



**ADVANCED BRAKING TECHNOLOGY LTD**

**AND CONTROLLED ENTITIES**

**ABN 66 099 107 623**

**ANNUAL REPORT  
2016**

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

**CORPORATE DIRECTORY**

**Directors**

Bruce Grey  
David Slack  
Adam Levine  
Graeme Sumner

**Company Secretary**

Neville Walker

**Registered Office**

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

**Bankers**

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

**Manufacturing Partners**

Harrop Engineering  
Preston, Vic.  
Connect Source  
Midvale, WA  
FMP Group  
Ballarat, Vic.  
Parker Hannifin  
Dandenong South, Vic.  
Verriers Engineering Services  
Bassendean, WA

**Share Registry**

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

**Auditors**

Moore Stephens  
Level 15 Exchange Tower  
2 The Esplanade  
Perth, WA, 6000

**Solicitors**

Harris Carlson Lawyers  
Level 14, 350 Queen Street  
Melbourne, Vic, 3000

**ASX Home Branch**

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

**Country of Incorporation**

Australia

**ASX Code**

ABV – Ordinary shares and options

**Legal form of entity**

Listed public company

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## CHAIRMAN'S REPORT

### CHAIRMAN'S REPORT

Dear Shareholder,

The 2015/16 financial year has proved to be a challenging year for the mining supply industry and ABT was no exception.

Notwithstanding the downturn, the Board was pleased to support management's strategy of innovation in seeking to develop more broadly appealing products and markets.

The Board remains of the view that ABT is primarily an application engineering company, which has benefited from a lot of foundation research and development into sealed and wet brake technology. As I noted last year, the market is now demanding more cost effective solutions, as the industry resets its cost base. ABT's significant investment in research and development has allowed it to produce a polymer brake solution this year which addresses this market need. This kind of thinking is what will see the company succeed and the board looks forward to further developments in the coming year.

The combination of this greater product diversity, together with the company's push to expand its international markets are, in the boards view the essential ingredients to commercial prosperity.

Once again I would like to express my gratitude to existing shareholders for their support.

Finally, I would like to thank Graeme Sumner and the management team for their efforts this year.



Bruce Grey  
**Chairman**

## CHIEF EXECUTIVE OFFICER OPERATING AND FINANCIAL REVIEW

### Chief Executive Officer's Operational Review.

The 2015/16 financial year was, in the opinion of many, the toughest market that mining equipment suppliers have faced in the last 20 years. In keeping with last year's operational report, ABT continued to focus on a few major goals in order to implement a diversified product strategy, with a greatly increased global distribution network.

### Continued Distribution Channels Expanded

ABT continued to expand its global distribution network, bringing on an additional partner in Canada and announcing new partnerships in Mongolia, Turkey and Kazakhstan. First international orders were received from Indonesia and Poland during the year. International sales in total accounted for 35% of sales this year, up from 25% last year.

### Development of ABT's Trailer Brake Solution

ABT's trial of its trailer brake solution continued to prove successful, reaching 230,000kms on rough roads before requiring its first service. ABT sees opportunities for this product in a range of ruggedized heavy haulage application and is continuing to pursue commercial opportunities for the product.

### SUV Product Range Broadened

ABT launched a revolutionary new polymer brake under the Terra Dura® brand name during the 2016 financial year. The brake is in a category of its own in offering superior price performance for customers operating in rugged conditions.

### Continued Cost Focus

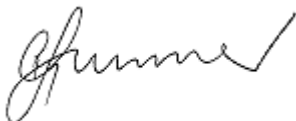
With revenues tracking significantly below expectations, ABT continued to manage its cost base closely, achieving a further 7% reduction in expenses.

### Outlook

After such a difficult year, 2016/17 has started a lot stronger with a pickup in domestic demand and an impressive start from our international partners. The company expects stronger trading conditions to remain throughout the financial year as a result of customers replacing ageing equipment and ABT offering a wider range of product and distribution options. In particular we expect the new Terra Dura® polymer brake to make a meaningful contribution to FY 17 earnings.

### Acknowledgements

Finally, I would like to thank the board and ABT staff members for their continued support.



Graeme Sumner  
**Managing Director**

## CORPORATE GOVERNANCE STATEMENT

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

### **ASX BEST PRACTICE RECOMMENDATIONS**

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

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

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

### **THE BOARD OF DIRECTORS**

#### ***Role of the Board***

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

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

The Board evaluates this policy on an ongoing basis.

