia	5,956	5,722
<b>Total assets</b>	<b>5,956</b>	<b>5,722</b>

**(c) Major customers**

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

<b>Significance</b>	<b>2020</b> <b>% of total revenue</b> <b>from trading activities</b>	<b>2019</b> <b>% of total revenue from</b> <b>trading activities</b>
1st	7.6%	17.8%
2nd	7.1%	8.2%
3rd	6.9%	6.9%

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

		<b>CONSOLIDATED GROUP</b>	
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>25</b>	<b>CASH FLOW INFORMATION</b>		
<b>(a)</b>	<b>Reconciliation of Cash Flow from operations with profit / (loss) after income tax</b>		
	Profit / (loss) from ordinary activities after income tax	171	(1,713)
	(Profit) / loss on disposal of property, plant and equipment	(14)	-
	Share-based payment expense	180	-
	<b><i>Non-cash flows in loss from ordinary activities</i></b>		
	Depreciation and impairment	206	159
	Amortisation of IP	64	64
	Other	(66)	-
	<b><i>Changes in assets and liabilities</i></b>		
	(Increase) / decrease in trade and other receivables	20	49
	(Increase) / decrease in inventories	(165)	(307)
	(Increase) / decrease in other current assets	(117)	228
	Increase / (decrease) in trade and other payables	(123)	101
	Increase / (decrease) in provisions	66	(32)
	<b>Cash inflows / (outflows) from operations</b>	<b>222</b>	<b>(1,451)</b>

**(b) Non-cash financing and investing activities  
2020**

During the year to 30 June 2020,

- a) On 24 July 2019, the Company issued:
  - a. 855,636 ordinary shares to a consultant, K S Capital Pty Limited, in lieu of \$11,000 in fees for services under an agreement to provide corporate advisory services to ABT dated 7 May 2019.
  - b. 5,000,000 unlisted options with an exercise of \$0.025 and an expiry date of 30 June 2022 to a consultant, K S Capital Pty Limited under an agreement to provide corporate advisory services dated 7 May 2019.
- b) During November and December 2019, the Company converted convertible notes with a face value of \$1,624,867 into 81,243,334 ordinary shares at \$0.02 per share.
- c) On 27 November 2019, the Company received shareholder approval for the adoption of a new Share Option Plan and key management personnel were granted and issued a total of 23,832,435 unlisted options which have an exercise price of \$0.04 per share and an expiry date of 30 June 2023, subject to vesting conditions (KMP Options).

**2019**

During the year to 30 June 2019,

- a) nil ordinary shares were issued to Directors and Key Management Personnel.
- b) 5,000,000 ordinary shares were issued to a convertible note holder on conversion of \$10,000 of convertible notes.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**26 RELATED PARTY TRANSACTIONS**

**(a) Intercompany transactions**

Transactions between related parties are on normal commercial terms and conditions except for intercompany 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.

**(b) Transactions with Directors and Key Management Personnel**

- (i) During December 2018, Director, David Slack, made a \$500,000 loan facility (related party loan facility) available to the Company via DASI Investments Pty Ltd, an entity of which Mr Slack is a director and shareholder. At a General Meeting of the Company on 12 June 2019, shareholders gave approval for the related party loan facility to be converted to a convertible note on the same terms as the New Convertible Notes. The convertible note was held in the name of DASI Investments Pty Ltd. On 11 November 2019, 25,000,000 ordinary shares were issued on conversion of the \$500,000 convertible note at \$0.02 per share to DASI Investments Pty Ltd. During the year ended 30 June 2020, DASI Investments Pty Ltd received loan interest payments in the amount of \$56,301.37.
- (ii) During the reporting period the Company made payments of \$1,438 to Rockwell Bates Pty Ltd T/A R. B. Flinders for legal services on an arms-length basis at commercial rates. The Company also made payments of \$2,400 for director expense reimbursement to Rockwell Bates Pty Ltd T/A R. B. Flinders. R. B. Flinders is a related party of Director, Adam Levine of which he is a director and shareholder.
- (iii) During the reporting period the Company made payments totalling \$40,150 to Rockwell Group Holdings Pty Ltd for director's fees for Adam Levine and \$2,363 for director expense reimbursement. Rockwell Group Holdings Pty Ltd is a related party of Director, Adam Levine of which he is a director and shareholder.
- (iv) During the reporting period the Company made payments totalling \$53,355 to AE Administrative Services Pty Ltd for company secretarial, accounting and administration services on an arms-length basis at commercial rates. AE Administrative Services Pty Ltd is a related party of Director, Mark Lindh of which he is a director.
- (v) During the reporting period the Company made payments totalling \$3,313 to Adelaide Equity Partners Limited for director and company secretary expense reimbursement. Adelaide Equity Partners Limited is a related party of Director, Mark Lindh of which he is a director.
- (vi) During 2020, no securities were issued to directors as remuneration.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### 27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### Overview

