ADVANCED BRAKING TECHNOLOGY LTD

AND CONTROLLED ENTITIES

ABN 66 099 107 623

ANNUAL REPORT
2013

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

CORPORATE DIRECTORY

Directors
Bruce Grey
David Humann
David Slack
Adam Levine
Ken Johnsen

Company Secretary
Clare Madelin

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Perth, WA, 6000

National Australia Bank Ltd
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Perth, WA, 6000

Manufacturing
Safe Effect (Thailand) Co. Ltd
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Thailand

Share Registry
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Level 2, 45 St Georges Terrace
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Telephone: + 61 8 9323 2000
Facsimile: + 61 8 9323 2033

Auditors
Moore Stephens
Level 3, 12 St Georges Terrace
Perth, WA, 6000

Solicitors
HopgoodGanim
Level 4, 105 St Georges Terrace
Perth, WA, 6000

ASX Home Branch
Australian Securities Exchange (ASX)
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Country of Incorporation
Australia

ASX Code
ABV – Ordinary shares

Legal form of entity
Listed public company

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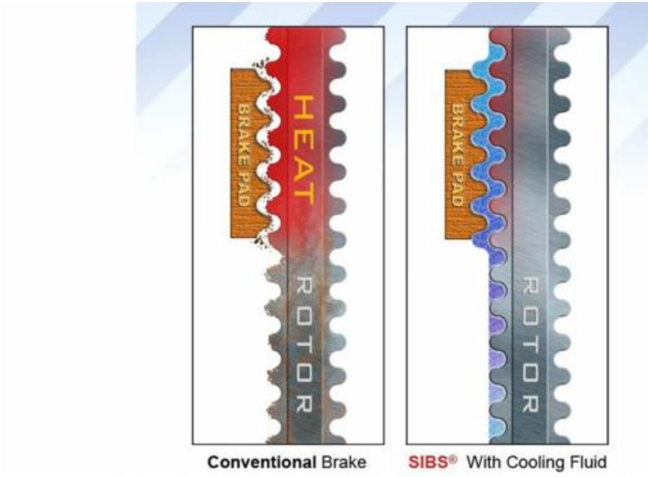
COMPANY OVERVIEW

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

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



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

The key benefits realised on vehicles fitted with brakes incorporating SIBS® technology are:

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

The Company has now expanded its business to include the sale of a newly developed SIBS® Truck Brake for initial application on waste collection vehicles.

Based on results of 5 years of development this promises to be a very lucrative business opportunity that will transition the Group from being a successful participant in a niche market to being a strong participant in a global and recession proof market.

Advanced Braking Technology Ltd

CHAIRMAN'S LETTER

Dear Shareholder,

I am delighted to have recently been elected as Chairman of Advanced Braking Technology Ltd.

Initially I would like to express my appreciation on behalf of all Shareholders to the outgoing Chairman of ABT, Mr David Humann.

ABT has made significant investment in research and development to release products for the mining and truck markets. It is now time for the Company to fully capitalise on this investment by increasing its sales in these segments in both Australia and overseas, to achieve first breakeven and then an acceptable return on Shareholders' funds in the shortest time possible.

The Board and senior management will be reviewing the strategy to ensure the Company exploits further opportunities for intellectual property creation in both product and process fields. This strategy review will also aim to identify and develop the Company's core manufacturing competencies and sustainable competitive advantage.

The Company's existing products in the mining sector offer compelling cost and safety benefits to our customers. Despite the contraction in capital spending in the mining sector in Australia over the reporting period ABT's sales of mining products recorded a steady level.

Building on its market experience in the mining sector ABT has developed a revolutionary new SIBS® Truck Brake. It is expected that this brake will have multiple applications across the global truck industry.

Initially the Company has decided to target the waste compaction segment in Australia. This is because of the expected benefits of substantially reduced servicing costs, more consistent and reliable braking performance and the elimination of noise and dust emissions.

Small quantities of the product are now in use on waste collection vehicles in Western Australia and Queensland. This early roll out is providing valuable feedback to quantify the savings for fleet operators and environmental benefits for communities.

The Company has added marketing resources through the year and has reorganised to increase the management focus on the two critical market segments for growth.

Australia wide total heavy commercial truck sales volume expanded 10% in 2012 – 13 compared to the prior year. It is expected that this trend will continue and possibly accelerate now that the political uncertainty caused by the recent federal election has been resolved.

I am excited by the prospects for ABT in the global market. I look forward to working with management to achieve significant growth in the Company's value.

I would like to thank you, our Shareholders, for your ongoing support of ABT. I intend to ensure that your support is rewarded and I look forward to reporting to you in the future with updates on our progress.

Bruce Grey
Chairman

CHIEF EXECUTIVE OFFICER OPERATING AND FINANCIAL REVIEW

Introduction

The 2013 financial year was one of transition for Advanced Braking Technology (ABT) with the first commercial sales of the revolutionary SIBS® Truck Brake into the waste disposal sector. Preparations are well underway to meet future demand, which should see a new, and potentially large, revenue stream develop as the Company expands beyond its traditional mining focused business.

Despite major cuts in spending throughout the mining sector, ABT saw an increase in total group revenue, a record level of sales in mining in the second half and only a modest reduction in the full year's sales revenue in mining.

Year's Highlights

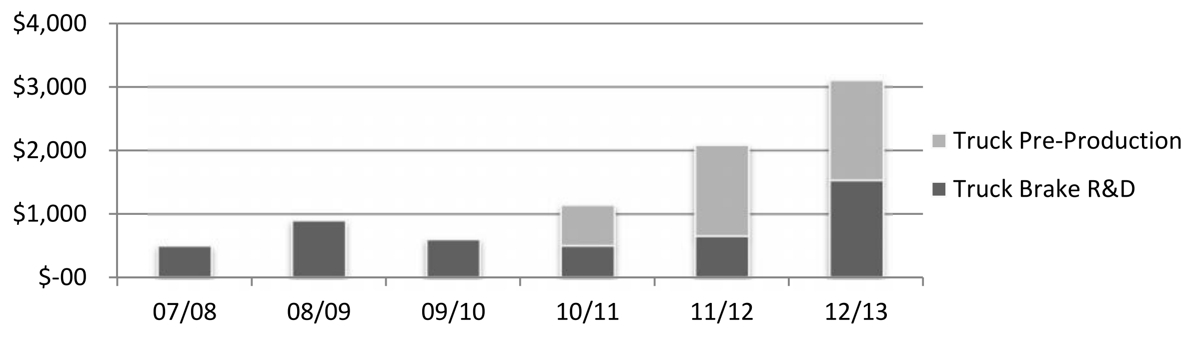
- **Total revenue increases to $8.15m**
- **Mining sales of $5.9 million**
- **Export sales 21% of mining sales**
- **Initial roll out of SIBS® Truck Brake**
- **Establishment of Truck Brake business unit with dedicated marketing staff**

SIBS® Truck Brake

ABT has developed a revolutionary new SIBS® Truck Brake for first application in the waste industry. This product delivers significant "triple bottom line" benefits to fleet operators. These include: substantially reduced servicing costs, more consistent and reliable braking performance and the elimination of noise and dust emissions.

The year in review saw the initial roll out of the SIBS® Truck Brake to commercial and local government operators, the culmination of a five year, $8 million development program. This followed the approval in July 2012 by the Board to commence commercial production. The product is now in use on waste collection vehicles on both the eastern and western seaboards of Australia, delivering tangible savings for fleet operators and environmental benefits for communities.

SIBS® Truck Brake Development Expenditure



Development costs supported by:

- Third Party Funding ($2.5 million)
- Commonwealth CA Grant ($2 million)
- R&D Tax Offsets ($1.1 million)

Total Cost $8.3 million → Net Cost $2.7 million

Strong interest in the SIBS® Truck Brake is now being expressed from a range of waste operators across Australia and major truck suppliers to the industry. The Company is in contact with the majority of waste collection contractors in Australia and has begun a targeted marketing program to local government and other operators. The establishment of a discrete Truck Brake business unit with dedicated marketing staff has resulted in the Company building a tangible sales pipeline for the SIBS® Truck Brake, which it hopes to convert into solid orders and grow significantly in FY14.

CHIEF EXECUTIVE OFFICER OPERATING AND FINANCIAL REVIEW

We have also received interest from other sectors that could benefit from the unique advantages of the SIBS® Truck Brake, however priority is being given to achieving structured and well supported entry into the waste market. It is paramount in the initial roll out, that we have the ability to support any unforeseen field issues in a manner that will enhance the reputation of both the product and the Company.

We strongly believe our SIBS® Truck Brake has the potential to transform ABT and drive significant Shareholder value over the long term. The product's business fundamentals remain compelling:

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

Furthermore, the technical risk associated with the SIBS® Truck Brake is considered to be very low. Our confidence in this assessment is based on:

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

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

- **Significantly extended brake overhaul intervals**

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

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

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

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

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

- **A compelling commercial proposition**

  The SIBS® Truck Brake should provide operators a payback on their initial investment within approximately two years and ongoing annual savings per truck of up to $15,000.

- **Environmental benefits**

  ABT brake technology provides significant benefits to communities where the SIBS® Truck Brake is used by their local garbage operators. Standard braking systems on garbage trucks are a major source of noise pollution. Brake squeal is one of the most cited community complaints, especially by those awoken from brake squeal during early morning bin collections. The SIBS® Truck Brake eliminates all brake squeal.

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

SIBS® Mining Brakes

Advanced Braking offers a range of SIBS® Mining Brakes which allow mine operators to improve the safety, reliability and operating costs of the vehicle they use to support their mining activities.

SIBS® Mining Brakes are available for three vehicle categories;

- **light commercial vehicles, such as Toyota Landcruisers,**
- **medium duty trucks, such as Fuso Canter, and**
- **heavy rigid trucks, such as Mack.**

The key benefits of SIBS® Mining Brakes are;
- **Much reduced wear leading to extended service intervals**
- **Lower temperature operation and elimination of brake fade**
- **Braking components contained in sealed housing**
- **Fail Safe functionality – driver or automatically engaged park/emergency brake**
- **Can be designed for retro-fit to most vehicle types**

As highlighted above, an all-time record second half in the Company's mining division compensated for a weak first half sales result (23% down on prior corresponding period) to bring the full year sales revenue to within 6% of FY12 at $5.94 million.

The full year result, while down on expectations set at the start of the year, demonstrates how established the Company now is in the mining sector, having generated over $18 million of sales in the last 3 years with export sales exceeding 20%.

A key driver in the use of SIBS® Mining Brakes was highlighted in a Queensland Mines and Quarries Safety Performance and Health report released in December 2012 that cited "loss of control/unplanned movements" of vehicles was the highest category of reported "High Potential Incidents" in the industry.

The use of SIBS® Mining Brakes goes a long way to eliminating this risk and is the reason many mining companies and contractors have made SIBS® Mining Brakes mandatory on their vehicle fleet.

The mining business continues to play an important part in the Company's business. It serves as an important source of capital that is being leveraged to enter the larger market for truck brakes. Mining is also where the technology had its roots, was perfected and where it continues to deliver value to ABT's customers.

Importantly the mining business has established the business model, supply base and support infrastructure which can be expanded so the Company can enter new markets. The Company's manufacturing operations in Thailand are currently supplying four continents with our products with capacity in the supply chain increased this last year to cater for future growth.

Financial Results

Total revenue in the year for the Group increased 2.3% to $8.15 million and a loss after tax of $920,000 was recorded compared to a loss last year of $123,000.