#### ***Board composition***

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

The Board normally comprises three non-executive Directors and one executive Director. Details of the Directors are set out in the Directors' Report.

The Board requires that the Chairperson should be an independent director and that the role of Chairperson and Chief Executive Officer should not be exercised by the same individual. The role of the Chairperson has been fulfilled by Mr Bruce Grey and the role of Chief Executive Officer has been fulfilled by Mr Graeme Sumner during the financial year ended 30 June 2016.

#### ***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,

## CORPORATE GOVERNANCE STATEMENT

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:

<b>Name</b>	<b>Position</b>
Mr Bruce Grey	Non-executive Director & Chairman
Mr Adam Levine	Non-executive Director
Mr David Slack	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.

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.

## CORPORATE GOVERNANCE STATEMENT

### 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 2016 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 2016		Objectives 2017	
	No.	%	No.	%
Women on the Board	-	-	-	-
Women in senior executive positions	-	-	-	-
Women employees in the Company	2	13%	3	19%

### 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.

### 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.



## CORPORATE GOVERNANCE STATEMENT

### AUDIT COMMITTEE

The Audit Committee consists of three non-executive Directors. On 20 August 2014 the structure of the Audit Committee changed to the following; Mr Adam Levine - Chairman, Mr Bruce Grey - Member, Mr David Slack - Member. The Audit Committee has a formal charter. Meetings are held as required between the Audit Committee, the Company's Chief Executive Office, 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. Proposals for the financial year 2016 external audit and other accounting services were sought from Moore Stephens and Pitcher Partners, with the board resolving to retain the services of Moore Stephens at the 17 September 2015 board meeting.

### REMUNERATION COMMITTEE

In financial year 2013, 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 Key Management Personnel, with the assistance, as necessary, of independent external consultants;
- reviewing Key Management Personnel remuneration packages annually and, based on these reviews, making recommendations to the Board on remuneration levels for Key Management Personnel; and
- assisting the Chair in reviewing KMP performance and reporting to the Board on Key Management Personnel performance.

During the year ended 30 June 2016, the Remuneration Committee comprised all three non-executive Directors, Mr David Slack (Chairperson), Mr Bruce Grey and My Adam Levine.

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

In financial year 2013, 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 Nominations 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 2016, the Nominations Committee comprised two non-executive Directors, Mr David Slack (Chairperson) and Mr Bruce Grey.

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

The Nominations Committee did not meet during the year ended 30 June 2016, as all material issues were addressed at the Directors' Meetings.

### 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.

## CORPORATE GOVERNANCE STATEMENT

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. An updated Securities Trading Policy was lodged with the ASX on 2 July 2014.

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.

### 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:

## CORPORATE GOVERNANCE STATEMENT

*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. 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, one of whom is considered to be independent (see "Independence of Directors" above). Consequently, the committee does not fully 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 that it:*

- *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 the three non-Executive Directors, two of whom are considered to be independent (see "Independence of Directors" above).

Consequently, the committee does not fully 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.

*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*

The Remuneration Committee comprises the three non-Executive Directors, two of whom are considered to be independent (see "Independence of Directors" above).

Consequently, the committee does not fully 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 Remuneration 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 2016. 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 Graeme Sumner** *Executive Director and CEO, Appointed 28 January 2014*

Mr. Sumner was appointed Executive Director and CEO on 28 January 2014. He is a highly experienced Managing Director specialising in developing and expanding companies in a broad range of sectors and across a number of geographical regions. Previous roles have included being the Chief Executive Officer and Managing Director of Service Stream Ltd, Chief Executive Officer of Transfield Services (New Zealand) Limited and Managing Director of Siemens Ltd in New Zealand. He served in senior positions at IBM, Telecom New Zealand, Contact Energy, New Zealand Post and its subsidiary companies, SkyRoad and Kiwimail. Mr Sumner was also the Chairman of New Zealand Post's joint venture airfreight company, AirPost Ltd. Mr. Sumner has a Master of Business Administration and Bachelor of Commerce from Auckland University.

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

Mr Grey was Managing Director of Advanced Manufacturing CRC Limited until April 2014. He is a Non-Executive Director of CAP XX listed on the London Stock Exchange. He is also a Director of the Murdoch Children's Research Institute and a Director of the Victorian Clinical Genetics Services. 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. He was a member of the Expert Advisory Panel for the Victorian Government's Technology Voucher Program and served as Chairman until June 2014. 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.