The Company and its Subsidiary ("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, lease and an invoice finance facility (see note 8). 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:

	Average Interest Rate %	Floating Interest Rate \$'000	Within 1 Year \$'000	1 to 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
<b>2020</b>						
<b>Financial assets</b>						
Cash	0.15%	516	-	-	-	516
Receivables - current	-	-	-	-	1,275	1,275
Other receivables (note 11)						
R&D Tax incentive	-	-	-	-	520	520
<b>Total financial assets</b>		516	-	-	1,795	2,311
<b>Financial liabilities</b>						
Payables	-	-	-	-	1,165	1,165
Interest Payable	-	-	-	-	-	-
R&D rebate loan	15.0%	-	-	-	-	-
Finance lease liabilities	7.89%	-	55	472	-	527
Convertible notes	15.0%	-	-	-	-	-
<b>Total financial liabilities</b>		-	55	472	1,165	1,692
<b>Net Financial Assets / (Liabilities)</b>		516	(55)	(472)	630	619

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Average Interest Rate %	Floating Interest Rate \$'000	Within 1 Year \$'000	1 to 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
<b>Interest rate risk (continued)</b>						
<b>2019</b>						
<b>Financial assets</b>						
Cash	0.18%	716	-	-	-	716
Receivables - current	-	-	-	-	1,295	1,295
Other receivables (note 11)						
R&D Tax incentive	-	-	-	-	600	600
<b>Total financial assets</b>		716	-	-	1,895	2,611
<b>Financial liabilities</b>						
Payables	-	-	-	-	1,295	1,295
Interest Payable	-	-	-	-	60	60
R&D rebate loan	15.0%	-	420	-	-	420
Finance lease liabilities	5.4%	-	17	59	-	76
Convertible notes	15.0%	-	1,632	-	-	1,632
<b>Total financial liabilities</b>		-	2,069	59	1,355	3,483
<b>Net Financial Assets / (Liabilities)</b>		716	(2,069)	(59)	540	(872)

As at 30 June 2020 Advanced Braking Pty Ltd was entitled to interest on deposits at the National Australia Bank at rates at the weighted average of 0.15% per annum (2019: 0.18% per annum).

The sensitivity analysis below is based on the interest rate risk exposure in existence at the balance sheet date. The 0.50% (2019: 0.50%) 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.

	<b>CONSOLIDATED GROUP</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Possible movements before tax:		
+0.5% (2019: 0.5%) per annum	3	4
-0.5% (2019: -0.5%) per annum	(3)	(4)

	<b>CONSOLIDATED GROUP</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Net financial (liabilities)/assets as above	619	(872)
Non-financial assets and liabilities		
-Inventories	2,001	1,836
-Property, plant & equipment	292	463
-Right-of-use assets	487	-
-Intangible Assets	671	735
-Other current assets-prepayments (note 11)	194	77
-Refundable deposits	-	-
-Provisions - Current	(257)	(201)
-Provisions - Non-current	(14)	(4)
Net (liabilities)/assets as per the Balance Sheet	3,993	2,034

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 and/or fixed rates. Similarly, loans and asset finance contracts are shopped to find the lowest rates of interest expense.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

### Foreign Currency Risk

The Company currently has minimal foreign exchange exposure with regard to both the receivables and payables and currently has no offshore assets.

At 30 June 2020, the Company does not have any forward foreign exchange contracts in place. As at 30 June 2020 the Group had the following exposure to foreign currency:

	CONSOLIDATED GROUP	
	2020	2019
	\$'000	\$'000
<b>Financial Asset</b>		
Cash and cash equivalents	-	-
Trade and other receivables	-	223
	-	-
<b>Financial Liabilities</b>		
Payables	(14)	(11)
Net Exposure	(14)	212

The following sensitivity analysis is based on the foreign currency risk exposure in existence at the balance sheet date. The 7% (2019: 7%) 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 2020, 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	
	2020	2019
	\$'000	\$'000
Possible movements before tax:		
Pre-Tax Profit – higher/(lower)		
+7% (2019: +7%) per annum	(1)	15
-7% (2019: -7%) per annum	1	(15)

### (b) Liquidity Risk

The Group's objective is to fund new product development and commercialisation through Shareholder equity, convertible notes, government grants, R&D tax incentives, lease finance and bank funding where available.