The Mining Sales side of the business had revenues totalling $6.037 million made up of external sales of $5.94 million and other income of $97k. Cost of sales, operating expenses and depreciation totalling $4.68 million resulted in a segment profit before tax of $1.36 million.

The Engineering Services division, responsible for all Group development activities including both mining and truck brake ongoing developments, had revenue that was primarily grant and R&D incentives of $2.12 million. Expenditure including depreciation was $5.11 million and an amount of $1.071 million was capitalised as pre-production activity relating to the SIBS® Truck Brake. This segment recorded a net loss of $1.92 million.

CHIEF EXECUTIVE OFFICER OPERATING AND FINANCIAL REVIEW

Amounts not attributed to the segments, including amortization, finance cost and legal fees totalling $356k bring the loss before tax to $920,000.

From a cash flow perspective, net cash used from operations for the 12 month period was $619k compared to $415k used the previous year. The cash balance at year's end was $1.197 million. Included in the investment activities for the 12 month period was the purchase of property, plant and equipment of $315k and the capitalised pre-production activity of $1.071 million.

Included in the current assets at year end is inventory of $2.094 million, down $131k on the previous year. Current and non-current interest bearing liabilities totalled $646k and comprised hire purchase and lease arrangements, primarily for test vehicles and equipment. Net assets reduced by $545k to $9.103 million this year.

On the 26th July 2012 the Shareholders approved at a General Meeting the issue of 17,300,000 shares to Directors of the Company, Mr David Slack and Mr Kenneth Johnsen, at an issue price of $0.017. This share issue was part of a $2.4 million capital raising for the issue of 143 million shares at $0.017 announced on the 24th April 2012 and was that component of the capital raising that required Shareholder approval in order to issue shares to Directors.

During August 2013 the Company raised $2.295 million in an oversubscribed convertible note issue. Of this $500k was received from a related party and is subject to shareholder approval. The prime reason for this capital raising was to ensure the Company has sufficient working capital to support the commercial roll out of the SIBS® Truck Brake. Funding was required to support the inventory build-up ahead of anticipated sales, the establishment of customer support and training infrastructure and the investment in tooling required to produce the production parts. Combined with the expected cash contribution from ongoing sales in the mining sector, the Company believes it has sufficient capital to fund its entry into the waste sector.

An R&D Tax credit of $1.25 million is expected as a cash payment following lodgement of the Company's 2013 tax return.

Legal Matter

On August 23rd 2012 the Company announced that it had successfully defended an action taken against the Company in the NSW District Court.

The litigation began in 2009 and successfully concluded in the Company's favour on 22 August 2012.

The proceedings dealt with an allegation that a Mr Roger Cowan had loaned $300,000 to the Company in 2003 and that this money had not been repaid. The action was taken by two companies associated with Mr Cowan, MSPR Pty Ltd and Phyro Holdings Pty Ltd.

ABT's position was that it had never recorded the amount in its books as a loan and the funds received by the Company were related to the subscription for shares in the Company arising out of a fully underwritten rights issue in 2003.

Costs were awarded in favour of ABT Ltd.

Subsequent to this on the 22nd November 2012 the Plaintiffs in the matter lodged a Notice of Appeal in the NSW Supreme Court. The appeal hearing date is scheduled for 18th November 2013.

The Company and its legal advisors remain confident of a successful outcome to the matter and the recovery of costs.

Outlook

The coming year should see sales of our new SIBS® Truck Brake flowing through, supporting the mining division, which has proven resilient even during tightened economic conditions.

Mining sales are expected to remain volatile so the addition of SIBS® Truck Brake sales should assist in smoothing out the mining peaks and troughs. However opportunities to grow mining sales are ever present.

Many major projects are under construction. On completion these projects will add significant volumes to mining production and exports. With the increased emphasis on both mine operating costs and safety, the bottom line benefits of SIBS® Mining Brakes become more compelling. The mining division is actively engaged with customer activity that, if successful, will generate solid sales this coming year over and above recurring business. The changing landscape of vehicle types in the mining sector requires close scrutiny and adaptability, providing some good opportunities for the Company.

The addition of the SIBS® Truck Brake to the product suite should provide some substantial economies of scale within the Company's supply base in Thailand, thereby reducing supply costs. The weakening Australian Dollar is having some impact on the Company's cost base however the economies of scale and other cost reduction initiatives are expected to offset the impact of the weaker dollar.

The Company is focusing on successful product market entry where the delivery of a high quality and robust SIBS® Truck Brake will take priority over absolute volumes of sales in the coming year. This will provide a strong customer base on which to grow much higher volumes in the coming years. The Australian market will be targeted initially with preparations beginning through the year on developing strategies to enter overseas markets. Exciting times are ahead for the Company.

Acknowledgements

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

I would also like to thank the entire Board for their support of the management team. In particular, my appreciation is extended to the outgoing Chairman Mr David Humann, who during his seven year tenure has overseen a fivefold increase in revenues and the development of a revolutionary truck brake.

I also extend my appreciation to the contribution of Professor Malcolm Richmond who retired his Board position in April 2013 after six and a half years on the Board.

I welcome Mr Bruce Grey as the incoming new Chairman and Mr Adam Levine who was appointed to the Board in April 2013.

Ken Johnsen
Chief Executive Officer and Managing Director
11 September 2013

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

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

ASX BEST PRACTICE RECOMMENDATIONS

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

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

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

THE BOARD OF DIRECTORS

Role of the Board

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

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

The Board evaluates this policy on an ongoing basis.

Board composition

The Directors' report contains details of the Directors' skill, experience and education. The Board seeks to establish a Board that consists of Directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. In particular the Board seeks a cross section of experience in commerce, technology and in related industry sectors as well as experience on Boards of other public listed companies. To maintain the balance of skills and experience, the Company's policy is that non-executive Directors should serve at least 3 years. At the completion of the first 3 years, the position of the Director is reviewed to ascertain if circumstances warrant a further term.

At 30 June 2013 Mr Bruce Grey was appointed to the Board of Directors. Subsequent to the year-end Mr David Humann indicated to the Board his intention to retire from the Board subsequent to the date of this report. The Board normally comprises three non-executive Directors and one executive Director but for a period from 30 June 2013 to the date of this report it comprised four non-executive directors. Details of the Directors are set out in the Directors' Report.

The Board requires that the Chairperson should be an independent director and that the role of Chairperson and Chief Executive Officer should not be exercised by the same individual. The role of the Chairperson has been fulfilled during the financial year ended 30 June 2013 by Mr David Humann and the role of Chief Executive Officer has been fulfilled by Mr Ken Johnsen. Subsequent to the year-end Mr Bruce Grey replaced Mr David Humann as Chairman.

Appointment of Directors

The Board is primarily responsible for identifying potential new Directors but has the option to use an external consulting firm to identify and approach possible new candidates for Directorship. The Directors may at any time appoint a person to be a Director, but the total number of Directors may not at any time exceed the maximum number specified in the Constitution of the Company (currently nine) and any Director so appointed holds office only until the next following Annual General Meeting when they are eligible for re-election.

Retirement and re-election of Directors

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

Independence of Directors

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

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

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

Name	Position
Mr David Humann	Non-executive Director, Outgoing Chairman
Mr Bruce Grey (appointed 30 June 2013)	Non-executive Director, Incoming Chairman
Mr Adam Levine (appointed 9 April 2013)	Non-executive Director
Mr Malcolm Richmond (retired 1 April 2013)	Non-executive Director

Independent professional advice

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

Board performance review

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

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

DIRECTORS’ REMUNERATION

Details of the Company’s remuneration policies are included in the Remuneration Report section of the Directors’ Report and in Note 5.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

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

SENIOR EXECUTIVES

The Board has delegated the operation and administration of the group to the Managing Director and the senior executive team. Their performance is assessed formally by the Board on an annual basis both subjectively and by measuring performance against Key Performance Indicators. Performance evaluations were completed in 2013 in accordance with the policy.

DIVERSITY POLICY

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

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

	Actual 2013		Objectives 2014	
	No.	%	No.	%
Women on the Board	-	-	-	-
Women in senior executive positions	1	50%	1	50%
Women employees in the Company	14	25%	18	25%

MANAGING BUSINESS RISK

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

INTERNAL CONTROLS

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

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

AUDIT COMMITTEE

The Board has established an Audit Committee consisting of two non-executive Directors, Mr David Slack (Chairperson) and, during the year ended 30 June 2013, Mr David Humann. The Audit Committee has a formal charter. Meetings are held as required between the Audit Committee, the Company's Chief Financial Officer and the auditors to discuss the Company's ongoing activities and to discuss, where appropriate, any proposed changes prior to their implementation and to seek advice in relation thereto.

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

REMUNERATION COMMITTEE

During the year the Board established a Remuneration Committee. This role was previously performed by the Board. The Remuneration Committee has a formal charter. The role of the remuneration committee is to assist the Board in the general application of the remuneration policy. In doing so, the remuneration committee is responsible for:

- developing remuneration policies for Directors and KMP, with the assistance, as necessary, of independent external consultants;
- reviewing KMP remuneration packages annually and, based on these reviews, making recommendations to the Board on remuneration levels for KMP; and
- assisting the Chair in reviewing KMP performance and reporting to the Board on KMP performance.

During the year ended 30 June 2013, the Remuneration Committee comprised two non-executive Directors, Mr David Slack (Chairperson) and Mr David Humann.

Their qualifications and their attendance at meetings of the committee are included in the Directors' report.

There are no schemes for retirement benefits for Directors other than statutory superannuation arrangements for non-executive/independent Directors.

NOMINATIONS COMMITTEE

During the year the Board established a Nominations Committee. This role was previously performed by the Board. The Nominations Committee has a formal charter.

The role of the Nomination Committee is to assist the Board in ensuring that the Board comprises directors with a range and mix of attributes appropriate for achieving its objective. The committee assists the Board by:

- reviewing the skills and expertise of directors and identifying potential deficiencies;
- identifying suitable candidates for the Board, with the assistance of independent recruiting agencies;
- overseeing Board and Director reviews; and
- establishing succession planning arrangements.

During the year ended 30 June 2013, the Nominations Committee comprised two non-executive Directors, Mr David Slack (Chairperson) and Mr David Humann.

Their qualifications and their attendance at meetings of the committee are included in the Directors' report.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

ETHICAL STANDARDS

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

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

TRADING IN THE COMPANY'S SECURITIES BY DIRECTORS AND EMPLOYEES

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

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

CONTINUOUS DISCLOSURE

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

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

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

SHAREHOLDERS

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

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

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

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

ASX BEST PRACTICE RECOMMENDATIONS

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

Recommendation 2.1: A majority of the Board should be independent Directors.
As one of the non-executive directors is a major Shareholder in the Company, and one of the directors is an executive of the Company, the Board is not normally comprised of a majority of independent directors, which is a departure from ASX Corporate Governance Council best practice recommendation. For the period between 30 June 2013, when Bruce Grey was appointed, and the date of this report the Board did have a majority of independent directors. The Board considers its current composition is the most appropriate blend of skills and expertise, relevant to the Company's business. The Board will review this on an on-going basis.