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

Mr Slack is the founding Managing Director of Australian equity fund manager Karara Capital Pty Ltd. Karara was established in 2007 and now has around \$3.7Billion in funds under management. Over the past 30 years, Mr Slack has made a significant contribution to the Australian funds management industry. Notably, he was co-founder and joint managing director of Portfolio Partners Limited, which was sold to Norwich Union in 1998. Prior to that, Mr Slack was a founding executive director of County Nat West Investment Management, where he was head of Australian Equities. He was a non-executive director of the Victorian Funds Management Corporation until 2007, holding positions of deputy Chairman and Chair of the Board Investment Committee. David has a Bachelor of Economics with Honours and is a fellow of FINSIA. He is a member of the Australian Institute of Company Directors.

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

Mr Levine, a lawyer by profession, has over 20 years national and global experience in structuring and executing private equity investments and corporate finance transactions both as legal advisor and a principal investor.

The founder and Executive Chairman of law firm R.B. Flinders, Mr Levine has grown the Melbourne based legal firm from a boutique M&A practice established during the height of the 2008 GFC, into a pre-eminent private wealth law firm focussed on building and protecting client wealth.

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

His current directorships include Rockwell Group Holdings Pty Ltd, Rockwell Funds Management Pty Ltd, Rockwell Bates Pty Ltd, Rockwell Investments Pty Ltd, RLDO Pty Ltd, FMD Financial Pty Ltd, and a number of other private companies. Mr Levine is also the founder (with his wife) and Chair of the Rockwell Foundation, a private ancillary fund, which focuses on supporting opportunities for under privileged youth.

## DIRECTORS' REPORT

### **Directorships of other listed companies**

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year, or at date of retirement if earlier, are as follows:

<b>Name</b>	<b>Company</b>	<b>Period of Directorship</b>
Mr Bruce Grey	CAP-XX Ltd (listed on the Alternative Investment Market of the London Stock Exchange)	2012 to date
Mr Graeme Sumner	Kordia Ltd (NZ State-owned Enterprise)	2014 to date

### **Company Secretary**

Neville Walker was appointed Company Secretary on 26 August 2014. Mr Walker is a Fellow Certified Practising Accountant and a Graduate member of the Australian Institute of Company Directors.

### **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® and associated braking systems.

### **Operating results**

The results of the Consolidated Group for the year ended 30 June 2016 were a loss from continuing activities, after income tax, of \$1,758,000 (2015: loss of \$2,758,000) and a total comprehensive loss of \$1,758,000 (2015: loss of \$2,585,000). Revenues from trading activities were \$4,392,000 for the year ending 30 June 2016 compared with \$5,860,000 for the year ending 30 June 2015. Revenues from other activities were \$960,000 for the year ended 30 June 2016 compared with \$1,038,000 for the year ended 30 June 2015.

### **Dividends**

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

### **Summary of material transactions**

Nil

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

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

### **Events subsequent to balance date**

On 4 August 2016, Advanced Braking Technology Ltd. raised \$2.7 million at the effective issue price of A\$0.007 per share in an over-subscribed share placement to institutions and sophisticated investors.

Under the placement, 271,815,065 shares were issued within the Company's 15% capacity to issue without shareholder approval.

An additional 114,134,943 shares were issued within the Company's 10% capacity to issue under Listing Rule 7.1A, as approved by shareholders at the 27 November 2015 Annual General Meeting.

Funds received from the placement will be used to:

- Fund repayment of \$1.345m of Convertible Notes, which expired on 15 August 2016
- Provide additional working capital to fund future developments

### **Unissued Shares**

At the date of this report there are 5,000 convertible notes on issue. These may be converted to shares at any time prior to the maturity date of 19 November 2016 at the request of the note holder, or will 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 \$0.00938. If the note holder converts the maximum number of 5,000 convertible notes, then assuming the conversion price remains at \$0.00938, then 53,304,904 shares would be issued.

## DIRECTORS' REPORT

### **Future developments**

The Economic Entity will continue to commercialise the SIBS® Brake Technology business in Australia and expand into overseas markets, but it is expected that the major source of growth will be driven by the new Terra Dura® brake.