The Group manages liquidity risk by maintaining adequate cash reserves through share issues, convertible note issues, debtor finance, secured bank lending and asset finance. Future funding requirements are determined through the monitoring of regular cash flow forecasts, which reflect management's expectations in respect of future turnover, development of new markets and products, capital investment and the settlement of financial assets and liabilities.

	CONSOLIDATED GROUP	
	2020	2019
	\$'000	\$'000
The following are the contractual maturities of financial liabilities, including estimated interest payments:		
0 – 6 months	27	492
6 – 12 months	28	8
1 – 5 years	472	56
	527	556
Potential payment to be made for Convertible Notes redeemed by holders.		
Refer to note 16(a).	-	1,632
	527	2,188

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

### CONSOLIDATED GROUP AS AT 30 JUNE 2020

	< 6 Mths \$'000	6 - 12 Mths \$'000	1 - 5 Years \$'000	Total \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	516	-	-	516
Trade and other receivables	1,275	-	-	1,275
Accrued Income				
R&D tax incentive	520	-	-	520
Total financial assets	2,311	-	-	2,311
<b>Financial Liabilities</b>				
Payables	1,165	-	-	1,165
Lease liabilities	27	28	472	527
R&D rebate loan	-	-	-	-
Convertible Note accrued interest	-	-	-	-
Convertible notes	-	-	-	-
Total financial liabilities	1,192	28	472	1,692
<b>Net exposure</b>	<b>1,119</b>	<b>(28)</b>	<b>(472)</b>	<b>619</b>

### CONSOLIDATED GROUP AS AT 30 JUNE 2019

	< 6 Mths \$'000	6 - 12 Mths \$'000	1 - 5 Years \$'000	Total \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	716	-	-	716
Trade and other receivables	1,295	-	-	1,295
Accrued Income				
R&D tax incentive	600	-	-	600
Total financial assets	2,611	-	-	2,611
<b>Financial Liabilities</b>				
Payables	1,295	-	-	1,295
Hire purchase and finance lease liabilities	12	8	56	76
R&D rebate loan	420	-	-	420
Convertible Note accrued interest	60	-	-	60
Convertible notes	1,632	-	-	1,632
Total financial liabilities	3,419	8	56	3,483
<b>Net exposure</b>	<b>(808)</b>	<b>(8)</b>	<b>(56)</b>	<b>(872)</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**(c) Credit risk**

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 9. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Australia given the substantial operations in that region. The Group's exposure to credit risk for receivables at the end of the reporting period in that regions is as follows:

	CONSOLIDATED GROUP	
	2020	2019
AUD	\$'000	\$'000
Australia	1,275	1,295
	<u>1,275</u>	<u>1,295</u>

There has been no change in the estimation techniques used or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off are subject to enforcement activities.

**(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. Impairment assessments in financial year 2020 resulted in no adjustment to the provision for obsolete inventory.

Intangible assets as at 30 June 2020 only comprises the Wet Brake technology assigned from Safe Effect Technologies International Ltd on 27 June 2006. The amortisation period is to December 2030, being the current life of patents, which underpin the carrying value.

**28 CONTINGENT LIABILITIES**

There are no contingent liabilities.

**29 EVENTS SUBSEQUENT TO BALANCE DATE**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the company up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 17 September 2020, ABT received \$534,000 as a refundable tax offset for eligible research and development expenditure relating to the development of its innovative braking solutions during FY20, following the lodgement of the Company's FY20 income tax return.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**30 PARENT INFORMATION**

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

	<b>PARENT ENTITY</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current assets	7	249
Non-current assets	7,338	7,560
<b>TOTAL ASSETS</b>	<b>7,345</b>	<b>7,809</b>
<b>LIABILITIES</b>		
Current liabilities	63	1,811
Non-current liabilities	-	-
<b>TOTAL LIABILITIES</b>	<b>63</b>	<b>1,811</b>
<b>EQUITY</b>		
Issued Capital	55,819	54,200
Other reserves	169	-
Accumulated losses	(48,706)	(48,202)
<b>TOTAL EQUITY</b>	<b>7,282</b>	<b>5,998</b>

	<b>PARENT ENTITY</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
Total profit/(loss) after tax	(504)	(687)
Total Comprehensive Income/(Loss)	(504)	(687)

**Guarantees**

At 30 June 2020, Advanced Braking Technology Ltd provides a guarantee and indemnity in relation to the obligations of Advanced Braking Pty Ltd in favour of NAB in connection with an invoice finance facility which was established during the 2013 financial year.