Recommendation 2.4 The Nominations Committee should be structured so that it:

- *consists of a majority of independent directors*
- *is chaired by an independent director*
- *has at least three members*

The Nominations Committee comprises only two Directors, only one of whom is considered to be independent (see "Independence of Directors" above). The non-independent Director is also the Chairperson of the audit Committee.
Consequently the committee does not comply with the ASX's *Corporate Governance Principles and Recommendations* during the period.
Having regard to the number of members currently comprising the Company's Board, the Board considers the size and composition of the Nominations Committee to be appropriate. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 4.2: The Audit Committee should be structured so

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

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

Recommendation 8.1: The Remuneration Committee should be structured so that it

- *consists of a majority of independent directors*
- *is chaired by an independent director*
- *has at least three members*

During the year ended 30 June 2013, the remuneration committee comprised two non-executive Directors, Mr David Slack (Chairperson) and Mr David Humann. Since Mr David Slack is not an independent director the Committee does not consist of a majority of independent directors and it is not chaired by an independent director. Also it does not have at least three members. Consequently the committee does not comply with the ASX's *Corporate Governance Principles and Recommendations* during the period.

Having regard to the number of members currently comprising the Company's Board, the Board considers the size and composition of the Audit Committee to be appropriate. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

DIRECTORS' REPORT

The Directors of Advanced Braking Technology Ltd submit herewith the annual financial report for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Mr David Humann *Outgoing Chairman*, Appointed 28 August 2006

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

Professor Malcolm Richmond *Non-Executive Director*, Appointed 28 August 2006, Retired 1 April 2013

Professor Richmond was, until recently, visiting Professor of Business and Professor of Engineering at the University of Western Australia and was formerly Adviser Technology Commercialisation at Curtin University. During the year he was a Director of Water Resources Group Ltd, Argonaut Resources NL, Strike Resources Limited and Cuervo Resources Inc (listed on Canadian National Stock Exchange). He was formerly Chairman of Territory Iron Limited.

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

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

Mr Johnsen joined the Company as Chief Executive Officer on 9 September 2005. Mr Johnsen has over 40 years' experience in the development and licensing of advanced technology for the automotive industry. He has held senior management roles in both Australia and the USA with Orbital Corporation Ltd and served on the Orbital Board for 13 years. He is a Fellow of the Australian Institute of Company Directors.

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

Mr Slack is the Managing Partner and Investment Manager - Small Companies for Karara Capital Limited. Over the past 30 years Mr Slack has made a significant contribution to the Australian funds management industry. Notably he was the co-founder and Joint Managing Director of Portfolio Partners, which had $5.3 billion in funds under management when it was sold to Norwich Union in 1998. Prior to that, Mr Slack was a founding executive Director of County NatWest Investment Management, where he was Head of Australian Equities. He was formerly a non-executive Director of the Victorian Funds Management Corporation and until 2007 was its deputy Chairman and Chair of the Board Investment Committee. David has a Bachelor of Economics degree with Honours and is a Fellow of FINSIA. He is a Member of the Australian Institute of Company Directors.

Mr Adam Levine *Non-Executive Director, Appointed 9 April, 2013*

Mr Levine, a lawyer by profession, has over 17 years national and global experience in structuring and executing private equity investments and corporate finance transactions both as legal advisor and a principal investor. He is the Managing Principal and founder of Rockwell Olivier (Melbourne), a law firm with offices in Australia and the Asia Pacific and affiliate offices in India and the United States.

Mr Levine is also the Executive Chairman of Rockwell Financial Services Group, a boutique integrated wealth management business, and the holding company of Australian Stock Report Limited, and Flinders Australia Limited, and holding a key stake in FMD Financial Pty Ltd, with offices across Australia.

DIRECTORS' REPORT

Mr Levine's extensive international business experience covers the Transport and Aviation industries, Electrical Manufacturing, Financial Services, Advertising and Technology industries. His current directorships include Rockwell Financial Services Group Pty Ltd, Rockwell Corporate Pty Ltd, Rockwell Bates Pty Ltd, Rockwell Investments Pty Ltd, Flinders Australia Limited, Australian Stock Report Limited, FMD Financial Pty Ltd, Autohorizon Limited, Autohorizon Education Limited and a number of other private companies. Mr Levine is also the founder and Chair of the Rockwell Foundation, a private ancillary fund, which focuses on supporting opportunities for less privileged youth.

Mr Bruce Grey *Non-Executive Director, Incoming Chairman*, Appointed 30 June 2013

Mr Grey is currently Managing Director of Advanced Manufacturing CRC Limited and a Non-Executive Director of CAP XX listed on the Alternative Investment Market of the London Stock Exchange. He has been an Executive Director of two Australian public companies, was Chairman of a German JV between Bishop Technology Group Limited and Mercedes-Benz Lenkungen GmbH for 10 years and was Chairman of the Federal Government's Advanced Manufacturing Action Agenda. Mr Grey also served as a member of the Federal Government's Future Manufacturing Industry Innovation Council until June 2012.

Mr Grey is a Fellow of the Australian Academy of Technological Sciences and Engineering and is a member of the Advisory Board for the Platform Technologies Research Institute at RMIT University. He is also a Director of the Murdoch Children's Research Institute and Chairman of the Expert Advisory Panel for the Victorian Government's Technology Voucher Program. In March 2012 he was appointed a member of the Federal Government's Clean Technology Investment Committee. He is a Member of the Australian Institute of Company Directors.

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:

Name	Company	Period of Directorship
David Humann	India Resources Ltd (re-appointed)	2006 – 2008 and 2010 – to date
	Logicamms Ltd	2008 – 2011
	Mincor Resources NL	1999 – to date
Malcolm Richmond (retired 1 April 2013)	Argonaut Resources NL	2012 – to date of retirement
	Cuervo Resource Inc, (listed on Canadian National Stock Exchange)	2011 – to date of retirement
	Mil Resources Ltd	2001 – 2012
	Strike Resources Limited	2006 – to date of retirement
	Structural Monitoring Systems Ltd	2006 – 2010
Mr Bruce Grey	CAP-XX Ltd (listed on the Alternative Investment Market of the London Stock Exchange)	2012 to date

Company Secretary

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

Principal activities

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

Operating results

The results of the Consolidated Group for the year ended 30 June 2013 were a loss from continuing activities, after income tax, of $920,000 (2012: loss of $123,000) and a total comprehensive loss of $849,000 (2012: loss of $109,000). Revenues from trading activities were $5,978,000 for the year ending 30 June 2013 compared with $6,299,000 for the year ending 30 June 2012. Revenues from other activities were $2,175,000 for the year ended 30 June 2013 compared with $1,669,000 for the year ended 30 June 2012.

DIRECTORS' REPORT

Dividends

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

Summary of material transactions

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

- Legal proceedings
  On 23 August 2012 the Company announced that it had successfully defended an action taken against the Company in the NSW District Court. The litigation began in 2009 and was successfully concluded by a judgement in the Company's favour on 22 August 2012. The proceedings dealt with an allegation that a Mr Roger Cowan had loaned $300,000 to the Company in 2003 and that this money had not been repaid. The action was taken by two companies associated with Mr Cowan, MSPR Pty Ltd and Phyro Holdings Pty Ltd. Advanced Braking Technology's position was that it had never recorded the amount in its books as a loan and the funds received by the Company were related to the subscription of shares arising out of a fully underwritten rights issue in 2003. Costs were awarded by the court in favour of Advanced Braking Technology Ltd. Subsequent to this on the 22 November 2012 the Plaintiffs in the matter lodged a Notice of Appeal in the NSW Supreme Court. The appeal hearing date is scheduled for 18 November 2013. The Company and its legal advisors remain confident of a successful outcome to the matter and the recovery of costs.

Significant changes in the state of affairs

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

Events subsequent to balance date

Legal Proceedings: See Legal proceedings under Summary of Material Transactions note above which refers to the appeal hearing date scheduled for 18 November 2013.

Convertible Note Issue: On 15 August 2013 the Company issued 17,950 unlisted convertible notes with a face value of $100 per note, bearing interest at 12% per annum, convertible into shares at $0.022 per share up to three years after the issue date, and raising an amount of $1,795,000 before costs. The issue had been offered to sophisticated, experience or professional investors. A further 5,000 convertible notes were subscribed for by a Related Party, being an entity associated with Mr David Slack, a Director of the Company, and the issue of these convertible notes is subject to Shareholder approval which will be sought at the Annual General Meeting. If Shareholder approval is not obtained subscription monies advanced by the Related Party will be returned to them. Funds raised in the convertible note issue will be used to fund the commercial roll out of the SIBS® truck brake and for general working capital purpose.

Unissued Shares

At the date of this report there were 4,500,000 unissued shares relating to share options. At the date of this report share option holders do not have any right, by virtue of the option, to participate in dividends or any new share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

At the date of this report there are 17,950 convertible notes on issue. These may be converted to shares at any time prior to the maturity date of 15 August 2016 at the request of the note holder, or will automatically be converted into shares on the maturity date. The number of shares issued under each convertible note will be calculated by dividing the face value of $100 by $0.022. If the note holders convert the maximum number of 17,950 convertible notes, then assuming the conversion price remains at $0.022, then 81,590,909 shares would be issued.

Future developments

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

DIRECTORS' REPORT

Directors' interests

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

Director	Ordinary shares
D Humann	14,078,323
D Slack	156,132,883
K Johnsen	3,559,818
A Levine	2,000,000
B Grey	-

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

Director	Unlisted options
D Humann	-
D Slack	-
K Johnsen	4,500,000
A Levine	-
B Grey	-

Directors' meetings

During the financial year there were 16 meetings of Directors, including committees of Directors but excluding circulating and written resolutions.

The attendances of the Directors at these meetings were:

	Directors' Meetings		Audit Committee		Nomination Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
B Grey	-	-	-	-	-	-	-	-
D Humann	10	9	2	2	2	2	2	2
M Richmond	7	7	-	-	-	-	-	-
D Slack	10	10	2	2	2	2	2	2
A Levine	2	2	-	-	-	-	-	-
K Johnsen	10	9	-	-	-	-	-	-

REMUNERATION REPORT

This remuneration report for the year ended 30 June 2013 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

- **Individual key management personnel disclosures**

Details of KMP of the Parent and Group are set out below.

Key Management Personnel

Directors:

David Humann		Outgoing Chairman (non-executive)
Bruce Grey	appointed 30 June 2013	Incoming Chairman (non executive)
Malcolm Richmond	retired 1 April 2013	Director (non-executive)
David Slack		Director (non-executive)
Adam Levine	appointed 9 April 2013	Director (non-executive)
Kenneth Johnsen		Chief Executive Officer (and executive Director)

Executives / other key management personnel:

Clare Madelin	Company Secretary and Chief Financial Officer
Sam Leighton	General Manager

Changes to KMP after reporting date and before the date the financial report was authorised for issue.

On 1 July 2013 Mr S Leighton moved into a new role as General Manager - Truck Brake and Mr Martin Johnston was appointed General Manager - Mining. On 22 July 2013 Mr Dale Waters was appointed Director of Business Development.

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

- **Board Oversight of Remuneration**

Remuneration Committee

During the year, a Remuneration Committee was established to make recommendations to the Board on remuneration policy and to recommend salary increases and short and long term incentives for executive Directors and specified executives.

Remuneration Policy

The remuneration policy of the Company is to pay executive Directors and specified executives at market rates which are sourced from average wage and salary publications 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.

- **Non-executive Director remuneration arrangements**

Remuneration policy

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

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

The Board will not seek any increase for the non-executive Directors' pool at the 2013 AGM.

Structure

The remuneration of non-executive Directors consists of directors' fees. There are no schemes for retirement benefits for non-executive Directors other than statutory superannuation and non-executive Directors do not participate in any incentive programs. Other than the Chairman, each non-executive Director received a base fee of $55,000 per annum (pro-rated as appropriate) plus the superannuation guarantee contribution. The Chairman received a base fee of $92,650 but did not receive any superannuation guarantee contribution.