### **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:

<b>Director</b>	<b>Ordinary shares</b>
D Slack	271,471,478
A Levine	5,833,334
B Grey	10,850,000

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:

<b>Director</b>	<b>Listed Options</b>	<b>Unlisted Convertible Notes</b>
D Slack	-	5,000
A Levine	-	
B Grey	-	

### **Directors' meetings**

During the financial year there were 15 meetings of Directors, including committees of Directors but excluding circulating and written resolutions.

The attendances of the Directors at these meetings were:

	<b>Directors' Meetings</b>		<b>Audit Committee</b>		<b>Nomination Committee</b>		<b>Remuneration Committee</b>	
	<b>Number eligible to attend</b>	<b>Number attended</b>	<b>Number eligible to attend</b>	<b>Number attended</b>	<b>Number eligible to attend</b>	<b>Number attended</b>	<b>Number eligible to attend</b>	<b>Number attended</b>
B Grey	12	12	2	2	-	-	1	1
D Slack	12	12	2	2	-	-	1	1
A Levine	12	12	2	2	-	-	1	1
G Sumner	12	12	-	-	-	-	-	-

## REMUNERATION REPORT

This remuneration report for the year ended 30 June 2016 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

- **Individual key management personnel disclosures**

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

## DIRECTORS' REPORT

### Details of Key Management Personnel

#### Specified Directors

Name	Position	Appointment Date	Retirement Date
B Grey	Non-Executive Chairman	30 June 2013	-
D Slack	Non-Executive Director	9 September 2009	-
A Levine	Non-Executive Director	9 April 2013	-
G Sumner	Executive Director & CEO	28 January 2014	-

#### Specified Executives

Name	Position	Appointment Date	Resignation Date
M Johnston	General Manager, Engineering	1 July 2014	
D Robinson	International Sales Director	1 September 2014	30 June 2016
N Walker	CFO & Company Secretary	26 August 2014	
C Madelin	Ex-CFO & Company Secretary	11 January 2011	27 August 2014
S Leighton	Ex-General Manager	12 April 2010	28 August 2014

- **Board Oversight of Remuneration**

#### *Remuneration Committee*

During the year, the Remuneration Committee met once to make recommendations to the Board on remuneration policy and to recommend salary reviews and short and long term incentives for the executive Director and 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 2016 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 plus the superannuation guarantee contribution. The Chairman received a base fee of \$85,000 plus the superannuation guarantee contribution.

## DIRECTORS' REPORT

- 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.

- Remuneration of Directors and Executives

### Executive Contracts

Mr Graeme Sumner, Mr Martin Johnston and Mr Neville Walker are employed through employment contracts. Under the terms of the Employment Contract with Mr Sumner, Advanced Braking Technology and the Executive are required to provide six months' notice to terminate the agreement. The Employment Contracts for Mr Johnston and Mr Walker require both parties to provide three months' notice to terminate the contract.

### 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:

<i>Specified Directors</i>	Held at 1 July 2015 or at date of appointment	Movement during year	Held at date of resignation	Held at 30 June 2016
B Grey	5,000,000	3,250,000	n/a	8,250,000
D Slack	213,177,181	58,294,297	n/a	271,471,478
A Levine	2,666,667	3,166,667	n/a	5,833,334
G Sumner	-	8,287,000	n/a	8,287,000
<b>Total</b>	<b>220,843,848</b>	<b>72,997,964</b>	<b>-</b>	<b>293,841,812</b>

### Options held directly by Directors were as follows:

	Vested	Acquired	Expired	Acquisition Date	Terms and condition of acquisition	
	No.	No.	No.		Exercise price	Expiry Date
<b>Specified Directors</b>						
B Grey	-	333,334	-	26/05/2014	0.012	15/08/2016
D Slack	-	256,399	-	26/05/2014	0.012	15/08/2016
A Levine	-	333,334	-	26/05/2014	0.012	15/08/2016
	-	923,067	-			



## DIRECTORS' REPORT

Options acquired during the year were issued as loyalty options at \$nil cost in connection with the rights issue. See Non-Renounceable Rights Issue note in the Directors' Report.