Advanced Braking Technology Ltd has provided guarantees to a number of suppliers of Advanced Braking Pty Ltd in connection with the subsidiary negotiating finance under lease agreements, the R&D rebate loan and in relation to the Perth leased premises. The Directors have also resolved that the Company will continue to provide financial support to its subsidiaries for as long as it is required.

**Contingent Liabilities**

There are no contingent liabilities.

**Contractual Commitments**

As at 30 June 2020, Advanced Braking Technology Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2019: Nil).

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 24 to 54, 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 2020 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:



Dagmar Parsons  
Chairman

Sydney, New South Wales  
30 September 2020

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ADVANCED BRAKING TECHNOLOGY LIMITED****REPORT ON THE AUDIT OF THE FINANCIAL REPORT****Opinion**

We have audited the financial report of Advanced Braking Technology Limited (the Company) and its subsidiary (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
  - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ADVANCED BRAKING TECHNOLOGY LIMITED (CONTINUED)**

**Key Audit Matters (continued)**

<b>Valuation of Failsafe (WET) Brake Technology</b> <b>Refer to Notes 1(n) &amp; 15 Intangibles</b>	
<p>The carrying value of Advanced Braking's Failsafe Brake Technology as at 30 June 2020 was \$671,000 and the related amortisation charge for the year ended 30 June 2020 was \$64,000.</p> <p>The carrying value and amortisation rate are reviewed annually by management with reference to current and forecast trading performance, relevant technological factors and other operational indicators. This involves a significant amount of management judgement.</p> <p>This is a key area of audit focus because the carrying value is material and the value is subject to significant management judgement and estimates.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>Assessed the reasonableness of management's assertions and estimates regarding estimated useful life of the asset with reference to its patent information currently registered with local and foreign intellectual property government agencies.</li> <li>Held discussions with management that the amortisation period (useful life) at the end of the financial year remained appropriate and that there were no conditions which would adversely affect the valuation of the intangibles</li> <li>Assessment of any impairment triggers by comparing the market capitalisation of the Company against the carrying value of its total net assets at balance date. The year-end market capitalisation of \$9.1 million far exceeded the net asset value. There were no other impairment triggers based on the Group's improved financial performance and position during the year and its future budgeted performance.</li> <li>Tested the amortisation expense recorded and ensured consistency with the accounting policy.</li> <li>Considered whether the relevant disclosures in the financial statements were appropriate and adequate.</li> </ul>

**Key Matters (continued)**

<b>Existence and Valuation of Inventories</b>	
<b>Refer to Note 10 Inventories</b>	
<p>The carrying value of inventory as at 30 June 2020 was \$2 million. Inventory comprises finished goods and components.</p> <p>Inventories are held in significant quantities and are valued at the lower of cost and net realisable value (NRV).</p> <p>A provision for obsolete and slow-moving inventory is raised by management, the assessment of which is subject to significant management judgement. Obsolete and slow-moving inventory could result in an overstatement of the carrying value of inventories as the recorded cost may be higher than the net realisable value.</p> <p>Given inventories are the Company's single largest asset, we have therefore identified inventory existence and valuation as a key audit matter.</p>	<p>Our procedures to test the existence and valuation of inventories included, amongst others:</p> <ul style="list-style-type: none"> <li>• Testing the relevant internal control procedures relating to the existence and valuation of inventory, including attendance at the physical inventory count near period-end, undertaking our own test counts and obtaining confirmation of inventories held by third parties</li> <li>• Testing a sample of inventory items and comparing our count results with those of the Group's representative and investigating any variances</li> <li>• Performing test of details on historical costs, including testing the mathematical accuracy of the final inventory listing.</li> <li>• Held discussions with management to understand and corroborate assumptions applied in ensuring slow moving, old and certain inventory lines have been appropriately valued or adequately provided for or impaired</li> <li>• Testing a sample of inventory items to subsequent sales to ensure that they were recorded at the lower of cost and net realisable value</li> <li>• Reviewing gross margins for any unusual patterns compared to prior periods</li> </ul>

## Key Matters (continued)

Valuation of Receivables	
Refer to Note 9 Trade & Other Receivables	
<p>Valuation of receivables is a key audit matter.</p> <p>It is due to the size of the account balances and the judgements required in determining their carrying value that this is a key area of audit focus.</p> <p>Trade debtors amounted to \$1.275 million as at 30 June 2020.</p> <p>The Group assesses periodically and at each year end the expected credit loss associated with its receivables. When there is expected credit loss impairment, the amount and timing of future cash flows are estimated based on historical, current and forward-looking loss experience for assets with similar credit risk characteristics.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Review of the level of export trade credit insurance cover for relevant debtors, subsequent receipt collections from debtors and ageing analysis post year end.</li> <li>• Review of expected credit loss workings and assessments prepared by management in relation to trade receivables, including an analysis of the credit risk characteristics attributed to significant trade debtors as part of our assessment of the adequacy of impairment provisions.</li> <li>• Discussion with management and the directors as to the existence of any arrears/disputes with debtors and the impact these factors have had on the assessment of impairment provisions raised by management.</li> <li>• Review of disclosures made in the notes to the financial statements</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ADVANCED BRAKING TECHNOLOGY LIMITED (CONTINUED)**

**Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our audit report.

**REPORT ON THE REMUNERATION REPORT**

**Opinion on the Remuneration Report**

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Advanced Braking Technology Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



SL TAN  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth on the 30<sup>th</sup> day of September 2020

**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 23 September 2020.**

(a) Distribution of fully paid ordinary shares

Size of Holding			Number of Shareholders	Shares Held	% Units
1	-	1,000	227	135,982	0.04
1,001	-	5,000	310	869,160	0.23
5,001	-	10,000	185	1,442,769	0.38
10,001	-	100,000	574	22,999,152	6.07
100,001	and	Over	300	353,701,703	93.28
Total			1,596	379,148,766	100.00

(b) There are 816 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 Shareholder at 23 September 2020:

Mr Keith Knowles	22.33%	84,648,105 ordinary shares
Mr David Slack	18.17%	68,878,164 ordinary shares
Mr Craig Chapman <NAMPAC DISCRETIONARY A/C>	5.26%	19,961,975 ordinary shares

**3. Shareholders**

The twenty largest Shareholders hold 61.81% of the total issued ordinary shares in the Company as at 23 September 2020.

**4. Share Options on issue at 23 September 2020**

The Company has on issue:

- 5,000,000 unlisted options, exercisable at \$0.025 on or before 30 June 2022, which are held by K. S. Capital Pty Ltd.
- 23,832,435 unlisted options, exercisable at \$0.04 on or before 30 June 2023, which are held by Key Management Personnel and subject to vesting conditions. Refer to Note 22 for more information.

**5. On-market buy-back.**

There is no current on-market buy-back.

**6. Quotation**

Ordinary shares in Advanced Braking Technology Ltd are listed on the Australian Securities Exchange (ASX:ABV).



## 8. Largest Fully Paid Ordinary Shareholders

The names of the twenty largest Shareholders at 23 September 2020, who hold 61.81% of the fully paid ordinary shares in the Company, are:

Rank	Name	Number of Shares	% of Issued Shares
1	PARKS AUSTRALIA PTY LTD	49,784,173	13.13
2	MR KEITH KNOWLES	35,861,787	9.46
3	DASI INVESTMENTS PTY LTD	26,523,588	7.00
4	MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C>	19,961,975	5.26
5	WINDPAC PTY LTD <THE SLACK FAMILY A/C>	19,622,167	5.18
6	WINDPAC PTY LTD <DAVID EARL SLACK S/F A/C>	18,981,633	5.01
7	MR PETER RODNEY BOWER	11,000,000	2.90
8	RP INVEST PTY LTD <PALMER FAMILY RETIRE A/C>	8,600,000	2.27
9	CHARMED5 PTY LTD	6,500,000	1.71
10	HIMSTEDT & CO PTY LTD <THE HIMSTEDT FAMILY A/C>	5,000,000	1.32
11	MR EVAN PHILIP CLUCAS + MS LEANNE JANE WESTON <KURANGA NURSERY SUPER A/C>	4,606,250	1.21
12	SCINTILLA STRATEGIC INVESTMENTS LIMITED	4,500,000	1.19
13	MR DAVID EARL SLACK	4,041,864	1.07
14	MR KEITH KNOWLES	3,813,967	1.01
15	MR KYM FRAHN + MRS WENDY LEANNE FRAHN <THE FRAHN SUPER FUND A/C>	3,398,504	0.90
16	TOKEN NOMINEES PTY LTD	2,533,334	0.67
17	ONKAPARINGA HOLDINGS PTY LTD <T & K HIMSTEDT FAMILY A/C>	2,500,000	0.66
18	MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C>	2,450,000	0.65
19	M/S TRACEY-ANN PALMER	2,414,490	0.64
20	KIZOGO PTY LTD <BERGAN EXEC RETIREMENT A/C>	2,276,741	0.60
<b>Total</b>		<b>234,370,473</b>	<b>61.81</b>



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Wangara, Western Australia 6065

ADVANCED BRAKING TECHNOLOGY LTD - ANNUAL REPORT 2020