- **Executive remuneration arrangements**

Remuneration level and mix

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

Structure

In the 2013 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable remuneration

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

Remuneration component	Payment Vehicle	Purpose	Link to performance
Fixed remuneration	Represented by total employment cost (TEC). Comprises base salary, plus superannuation contributions.	Set with reference to role, market and experience.	Based on annual appraisal and reference to market rates.
Short term incentive component (STI)	Paid in cash or share based incentives for KMPs. During FY13 year there was no share based scheme in place. Employee share grant of up to $1,000 in shares (excluding executive and non-executive Directors).	Rewards executives for their contribution to achievement of Group and business unit outcomes.	Linked to specified key performance indictors including group performance such as sales revenue, profit targets, performance against budget and individual targets such as inventory and receivables turnover.
Long term incentive component (LTI)	Paid in cash.	Rewards executives for their contribution to achievement of Group .	Linked to key performance indicators at the judgement and discretion of the Board of Directors.

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

DIRECTORS' REPORT

- **Details of emoluments**

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

		Primary	*STI*	*Post Employment*	*Total*
		Salary & Fees	**Cash bonus**	**Super**	
Directors	**Year**	$	$	$	$
B Grey	**2013**	**-**	**-**	**-**	**-**
	2012	n/a	n/a	n/a	n/a
D Humann	**2013**	**92,650**	**-**	**-**	**92,650**
	2012	92,650	-	-	92,650
M Richmond	**2013**	**42,096**	**-**	**3,789**	**45,885**
	2012	55,000	-	4,950	59,950
D Slack	**2013**	**55,000**	**-**	**4,950**	**59,950**
	2012	55,000	-	4,950	59,950
A Levine	**2013**	**12,375**	**-**	**1,114**	**13,489**
	2012	n/a	n/a	n/a	n/a
K Johnsen	**2013**	**347,750**	**-**	**25,000**	**372,750**
	2012	341,971	70,000	30,777	442 ,748
Total	**2013**	**549,871**	**-**	**34,853**	**584,724**
Total	2012	544,621	70,000	40,677	655,298

		Primary	*STI*	*STI*	*LTI*	*Post Employ-ment*	*Equity*	*Total*
		Salary & Fees	*Sales Commission*	*Cash Bonus*	*Cash Bonus*	*Super*	*Shares*	
Executives	**Year**	$	$	$	$	$	$	$
C Madelin	**2013**	**188,272**	**-**	**6,422**	**5,046**	**17,977**	**1,000**	**218,717**
	2012	184,500	-	8,538	5,223	17,844	1,000	217,105
S Leighton	**2013**	**188,323**	**18,380**	**-**	**15,000**	**18,603**	**1,000**	**241,306**
	2012	168,449	40,155	22,735	9,174	21,646	1,000	263,159
Total	**2013**	**376,595**	**18,380**	**6,422**	**20,046**	**36,580**	**2,000**	**460,023**
Total	2012	352,949	40,155	31,273	14,397	39,490	2,000	480,264

Bonuses to Directors and Executives are recognised above in the year in which they are paid. Bonuses earned in the year to 30 June 2013 are detailed below. All include related superannuation contributions. Cash and share bonuses were approved by the Board on 22 August 2013 and were accrued at 30 June 2013. Sales commissions are paid quarterly and were paid in part during the year ended 30 June 2013. The final quarter is accrued at 30 June 2013.

Bonuses Earned in the year ended 30 June 2013

	Sales Commission	**STI-Cash bonus including any related superannuation contributions**			**LTI-Cash bonus including any related superannuation contributions**			**Equity**	**Total STI's and LTI's re 2013**
		Payable	**Vested in year**	**Forfeited in year**	**LTI Cash bonus**	**Vested in year**	**Forfeited in year**	**Shares**	
	$	**$**	**%**	**%**	**$**	**%**	**%**	**$**	**$**
Directors									
Mr K Johnsen	-	12,106	11%	89%	21,792	39%	61%	-	**33,898**
Executives									
Ms C Madelin	-	30,910	60%	40%	7,725	25%	75%	1,000	**39,635**
Mr S Leighton	15,807	-	0%	0%	12,586	44%	56%	1,000	**29,393**

- **Securities Received that are not Performance Related**

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package, other than up to $1000 of shares under an employee share grant (ESG shares). In 2013 no ESG shares were issued during the year but their issue to qualifying employees in respect of 2013 was approved by the Board on 22 August 2013. Qualifying employees included executives but excluded all Directors.

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

The terms and conditions relating to sales commission and bonuses paid or granted as remuneration during the year to executive Directors and key management personnel during the year, and accrued at 30 June 2013 where not yet paid, are as follows:

Mr Johnsen:
No incentive payments were paid during the year ended 30 June 2013.
The following incentive payments, inclusive of any superannuation contributions, were approved on 22 August 2013 and have been accrued at 30 June 2013:

- a short term incentive bonus of $12,106 relating to performance in 2013, and
- a long term incentive payment of $21,792 relating to performance in 2013.

Ms Madelin: received the following incentive payments:

- a short term incentive bonus of $7,000 ($6,422 cash plus $578 superannuation contribution) relating to performance in 2012, paid in the year ended 30 June 2013, and
- a long term incentive payment of $5,500 ($5,046 cash plus $454 superannuation contribution) relating to performance in 2012, paid in the year ended 30 June 2013.

In addition the following incentive payments, inclusive of any superannuation contributions, were approved on 22 August 2013 and have been accrued at 30 June 2013:

- a short term incentive bonus of $30,910 relating to performance in 2013, and
- a long term incentive payment of $7,725 relating to performance in 2013, and
- $1,000 of shares under an employee share grant.

Mr Leighton: Received the following incentive payments:

- A short term incentive sales commission calculated at a percentage of qualifying sales revenue. Commission of $5,625 ($5,161 cash plus $464 superannuation contribution) was paid for the last quarter of 2012 at 0.5% of sales. Commission of $15,807 ($14,499 cash plus $1,308 superannuation contribution) was payable for 2013, of which $14,408 ($13,219 plus $1,190 superannuation) was paid in the year and $1,398 ($1,280 plus $118 superannuation) was accrued at 30 June 2013. The percentage at which it was calculated, before superannuation contribution, was 0.5% of qualifying sales revenue in excess of $3m, and
- a long term incentive bonus of $15,000 ($15,000 cash payment plus $nil superannuation contribution) relating to performance in 2012, paid in the year ended 30 June 2013.

In addition the following incentive payments, inclusive of any superannuation contributions, were approved on 22 August 2013 and have been accrued at 30 June 2013:

- a long term incentive bonus of $12,586, relating to performance in 2013, and
- $1,000 of shares under an employee share grant.

- **Employment Contracts**

Mr K Johnsen, Ms Madelin and Mr Leighton are employed through employment contracts. Under the terms of the Employment Contract with Mr Johnsen both parties are required to provide 6 months' notice to terminate the agreement. The Employment Contracts for Ms Madelin and Mr Leighton require both parties to provide one month's notice to terminate the contract.

- **Response to the Shareholders' vote against the Remuneration Report at the 2012 Annual General Meeting**

At the 2012 Annual General Meeting held on the 23rd October 2012 a resolution to adopt the Remuneration Report was decided on a poll and the resolution was not passed as more than 25% of the vote was cast against the resolution.

DIRECTORS' REPORT

To address the concerns expressed by Shareholders the Board established a Remuneration Committee during the year. This role was previously performed by a subcommittee of the Board. The Remuneration Committee considered and approved the 2013 executive STI and LTI incentive payments prior to the date of the Annual Report and precise disclosure of amounts paid to executives in relation to FY2012 and to be paid in relation to FY2013 is included in the Remuneration Report. There were no STI payments to executive Directors relating to FY2012. Appropriate accruals were made in the accounts for those amounts not yet paid relating to FY2013.

It was determined by the Committee that the Directors' fees were appropriate and no increases have been made to Directors' individual remuneration and new Directors are being remunerated at the same rate as is disclosed for current Directors in the Remuneration Report. In addition, Remuneration Strategies Group Pty Ltd was retained to review executive remuneration and to assist in the design of short and long term executive incentive schemes which will include a share based component.

Environmental regulation

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

Indemnification and Insurance of Directors, Officers and Auditor

During the course of the year the Company has paid $11,171 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:

	CONSOLIDATED GROUP	
	2013	**2012**
AUDITOR'S REMUNERATION	**$'000**	**$'000**
Remuneration of the auditor of the Consolidated Group for:		
Auditing the financial statements	42	41
Other services	21	14
	63	55
Remuneration of the auditor of Safe Effect (Thailand) Co. Ltd	4	4

DIRECTORS' REPORT

Rounding of Amounts

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

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

Ken Johnsen
Chief Executive Officer and Managing Director
11 September 2013

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 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.

Suan-Lee Tan	MOORE STEPHENS
Suan-Lee Tan	**Moore Stephens**
Partner	**Chartered Accountants**

Signed at Perth this 11th day of September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	CONSOLIDATED GROUP 2013 $'000	2012 $'000
Revenues from trading activities		5,978	6,299
Revenues from other activities	2	2,175	1,669
Total revenue		8,153	7,968
Cost of sales		(2,312)	(2,461)
Amortisation of IP		(199)	(199)
Bad and doubtful debts		(124)	60
Borrowing costs		(52)	(73)
Computer related expenses		(66)	(52)
Consulting fees		(566)	(640)
Consumables and minor equipment		(351)	(370)
Depreciation expense		(372)	(220)
Employee expenses		(4,523)	(3,931)
Insurance		(153)	(100)
Legal fees		(116)	(277)
Marketing and advertising expenses		(57)	(68)
Patents		(131)	(40)
Property expenses		(381)	(331)
Share options cost		(10)	(22)
Telephone and other communication		(45)	(37)
Travel and accommodation		(257)	(213)
Write-off of prototype fixed assets consumed in product development		(139)	-
Other expenses		(290)	(369)
Overheads capitalised as development and pre-production activities		1,071	1,252
Total expenses		(9,073)	(8,091)
(Loss) from continuing activities before related income tax benefit	3	(920)	(123)
Income tax credit	4	-	-
(Loss) from continuing activities after related income tax benefit		(920)	(123)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation		71	14
Total comprehensive (loss) for the period		(849)	(109)
		cents	cents
Basic profit / (loss) per share (cents)	7	(0.08)	(0.01)

A diluted earnings per share has not been shown for either 2013 or 2012 as it would dilute the actual loss per share attributable to existing Shareholders.

Notes to the financial statements are included on pages 32 to 67.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

		CONSOLIDATED GROUP	
		2013	2012
	NOTES	$'000	$'000
CURRENT ASSETS			
Cash and Cash equivalents	8	1,197	2,925
Trade and other Receivables	9	838	797
Inventories	10	2,094	2,225
Other current assets	11	1,424	839
Total current assets		5,553	6,786
NON-CURRENT ASSETS			
Trade and other Receivables	9	32	31
Property, plant and equipment	13	974	1,162
Intangibles	14	4,497	3,625
Total non-current assets		5,503	4,818
TOTAL ASSETS		11,056	11,604
CURRENT LIABILITIES			
Trade and other Payables	15	891	848
Interest bearing liabilities	16	251	89
Provisions	17	252	223
Share Application funds held in trust	18	-	294
Deferred Income	19	106	23
Total current liabilities		1,500	1,477
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	16	395	317
Provisions	17	58	74
Deferred Income	19	-	88
Total non-current liabilities		453	479
TOTAL LIABILITIES		1,953	1,956
NET ASSETS		9,103	9,648
EQUITY			
Issued Capital	20	45,447	45,153
Foreign Currency Reserve	21	(167)	(238)
Other Reserves	21	740	730
Accumulated losses	22	(36,917)	(35,997)
TOTAL EQUITY		9,103	9,648

Notes to the financial statements are included on pages 32 to 67.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

		CONSOLIDATED GROUP	
		2013	**2012**
	NOTES	**$'000**	**$'000**
Net cash flows from operating activities			
Receipts from customers		7,867	8,202
Payments to suppliers, consultants & employees		(8,479)	(8,642)
Borrowing costs		(52)	(73)
Interest received		45	98
Net cash provided by / (used in) operating activities	25	(619)	(415)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		31	19
Purchase of property, plant and equipment		(315)	(647)
Development and Pre-production expenditure capitalised		(1,071)	(1,252)
Net cash (used in) investing activities		(1,355)	(1,880)
Cash flows from financing activities			
Proceeds from borrowings		534	371
Costs of issuing shares		-	(120)
Proceeds from issue of shares		-	2,137
Share Application funds held in trust		-	294
Finance lease and HP repayments		(293)	(200)
Net cash provided by financing activities		241	2,482
Net increase / (decrease) in cash and cash equivalents held		(1,733)	187
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies		5	1
Cash and Cash equivalents at the beginning of the financial year		2,925	2,737
Cash and Cash equivalents at the end of the financial year	8	1,197	2,925

Notes to the financial statements are included on pages 32 to 67.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Attributable to equity holders of the parent			
	Issued Capital	Accumulated Losses	Other Reserves	Total
	$'000	$'000	$'000	$'000
CONSOLIDATED GROUP				
At 1 July 2012	45,153	(35,997)	492	9,648
Foreign currency translation	-	-	71	71
Loss for the year	-	(920)	-	(920)
Total comprehensive income / (loss) for the year	-	(920)	71	(849)
Cost of share-based payment	-	-	10	10
Issue of ordinary shares	294	-	-	294
Total transactions with owners	294	-	10	304
At 30 June 2013	45,447	(36,917)	573	9,103

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

Notes to the financial statements are included on pages 32 to 67.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of Directors on 11 September 2013.

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

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

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

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial report is presented in Australian dollars. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

(a) Principles of Consolidation

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

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

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

Business combinations

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

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

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

All transaction costs incurred in relation to the business combination are expensed as incurred.

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

(b) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

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

(c) Cash and Cash Equivalents

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

(d) Goods and Services Tax (GST)

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

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

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

(e) Impairment of Assets

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

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

(f) Income Tax

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

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

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

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

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

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

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

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

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

(g) Financial Instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

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

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

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

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

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

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

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

ii) *Loans and receivables*

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

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

iii) *Held-to-maturity investments*

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

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

iv) *Available-for-sale financial assets*

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

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

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

v) *Financial liabilities*

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

Derivative Instruments

The Group designates certain derivatives as either:

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

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

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

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

i) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognised in profit or loss together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

ii) *Cash flow hedge*

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

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

Impairment

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

Financial guarantees

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

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

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

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

De-recognition

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

(h) Provisions

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

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

(i) Earnings per share

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

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

(j) Revenue and Other Income

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

(k) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset.
Where it is expected that a grant will be repaid if certain conditions are met, the liability to repay the grant is recognised as the conditions are met and the liability crystallises.

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

(l) Intangibles Other than Goodwill

Technology Assets / Patents

Such assets are recognised at cost of acquisition. The cost of technology assets are amortised over the average life of the patents granted for each technology asset on a straight line basis. The average life of a patent varies between 10 and 20 years and technology assets in the Intellectual Property purchased from Safe Effect Technologies International Ltd (SETI) are amortised over 15 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Research and development

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

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

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

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Such costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(n) Leases

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

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

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

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

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

(o) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment 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.

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

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.

(p) Employee Benefits

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

Equity-settled compensation

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

(q) Comparative Figures

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

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

(r) Rounding of Amounts

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

(s) Critical Accounting Estimates and Judgments

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

Key Estimates – Impairment

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

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

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

– AASB 9*: Financial Instruments* (December 2010) and AASB 2010–7: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).*

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

  The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6*: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of the change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 30 June 2015. These Standards are not currently expected to significantly impact the Group's financial statements

– AASB 10*: Consolidated Financial Statements*, AASB 11: *Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities*, AASB 127: *Separate Financial Statements* (August 2011) and AASB 128: *Investments in Associates and Joint Ventures* (August 2011) (as amended by AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*), and AASB 2011–7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 replaces parts of AASB 127: *Consolidated and Separate Financial Statements* (March 2008, as amended) and Interpretation 112: *Consolidation – Special Purpose Entities*. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

  AASB 11 replaces AASB 131: *Interests in Joint Ventures* (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement).

  This Standard is not expected to impact the Group's financial statements as the Group currently has no interests in any joint ventures or operations.

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

  To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group's financial statements.

– AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* (applicable for annual reporting periods commencing on or after 1 January 2013).

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

AASB 13 requires:

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

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group's financial statements.

– AASB 2011–4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods beginning on or after 1 July 2013).

  This Standard makes amendments to AASB 124: *Related Party Disclosures* to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent *Corporations Act 2001* disclosure requirements.

  This Standard is not expected to significantly impact the Group's financial report as a whole because:

  - some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and
  - AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.

– AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including:

  - removal of the "corridor" approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and
  - disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and re-measurements and recognition of:

    (i) service cost and net interest expense in profit or loss; and

    (ii) Re-measurements in other comprehensive income.

  AASB 119 (September 2011) also includes changes to the criteria for determining when termination benefits should be recognised as an obligation.

  These Standards are not expected to impact the Group's financial statements as the Group currently has no defined benefit plans.

– AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 2012–2 principally amends AASB 7: *Financial Instruments: Disclosures* to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

  This Standard is not expected to significantly impact the Group's financial statements.

– AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard adds application guidance to AASB 132: *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

  This Standard is not expected to significantly impact the Group's financial statements.

– AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011* (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of *Annual Improvements to IFRSs 2009–2011 Cycle* by the International Accounting Standards Board, including:

- AASB 1: *First-time Adoption of Australian Accounting Standards* to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: *Presentation of Financial Statements* and AASB 134: *Interim Financial Reporting* to clarify the requirements for presenting comparative information;
- AASB 116: *Property, Plant and Equipment* to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: *Members' Shares in Co-operative Entities and Similar Instruments* to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	CONSOLIDATED GROUP 2013 $'000	2012 $'000
2. REVENUES FROM OTHER ACTIVITIES		
Other activities		
- interest received	45	98
- net foreign exchange gain	6	5
- income from sale of fixed assets	23	19
- Export Market Development Grant	79	-
-Early Commercialisation Grant	756	761
-R&D Tax Incentive	1,265	786
-Other income	1	-
Total revenue from other activities	2,175	1,669

	2013 $'000	2012 $'000
3. PROFIT / (LOSS) BEFORE INCOME TAX		
Profit / (Loss) before income tax has been determined after deducting the following expenses:		
Cost of sales	2,312	2,461
Borrowing costs	52	73
Depreciation of non-current assets		
- plant and equipment	237	102
- motor vehicle	83	83
- office equipment and furniture	35	28
- leasehold improvements	17	7
Total depreciation	372	220
Bad and doubtful debts		
-trade debtors	124	(60)
Total bad and doubtful debts	124	(60)
Operating leases		
- property rental expense	351	303
- motor vehicle lease	21	20
- office equipment Lease	2	2
Total operating leases	374	325
Overheads capitalised as development and pre-production activities	(1,071)	(1,252)
Write-off of prototype fixed assets consumed in product development	139	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

4.	INCOME TAX EXPENSE	CONSOLIDATED GROUP	
		2013	**2012**
		$'000	**$'000**
a.	**The components of tax expense comprise:**		
	Current tax	490	591
	Deferred tax	-	-
	Recoupment of prior year tax losses not previously recognised	(490)	(591)
	Income tax	-	-
b.	**The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:**		
	Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2012: 30%)	(276)	(37)
	Add tax effect of:		
	- Non-allowable items	315	433
	- Revenue losses and other deferred tax balances not recognised	647	-
		686	396
	Less tax effect of:		
	- Revenue losses and other deferred tax balances not recognised	-	(160)
	- R&D tax incentive/offset	(686)	(236)
	Income tax	-	-
c.	**Deferred tax recognised:**		
	Deferred tax liabilities:		
	Grants receivable	(39)	-
	Interest receivable	(1)	-
	Deferred tax assets:		
	Carry forward revenue losses	40	-
	Net deferred tax	-	-
d.	**Unrecognised deferred tax assets:**		
	Carry forward revenue losses	3,294	3,713
	Capital raising costs	43	60
	Provisions and accruals	188	153
	Plant and Equipment	609	577
	Other	2	-
		4,136	4,503

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

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

5. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Specified Directors

Name	Position	Appointment Date	Retirement Date
B Grey	Incoming Chairman	30 June 2013	-
D Humann	Outgoing Chairman	28 August 2006	-
M Richmond	Non-Executive Director	28 August 2006	1 April 2013
D Slack	Non-Executive Director	9 September 2009	-
A Levine	Non-Executive Director	9 April 2013	-
K Johnsen	Executive Director & CEO	30 April 2007	-

(ii) Specified Executives

Name	Position	Appointment Date	Resignation Date
C Madelin	CFO & Company Secretary	11 January 2011	-
S Leighton	General Manager	12 April 2010	-

(b) Remuneration of Directors and Executives

Remuneration policy

During the year the Company established a Remuneration Committee to review and determine compensation arrangements for the Directors, the Chief Executive Officer and the executive team. The committee assesses the appropriateness and the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Executive Contracts

Mr K Johnsen, Ms Madelin and Mr Leighton are employed through employment contracts. Under the terms of the Employment Contract with Mr Johnsen both parties are required to provide 6 months' notice to terminate the agreement. The Employment Contracts for Ms Madelin and Mr Leighton require both parties to provide one month's notice to terminate the contract.

Directors' fees for the year to 30 June 2013 and for the year to 30 June 2012 were paid in full by the relevant year end in cash.

		Primary	*STI*	*Post Employment*	*Total*
		Salary & Fees	**Cash bonus**	**Super**	
Directors	**Year**	$	$	$	$
B Grey	**2013**	**-**	**-**	**-**	**-**
	2012	n/a	n/a	n/a	n/a
D Humann	**2013**	**92,650**	**-**	**-**	**92,650**
	2012	92,650	-	-	92,650
M Richmond	**2013**	**42,096**	**-**	**3,789**	**45,885**
	2012	55,000	-	4,950	59,950
D Slack	**2013**	**55,000**	**-**	**4,950**	**59,950**
	2012	55,000	-	4,950	59,950
A Levine	**2013**	**12,375**	**-**	**1,114**	**13,489**
	2012	n/a	n/a	n/a	n/a
K Johnsen	**2013**	**347,750**	**-**	**25,000**	**372,750**
	2012	341,971	70,000	30,777	442 ,748
Total	**2013**	**549,871**	**-**	**34,853**	**584,724**
Total	2012	544,621	70,000	40,677	655,298

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

		Primary	*STI*	*STI*	*LTI*	*Post Employ-ment*	*Equity*	*Total*
		Salary & Fees	**Sales Commission**	**Cash Bonus**	**Cash Bonus**	**Super**	**Shares**	
Executives	**Year**	$	$	$	$	$	$	$
C Madelin	**2013**	**188,272**	**-**	**6,422**	**5,046**	**17,977**	**1,000**	**218,717**
	2012	184,500	-	8,538	5,223	17,844	1,000	217,105
S Leighton	**2013**	**188,323**	**18,380**	**-**	**15,000**	**18,603**	**1,000**	**241,306**
	2012	168,449	40,155	22,735	9,174	21,646	1,000	263,159
Total	**2013**	**376,595**	**18,380**	**6,422**	**20,046**	**36,580**	**2,000**	**460,023**
Total	2012	352,949	40,155	31,273	14,397	39,490	2,000	480,264

Bonuses to Directors and Executives are recognised above in the year in which they are paid. Bonuses earned in the year to 30 June 2013 are detailed below. All include related superannuation contributions. Cash and share bonuses were approved by the Board on 22 August 2013 and have been paid subsequent to 30 June 2013 and have been accrued at 30 June 2013. Sales commissions are paid quarterly and were paid in part during the year ended 30 June 2013. The final quarter is accrued at 30 June 2013.

	Sales Commission	**STI-Cash bonus including any related superannuation contributions**			**LTI-Cash bonus including any related superannuation contributions**			**Equity**	**Total STI's and LTI's re 2013**
		Payable	**Vested in year**	**Forfeited in year**	**LTI Cash bonus**	**Vested in year**	**Forfeited in year**	**Shares**	
	$	**$**	**%**	**%**	**$**	**%**	**%**	**$**	**$**
Directors									
Mr K Johnsen	-	12,106	11%	89%	21,792	39%	61%	-	**33,898**
Executives									
Ms C Madelin	-	30,910	60%	40%	7,725	25%	75%	1,000	**39,635**
Mr S Leighton	15,807	-	0%	0%	12,586	44%	56%	1,000	**29,393**

(c) Equity holdings and transactions

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

Specified Directors	**Held at1 July 2012 or at date of appointment**	**Movement during year**	**Held at date of resignation**	**Held at 30 June 2013**
B Grey	-	-	n/a	-
D Humann	13,378,323	700,000	n/a	14,078,323
M Richmond	8,117,211	-	8,117,211	n/a
D Slack	138,832,883	17,300,000	n/a	156,132,883
A Levine	-	2,000,000	n/a	2,000,000
K Johnsen	1,559,818	2,000,000	n/a	3,559,818
Total	161,888,235	22,000,000	8,117,211	175,771,024

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Options held directly by Directors were as follows:

	Vested	Granted	Expired	Granted Date	Terms and condition of each grant		
					Value per option at grant date	*Exercise price*	*Expiry Date*
	No.	No.	No.		$	$	
Specified Directors							
K Johnsen	1,500,000	4,500,000	-	5/11/2009	0.009	0.035	5/11/2013
	1,500,000	4,500,000	-				

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

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

6. AUDITOR'S REMUNERATION

	CONSOLIDATED GROUP	
	2013	2012
	$'000	$'000
Remuneration of the auditor of the Consolidated Group for:		
Auditing the financial statements	42	41
Other services	21	14
	63	55
Remuneration of the auditor of Safe Effect (Thailand) Co. Ltd	4	4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

		CONSOLIDATED GROUP	
		2013	**2012**
		$'000	**$'000**
7.	**EARNINGS PER SHARE**		
	Basic Earnings per share	**$'000**	**$'000**
	Net (loss) ($'000's)	(920)	(123)
		Number ('000's)	**Number ('000's)**
	Weighted average number of ordinary shares during the year used in calculation of basic EPS (in '000's)	1,104,273	985,069
		cents	**cents**
	Basic (loss) per share (cents)	(0.08)	(0.01)

A diluted earnings per share has not been shown for either 2013 or 2012 as it would dilute the actual loss per share attributable to existing Shareholders.

8.	**CASH AND CASH EQUIVALENTS**	**2013**	**2012**
		$'000	**$'000**
	Cash at bank	1,197	2,925

Reconciliation of cash

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

Cash at bank	1,197	2,925

During the year Advanced Braking Pty Ltd entered into an invoice finance facility agreement with NAB under which it may borrow up to $1.5m secured against debtors. The amount which may be borrowed at any time varies depending on the debtor balance.
At 30 June 2013 the borrowing facility available was $706,000 (2012 $nil) and the amount borrowed was $nil (2012: $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.

9.	**TRADE AND OTHER RECEIVABLES**		
	Current		
	Trade debtors	981	816
	Less: provision for doubtful debts	(143)	(19)
		838	797
	Non-current		
	Other receivables	32	31
		32	31

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Receivables Ageing and Impairment losses

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

	CONSOLIDATED GROUP			
	Total Receivables		Gross Impairment	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Not past due	664	509	-	(13)
Past due 0 – 30 days	103	190	(15)	(4)
Past due 31 – 60 days	128	17	(128)	-
Over 60 days	86	100	-	(2)
	981	816	(143)	(19)

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

	CONSOLIDATED GROUP	
	2013	2012
	$'000	$'000
Balance at 1 July	(19)	(79)
Impairment provision recognised / reversed during the year	(124)	60
Bad debts written off	-	-
Closing balance at 30 June	(143)	(19)

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

10. INVENTORIES

Current	1,073	1,147
Finished Goods	1,021	1,078
Components and WIP	2,094	2,225

11. OTHER CURRENT ASSETS

Prepayments	43	53
Grants receivable	131	-
Accrued Income-R&D Tax incentive	1,250	786
	1,424	839

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

12.	CONTROLLED ENTITES		Parent Entity
(a)	**Advanced Braking Pty Ltd** ACN 088 129 917 (Incorporated in WA)	**2013**	**2012**
		Number	**Number**
	Class and number of shares: ordinary	200,002	200,002

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

			Advanced Braking Pty Ltd
(b)	**Safe Effect (Thailand) Co. Ltd** Registration No. 10154601984	**2013**	**2012**
	(Incorporated in Thailand)	**Number**	**Number**
	Class and number of shares: ordinary	876,600	876,600

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

			CONSOLIDATED GROUP
13.	**PROPERTY, PLANT AND EQUIPMENT**	**2013**	**2012**
		$'000	**$'000**
	Plant and equipment at cost	1,202	1,104
	Less: accumulated depreciation	(684)	(428)
		518	676
	Motor vehicles at cost	594	591
	Less: accumulated depreciation	(297)	(269)
		297	322
	Office equipment and furniture at cost	308	273
	Less: accumulated depreciation	(203)	(161)
		105	112
	Leasehold improvements at cost	78	59
	Less: accumulated depreciation	(24)	(7)
		54	52
	Total at net written down value	974	1,162

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

Reconciliation

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

CONSOLIDATED GROUP	Plant & Equipment	Motor Vehicles	Office Equipment & Furniture	Leasehold Improvements	Total
2013	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at the beginning of year	676	322	112	52	1,162
Additions	206	64	26	19	315
Disposals	(2)	(6)	-	-	(8)
Write-off of prototype fixed assets consumed in product development	(139)	-	-	-	(139)
Depreciation expense	(237)	(83)	(35)	(17)	(372)
Foreign exchange translation	14	-	2	-	16
Carrying amount at the end of year	518	297	105	54	974
2012					
Balance at the beginning of year	501	189	44	-	734
Additions	276	217	95	59	647
Disposals	-	-	-	-	-
Depreciation expense	(102)	(84)	(27)	(7)	(220)
Foreign exchange translation	1	-	-	-	1
Carrying amount at the end of year	676	322	112	52	1,162

14. INTANGIBLES

	CONSOLIDATED GROUP	
	2013	**2012**
	$'000	**$'000**
Wet Brake technology assigned from Safe Effect Technologies International Ltd	2,984	2,984
Less - Accumulated amortisation	(1,393)	(1,194)
Carrying amount at the end of year	1,591	1,790
Development and Pre-Production Costs capitalised	2,906	1,835
Less-Accumulated amortisation	-	-
Carrying amounts at the end of year	2,906	1,835
Total carrying amount at the end of year	4,497	3,625

Reconciliation

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

CONSOLIDATED GROUP	Wet Brake Technology	Development and pre-production costs capitalised	Total
2013	**$'000**	**$'000**	**$'000**
Balance at the beginning of year	1,790	1,835	3,625
Additions-internally developed	-	1,071	1,071
Amortisation expense	(199)	-	(199)
Carrying amount at the end of year	1,591	2,906	4,497
2012			
Balance at the beginning of year	1,989	583	2,572
Additions-internally developed	-	1,252	1,252
Amortisation expense	(199)	-	(199)
Carrying amount at the end of year	1,790	1,835	3,625

Impairment Disclosure

No impairment assessment was performed in either 2013 or 2012 as there were no impairment triggers.

		CONSOLIDATED GROUP	
		2013	**2012**
		$'000	**$'000**
15.	**TRADE PAYABLES**		
	Current (unsecured)	705	742
	Trade creditors	186	106
	Accrued expenses	891	848
16.	**INTEREST BEARING LIABILITIES**		
(a)	**Current and non-current**		
	Current (secured)		
	Lease and Hire purchase agreements	292	128
	Unexpired interest charges	(41)	(39)
		251	89
	Non-current (secured)		
	Lease and Hire purchase agreements	440	372
	Unexpired interest charges	(45)	(55)
		395	317
(b)	**Total of current and non-current**		
	Lease and Hire purchase agreements	732	500
	Unexpired interest charges	(86)	(94)
		646	406

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		CONSOLIDATED GROUP	
		2013	2012
		$'000	$'000
(c)	**The carrying amounts of non-current assets pledged as security are:**		
	Plant and equipment	158	-
	Motor vehicles	295	313
	Office equipment	22	32
		475	345

17.	**PROVISIONS**		
(a)	**Current and non-current**		
	Current		
	Warranties	60	60
	Employee entitlements	192	163
	Total	252	223
	Non-Current		
	Employee Entitlements	50	71
	Other	8	3
	Total	58	74
(b)	**Number of Employees**	**Number**	**Number**
	Number of employees at year-end		
	Australia	36	37
	Overseas	20	18
	Total	56	55

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

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

19.	**DEFERRED INCOME**		
	Current		
	Early Commercialisation Grant	106	23
	Total	106	23
	Non -current		
	Early Commercialisation Grant	-	88
		-	88

20. ISSUED CAPITAL

(a) Issued Capital

The Parent Entity had issued 1,105,504,889 (2012: 1,088,204,889) fully paid ordinary shares as at the 30 June 2013.

	2013 Number of shares	2013 $'000	2012 Number of shares	2012 $'000
Ordinary shares				
Balance at beginning of the financial year	1,088,204,889	45,153	961,315,575	43,115
Shares issued under an Employee share scheme 24 January 2012			1,189,314	21
Shares issued for cash under a placement to sophisticated investors on 1 May 2012			125,700,000	2,137
Shares issued to Directors on 26 July 2012, paid out of share application funds held in trust. See note 18.	17,300,000	294		
	1,105,504,889	45,447	1,088,204,889	45,273
Transaction costs relating to share issues		-		(120)
Balance at end of financial year	1,105,504,889	45,447	1,088,204,889	45,153

(b) Capital Management

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

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. During 2013 a subsidiary, Advanced Braking Pty Ltd, entered into a finance agreement with NAB under which it may borrow up to $1.5m secured against debtors. The amount which may be drawn down at any time is dependent on the debtor balance - see note 8. Subsequent to 30 June 2013 debt funding has been raised through a convertible notes issue- see note 28.

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.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. Management aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The gearing ratios for the years ended 30 June 2013 and 30 June 2012 are as follows:

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

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

	CONSOLIDATED GROUP 2013	CONSOLIDATED GROUP 2012
Gearing ratio	nil	Nil

21. RESERVES

	2013 $'000	2012 $'000
Foreign Exchange Translation Reserve	(167)	(238)
Option premium reserve	740	730

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

		CONSOLIDATED GROUP	
		2013	2012
		$'000	$'000
22.	**ACCUMULATED LOSSES**		
	Accumulated losses at the beginning of the financial year	(35,997)	(35,874)
	Net loss attributable to members of the parent entity	(920)	(123)
	Accumulated losses at the end of the financial year	(36,917)	(35,997)
23.	**CONTRACT AND LEASING COMMITMENTS**		
(a)	**Hire purchase and Finance Lease commitments**		
	Payable		
	- not later than 1 year	292	128
	- later than 1 year but not later than 5 years	440	372
		732	500
	Less future finance charges	(86)	(94)
	Total hire purchase and finance lease liability	646	406
(b)	**Operating lease commitments**		
	Non-cancellable operating lease contracted for but not capitalised in the financial statements.		
	Payable		
	- not later than 1 year	302	123
	- later than 1 year but not later than 5 years	768	62
		1,070	185

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FOR THE YEAR ENDED 30 JUNE 2013

24. SEGMENT REPORTING

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

Types of products by segment

(i) Mining brakes

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

(ii) Engineering and development

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Inter-segment transactions

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

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

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

Segment assets

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

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the Group as a whole and are not allocated.

Unallocated items

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

- Intangible assets re Wet Brake Technology. (Intangible assets re development and pre-production overheads capitalised are allocated to Engineering)
- Amortization of Wet Brake Technology intangible assets
- Finance Costs
- Legal fees re court costs
- Income tax expense

NOTES TO THE FINANCIAL STATEMENTS
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Segment performance	Mining brakes $'000	Engineering services $'000	Total $'000
30 June 2013			
Revenue			
External Sales	5,940	38	5,978
Other income	97	2,078	2,175
Total segment revenue	6,037	2,116	8,153
Reconciliation of segment revenue to group revenue	-	-	-
Total group revenue	6,037	2,116	8,153
Cost of materials	(2,275)	(37)	(2,312)
Depreciation	(21)	(351)	(372)
Other expenses	(2,384)	(4,585)	(6,969)
Overheads capitalised as development and pre-production activities	-	1,071	1,071
Write-off of prototype fixed assets consumed in development	-	(135)	(135)
Segment net profit / (loss) before tax	1,357	(1,921)	(564)
Reconciliation of segment result to group net profit/loss before tax			
(i) Amounts not included in segment result but reviewed by Board			
---Amortisation			(199)
(ii) Unallocated items			
---Finance costs			(52)
--- Legal fees re court cases			(105)
Net loss before tax from continuing operations			(920)
30 June 2012			
Revenue			
External Sales	6,299	-	6,299
Other income	72	1,597	1,669
Total segment revenue	6,371	1,597	7,968
Reconciliation of segment revenue to group revenue	-	-	-
Total group revenue	6,371	1,597	7,968
Cost of materials	(2,461)	-	(2,461)
Depreciation	(57)	(163)	(220)
Other expenses	(2,522)	(3,613)	(6,135)
Overheads capitalised as development and pre-production activities	-	1,252	1,252
Segment net profit / (loss) before tax	1,331	(927)	404
Reconciliation of segment result to group net profit/loss before tax			
(i) Amounts not included in segment result but reviewed by Board			
---Amortisation			(199)
(ii) Unallocated items			
---Finance costs			(73)
--- Legal fees re court cases			(255)
Net loss before tax from continuing operations			(123)

NOTES TO THE FINANCIAL STATEMENTS
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Segment assets	Mining brakes $'000	Engineering services $'000	Total $'000
30 June 2013			
Segment assets			
Additions to non-current assets			
— capital expenditure	83	232	315
— development and pre-production activities capitalised	-	1,071	1,071
Reconciliation of segment assets to group assets			
Segment assets	3,605	5,860	9,465
Inter-segment eliminations			
Unallocated assets:			
— Intangible assets re Wet Brake Technology			1,591
Total group assets			11,056
30 June 2012			
Segment assets			
Additions to non-current assets			
— capital expenditure	71	576	647
— development and pre-production activities capitalised	-	1,252	1,252
Reconciliation of segment assets to group assets			
Segment assets	4,123	5,691	9,814
Inter-segment eliminations			
Unallocated assets:			
— Intangible assets re Wet Brake Technology			1,790
Total group assets			11,604

Segment liabilities

30 June 2013			
Segment liabilities			
Reconciliation of segment liabilities to group liabilities			
Segment liabilities	599	1,354	1,953
Inter-segment eliminations			-
Unallocated liabilities:			-
Total group liabilities			1,953
30 June 2012			
Segment liabilities			
Reconciliation of segment liabilities to group liabilities			
Segment liabilities	824	1,132	1,956
Inter-segment eliminations			-
Unallocated liabilities:			-
Total group liabilities			1,956

NOTES TO THE FINANCIAL STATEMENTS
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Revenue by geographical region

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

	CONSOLIDATED GROUP	
	2013	**2012**
	$'000	**$'000**
Australia	4,720	4,882
Canada	646	670
New Zealand	39	36
Papua New Guinea	2	35
South Africa	415	513
Turkey	47	-
USA	109	162
Zambia	-	1
Total revenue from trading activities	5,978	6,299

Assets by geographical region

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

Australia	9,512	10,093
South Africa	22	72
Thailand	1,522	1,439
Total assets	11,056	11,604

Major customers

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

Significance	**2013 Sector**	**2013 % of total revenue from trading activities**	**2012 Sector**	**2012 % of total revenue from trading activities**
1st	Mining	10.8%	Mining	11.9%
2nd	Mining	10.1%	Mining	10.6%
3rd	Mining	9.6%	Mining	8.6%

NOTES TO THE FINANCIAL STATEMENTS
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	CONSOLIDATED GROUP	
	2013	2012
	$'000	$'000
25. CASH FLOW INFORMATION		
(a) Reconciliation of Cash Flow from operations with profit / (loss) after income tax		
Profit / (Loss) from ordinary activities after income tax	(920)	(123)
(Profit) / loss on disposal of property, plant and equipment	(23)	(19)
Non-cash flows in loss from ordinary activities		
Cost of share options	10	22
Depreciation	372	220
Write-off of prototype fixed assets consumed in product development	139	-
Unrealised foreign exchange (profit) / loss on Fixed Assets	(16)	(1)
Amortisation of IP	199	199
Shares issued to employees	-	21
Foreign exchange (gain)/loss	65	13
Changes in assets and liabilities		
(Increase) / decrease in trade and other receivable	(42)	396
(Increase) / decrease in inventories	131	(452)
(Increase) / decrease in other current assets	(585)	(783)
Increase / (decrease) in deferred income	(5)	111
Increase / (decrease) in trade and other payables	43	(137)
Increase / (decrease) in provisions	13	118
Cash inflows / (outflows) from operations	(619)	(415)

(b) Non-cash financing and investing activities

2013

During the year to 30 June 2013, ordinary shares were issued to two Directors as follows:

- On 26 July 2012 the Company issued 17 million ordinary fully paid shares at an issue price of $0.017 per share to Directors, raising share capital of $294,000. These shares had been applied for in 2012 as part of an offer to sophisticated investors in April 2012. Placement shares were issued to external investors on 1 May 2012, but issues to Directors were issued on 26 July 2012 after approval by Shareholders at a General Meeting of Shareholders on 12 July 2012. The application monies of $294,000 had been received in 2012 and were held in trust at 30 June 2012 pending Shareholder approval.

2012

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

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

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) Directors and Key Management Personnel

During 2013 ordinary shares were issued to two Directors - see note 25(b).

During 2012, ordinary shares were issued under an employee share scheme to key management personnel – see note 25(b).

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

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

The Directors have responsibility for the development and control of the risk management framework. The Audit Committee, established by the Directors, is responsible for development and monitoring of risk management policies. The Group's principal financial instruments comprise cash, interest bearing deposits, lease and hire purchase finance 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
2013						
Financial assets						
Cash	2.9%	1,197	-	-	-	1,197
Receivables - current	-	-	-	-	838	838
Accrued Income (note 11)						
Government Grants	-	-	-	-	131	131
R&D Tax incentive	-	-	-	-	1,250	1,250
Receivables - non-current	-	-	-	-	32	32
Total financial assets		1,197	-	-	2,251	3,448
Financial liabilities						
Payables	-	-	-	-	891	891
Hire purchase and finance lease liabilities	9.5%	-	251	395	-	646
Total financial liabilities		-	251	395	891	1,537
Net Financial Assets / (Liabilities)		1,197	(251)	(395)	1,360	1,911

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	Average Interest Rate %	Floating Interest Rate $'000	Within 1 Year $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
2012						
Financial assets						
Cash	4.2%	2,925	-	-	-	2,925
Receivables - current	-	-	-	-	797	797
Accrued income-R&D Tax incentive (note 11)	-	-	-	-	786	786
Receivables - non-current	-	-	-	-	31	31
Total financial assets		2,925	-	-	1,614	4,539
Financial liabilities						
Payables	-	-	-	-	848	848
Hire purchase and finance lease liabilities	10.4%	-	89	317	-	406
Total financial liabilities		-	89	317	848	1,254
Net Financial Assets / (Liabilities)		2,925	(89)	(317)	766	3,285

As at 30 June 2013 Advanced Braking Pty Ltd was entitled to interest on deposits at various banks at rates up to 3.80% per annum (2012: 3.75% per annum).

The sensitivity analysis below is based on the interest rate risk exposure in existence at the balance sheet date. The 1.0% (2012: 0.6%) interest rate sensitivity is based on reasonable possible changes, over a financial year, using an observed range of historical Australian Reserve Bank rate movement over the last two years.

In the year to 30 June 2013, if interest rates had moved as illustrated in the table below, with all other variables held constant, the results before tax relating to financial assets and liabilities would have been affected as shown below:

	CONSOLIDATED GROUP	
	2013 $'000	2012 $'000
Possible movements before tax:		
+1.0% (2012: 0.6%) per annum	10	12
-1.0% (2012: -0.6%) per annum	(10)	(12)
Reconciliation of net financial assets to net assets		
Net financial (liabilities)/assets as above	1,911	3,285
Non-financial assets and liabilities		
-Inventories	2,094	2,225
-Property, plant & equipment	974	1,162
-Intangible Assets	4,497	3,625
-Other current assets-prepayments (note 11)	43	53
-Provisions-Current	(252)	(223)
-Share Application Funds held in trust	-	(294)
-Deferred Income-Current	(106)	(23)
-Provisions-Non current	(58)	(74)
-Deferred Income-Non current	-	(88)
Net (liabilities)/assets as per the Balance Sheet	9,103	9,648

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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.

Foreign Currency Risk

As a consequence of the location of the subsidiary Safe Effect (Thailand) Co Ltd (SETT) in Thailand and the currency of the net investment in the subsidiary being denominated in Thai Baht, the Company's Balance Sheet can be affected significantly by movements in the Thai Baht/ AUD exchange rates. The Company does not currently hedge this exposure and, as the net investment in SETT is not a financial asset, the foreign currency risk is not analysed hereunder. However the Company may hedge against future foreign currency risk when considered appropriate.

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

At 30 June 2013 neither the Company nor its subsidiaries had any forward foreign exchange contracts in place. As at 30 June 2013 the Group had the following exposure to foreign currency:

	CONSOLIDATED GROUP	
	2013	**2012**
Financial Asset	**$'000**	**$'000**
Cash and cash equivalents	162	46
Trade and other receivables	61	67
	223	113
Financial Liabilities		
Payables	355	334
Net Exposure	(132)	(221)

The following sensitivity analysis is based on the foreign currency risk exposure in existence at the balance sheet date. The 5% (2012: 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 2013 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:

Possible movements before tax:		
Pre Tax Profit – higher/(lower)		
+5% (2012:+7%) per annum	(7)	(14)
-5% (2012: -7%) per annum	7	16

(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 and hire purchase finance and bank funding where available.

The Group manages liquidity risk by maintaining adequate cash reserves through share issues, convertible note issues 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.

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

0 – 6 months	1,032	912
6 – 12 months	151	64
1 – 5 years	440	372
	1,623	1,348

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

CONSOLIDATED GROUP AS AT 30 JUNE 2013

	< 6 Mths $'000	6 - 12 Mths $'000	1 - 5 Years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	1,197	-	-	1,197
Trade and other receivables	763	75	32	870
Accrued Income				
Government grants	100	31	-	131
R&D tax incentive	1,250	-	-	1,250
	3,310	106	32	3,448
Financial Liabilities				
Payables	891	-	-	891
Hire purchase and finance lease liabilities	123	128	395	646
Total financial liabilities	1,014	128	395	1,537
Net exposure	2,296	(22)	(363)	1,911

CONSOLIDATED GROUP AS AT 30 JUNE 2012

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

(c) Credit risk

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

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

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

The Company's policy is to manage credit risk by ensuring that all customers who wish to trade on credit terms subject themselves to credit worthiness checks, and to obtain agreement to a "retention of title" clause where possible. The Directors believe that the Company's exposure to bad debts is not significant other than one debt of $143,000 for which full provision has been made at 30 June 2013.

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

(d) Net fair values

The financial assets and liabilities included in current asset and current liabilities in the Balance Sheet position are carried at amounts that approximate net fair values or recoverable amount. No impairment assessment was performed in either 2013 or 2012 as there were no impairment triggers.

The intangible asset comprises

a) the Wet Brake technology assigned from Safe Effect Technologies International Ltd on 27 June 2006, which is amortised over 15 years being the average life of patents which underpin the carrying value.
b) development and pre-production overheads capitalised in respect of SIBS® Truck Brakes, which will be amortised over their expected useful life commencing financial year 2014 when commercial sales commence.

28. EVENTS SUBSEQUENT TO BALANCE DATE

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

Legal proceedings

In connection with the legal matter detailed below the appeal hearing date is scheduled for 18 November 2013.

On 23 August 2012 the Company announced that had successfully defended an action taken against the Company in the NSW District Court. The litigation began in 2009 and was successfully concluded by a judgement in the Company's favour on 22 August 2012. The proceedings dealt with an allegation that a Mr Roger Cowan had loaned $300,000 to the Company in 2003 and that this money had not been repaid. The action was taken by two companies associated with Mr Cowan, MSPR Pty Ltd and Phyro Holdings Pty Ltd. Advanced Braking Technology's position was that it had never recorded the amount in its books as a loan and the funds received by the Company were related to the subscription of shares arising out of a fully underwritten rights issue in 2003. Costs were awarded by the court in favour of Advanced Braking Technology Ltd. Subsequent to this on the 22 November 2012 the Plaintiffs in the matter lodged a Notice of Appeal in the NSW Supreme Court. The appeal hearing date is scheduled for 18 November 2013. The Company and its legal advisors remain confident of a successful outcome to the matter and the recovery of costs.

Convertible Note Issue

On 15 August 2013 the Company issued 17,950 unlisted convertible notes with a face value of $100 per note, bearing interest at 12% per annum, convertible into shares at $0.022 per share up to three years after the issue date, and raising an amount of $1,795,000 before costs. The issue had been offered to sophisticated, experience or professional investors. A further 5,000 convertible notes offered were subscribed for by a Related Party, being an entity associated with Mr David Slack, a Director of the Company, and the issue of these convertible notes is subject to Shareholder approval which will be sought at the Annual General Meeting. If Shareholder approval is not obtained subscription monies advanced by the Related Party will be returned to them. Funds raised in the convertible note issue will be used to fund the commercial roll out of the SIBS® truck brake and for general working capital purposes.

29. CONTINGENT LIABILITIES

There are no contingent liabilities.

30. SHARE BASED PAYMENTS

There were no share based payments made during the financial year ended 30 June 2013 but qualifying employees, including certain Key Management Personnel but excluding Directors, will receive $1,000 of shares each in respect of performance in 2013. Such shares will be issued subsequent to the date of this report. The total value of shares issued will not exceed $40,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

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

OPTIONS	CONSOLIDATED GROUP			
	2013		2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		$		$
Outstanding at the beginning of the year	20,660,000	0.04	33,660,000	0.05
Granted	-	-	-	-
Forfeited	(2,500,000)	-	-	-
Exercised	-	-	-	-
Expired	(10,000,000)	0.06	(13,000,000)	0.06
Outstanding at the year end	8,160,000	0.04	20,660,000	0.04
Exercisable at the year end	1,500,000	0.04	11,500,000	0.06

No options were granted during the year ended 30 June 2013 (2012: nil).

Under cost of share options the expense in the income statement relating to share-based payments is $10,000 (2012: $22,000) and relates to the total cost value of all share options not forfeited, spread over the vesting period.

31. PARENT INFORMATION

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

	2013 $'000	2012 $'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	545	1,529
TOTAL ASSETS	14,369	14,916
LIABILITIES		
Current Liabilities	70	415
TOTAL LIABILITIES	70	415
EQUITY		
Issued Capital	45,447	45,153
Foreign Currency Reserve	-	-
Other reserves	740	730
Accumulated losses	(31,888)	(31,382)
TOTAL EQUITY	14,299	14,501

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013 $'000	2012 $'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total profit/(loss) after tax	(506)	(632)
Total Comprehensive Income/(Loss)	(506)	(632)

Guarantees

At 30 June 2013 Advanced Braking Technology Ltd had granted a guarantee and indemnity in relation to the obligations of Advanced Braking Pty Ltd in favour of NAB in connection with an invoice finance facility which was established during the 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 or HP agreements. The Directors have also resolved that the Company will continue to provide financial support to its subsidiaries for as long as it is required.

Contingent Liabilities

There are no contingent liabilities.

Contractual Commitments

As at 30 June 2013, Advanced Braking Technology Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2012: Nil).

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 28 to 67, 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 2013 and of the performance for the year ended on that date of the consolidated group.

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

3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed by authority for and on behalf of the Directors by:

D HUMANN
Director

Perth, Western Australia
11th September 2013

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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

Report on the Financial Report

We have audited the accompanying financial report of Advanced Braking Technology Limited, which comprises the consolidated statement of financial position as at 30 June 2013, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Advanced Braking Technology Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion
In our opinion:

a. the financial report of Advanced Braking Technology Limited is in accordance with the *Corporations Act 2001*, including:
    i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
    ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report
We have audited the remuneration report as included in the Directors' Report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.
Auditor's Opinion
In our opinion the remuneration report of Advanced Braking Technology Limited for the year ended 30 June 2013 complies with s 300A of the *Corporations Act 2001*.

MOORE STEPHENS

Suan-Lee Tan
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 11th day of September 2013

STOCK EXCHANGE INFORMATION

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

1. Statement of issued capital at 30 August 2013.

(a) Distribution of fully paid ordinary shares

Size of Holding			Number of Shareholders	Shares Held
1	-	1,000	54	3,036
1,001	-	5,000	17	62,996
5,001	-	10,000	151	1,445,533
10,001	-	100,000	601	27,331,945
100,001	and	Over	600	1,076,661,379
Total			1,423	1,105,504,889

(b) There are 454 Shareholders with less than a marketable parcel.

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

2. Substantial Shareholders

The Company has the following substantial Shareholders at 30 August 2013:

- Mr David Slack 156,132,883 shares
- Mr Richard Andrew Palmer 91,748,929 shares

Mr Richard Andrew Palmer also has an indirect holding of 1,700 convertible notes (see note 5 below) which could be converted to 7,727,272 shares.

3. Shareholders

The twenty largest Shareholders hold 41.47% of the total issued ordinary shares in the Company as at 30 August 2013.

4. Share Options

Unlisted Options expiring 31 August 2013 exercisable at $0.015

Number of Options 2,650,000
Number of Holders 4

Unlisted Options expiring 5 November 2013 exercisable at $0.035

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

5. Convertible Notes

Unlisted convertible notes with face value $100 per note, bearing interest at 12% per annum, convertible into shares at $0.022 per share up to the maturity date of 15 August 2016

Number of Convertible Notes 17,950
Number of Holders 20

6. On-market buy-back.

There is no current on-market buy-back.

7. Quotation

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

Advanced Braking Technology Ltd

STOCK EXCHANGE INFORMATION

Largest Fully Paid Ordinary Shareholders

The names of the twenty largest Shareholders at 30 August 2013, who hold 41.47% of the fully paid ordinary shares in the Company, are:

		Number of shares	% of Issued Shares
1.	WINDPAC PTY LTD	73,399,750	6.64
2.	DASI INVESTMENTS PTY LTD	48,794,746	4.41
3.	RP INVEST PTY LTD <PALMER FAMILY RETIRE A/C>	32,500,000	2.94
4.	ANNAPURNA PTY LTD	26,000,000	2.35
5.	MR RICHARD ANDREW PALMER	24,334,036	2.20
6.	M/S TRACEY-ANN PALMER	24,144,893	2.18
7.	MR PETER RODNEY BOWER	23,000,000	2.08
8.	FITEL NOMINEES LIMITED	23,000,000	2.08
9.	KIZOGO PTY LTD <BERGAN EXEC RETIREMENT A/C>	22,767,402	2.06
10.	MR DALE ALBERT MONSON + MRS DAGMAR ERNA MONSON <DALE MONSON S/F NO2 A/C>	22,639,843	2.05
11.	MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C>	20,759,500	1.88
12.	WINDPAC PTY LTD <THE DAVID EARL SLACK SUPERANNU>	17,500,000	1.58
13.	WINDPAC PTY LTD <THE SLACK FAMILY A/C>	14,900,000	1.35
14.	MR JIM SUMPTER + MRS DALE ELIZABETH SUMPTER	14,683,800	1.33
15.	MR DAVID HUMANN + MRS ANNE HUMANN <DAVID & ANNE HUMANN S/F A/C>	14,078,323	1.27
16.	MONDAL INVESTMENTS PTY LTD	12,273,927	1.11
17.	MR MARK WESLEY EDWARDS	11,700,035	1.06
18.	R E JONES PROPERTIES PTY LTD <GREENHILL PROPERTY A/C>	10,829,399	0.98
19.	MR STEPHEN DE BELLE + MS JENNIFER SHEEHAN <SJ SUPER A/C>	10,681,500	0.97
20.	ONMELL PTY LTD <ONM BPSF A/C>	10,500,000	0.95
Total		**458,487,154**	**41.47**

Advanced Braking Technology Ltd

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