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

	Total Vested	Total Acquired	Expired	Director's potential share	Acquisition Date	Terms and condition of each acquisition	
	No.	No.	No.			Exercise price \$	Expiry Date
<b>Specified Directors</b>							
B Grey	-	1,166,666	-	100%	Various	0.012	15/08/2016
D Slack	-	25,765,751	-	100%	26/05/2014	0.012	15/08/2016
	-	25,765,751	-				

### Convertible notes held directly by Directors were as follows:

On 15 August 2013 the Company issued 5,000 convertible notes to a Related Party, being an entity associated with Mr David Slack, a Director of the Company, and the issue of these convertible notes was subject to Shareholder approval which was sought and provided at the 2013 Annual General Meeting on 29 October 2013. The unlisted convertible notes have a face value of \$100 per note, bearing interest at 12% per annum, convertible into shares at \$0.00938 per share on 19 November 2016, raising an amount of \$500,000 before costs.

### Structure

In the 2016 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 the FY15 year a share based scheme was put in place for all four executives, commencing 1 January 2015. 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 indicators including group performance such as sales revenue, profit targets, and cash performance against budget and individual targets such product commercialisation. At judgement and discretion of the Board of Directors.

## DIRECTORS' REPORT

<p>Long term incentive component (LTI)</p>	<p>Paid in cash or share based incentives for KMPs.            During the FY16 year, a share based scheme was put in place for three executives, commencing 1 July 2015.            The CEO's LTI runs for four years commencing 28 January 2014.</p>	<p>Rewards executives for their contribution to achievement of Group.</p>	<p>Linked to Total Shareholder Return and discretion of the Board of Directors.</p>
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## 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:

Directors	Year	Primary Salary & Fees \$000's	STI Shares Bonus \$000's	Post-Employment Super \$000's	Total \$000's
B Grey	2016	85	-	8	93
	2015	85	-	8	93
D Slack	2016	55	-	5	60
	2015	55	-	5	60
A Levine	2016	55	-	5	60
	2015	55	-	5	60
G Sumner	2016	365	50	19	434
	2015	356	-	19	375
<b>Total</b>	<b>2016</b>	<b>560</b>	<b>50</b>	<b>37</b>	<b>647</b>
Total	2015	551	-	37	588

		Primary Salary & Fees \$000's	STI Sales Commission \$000's	STI Shares Bonus \$000's	LTI Bonus \$000's	Post Employ- ment Super \$000's	Equity Shares \$000's	Total \$000's
<b>Executives</b>	<b>Year</b>							
M Johnston	2016	201	-	23	-	19	-	243
	2015	201	-	-	-	19	-	220
D Robinson	2016	159	57	32	-	19	-	267
	2015	118	43	-	-	15	-	176
N Walker	2016	186	-	32	-	33	-	251
	2015	157	-	-	-	38	-	195
C Madelin	2016	-	-	-	-	-	-	-
	2015	71	-	-	-	23	-	94
S Leighton	2016	-	-	-	-	-	-	-
	2015	78	-	-	-	3	-	81
<b>Total</b>	<b>2016</b>	<b>544</b>	<b>57</b>	<b>87</b>	<b>-</b>	<b>73</b>	<b>-</b>	<b>761</b>
Total	2015	625	43	-	-	98	-	766

Bonuses to Directors and Executives are recognised above in the year in which they are paid. STI's relating to the period 1 January to 30 June 2015 of \$137,000 were accrued in the in financial year 2015 and paid in financial year 2016, as disclosed in the above tables. These STI's were paid in the form of performance rights to ordinary shares in 2016. No STI's for the CEO and KMP's were accrued in 2016, as it was considered unlikely to be payable. No LTI for the CEO was accrued in 2015 nor in 2016 for the CEO and KMP's, as it was considered unlikely to be payable. Sales commissions were earned in 2015 and in 2016. Commissions for the final quarter of 2015 was paid in first quarter of 2016. Sales commissions for the final quarter of 2016 were paid in June 2016 for Mr D Robinson and in the first quarter of 2016 for sales staff.

- **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 \$1,000 of shares under an employee share grant (ESG shares).

No shares under an employee share grant were issued in 2015 or 2016.

## DIRECTORS' REPORT

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

As stated above, the Board approved performance based STI's for all four executives, plus a LTI's for the three executives other than the CEO, whose LTI commenced 28 January 2014.

The commencement dates were as follows;

- STI's 1 January 2015,
- LTI's 1 July 2015

The STI's and LTI's are currently payable in performance rights to ordinary shares, but may revert to cash in future, subject to Board approval.

No performance rights have been issued in relation to the 2016 financial year.

The value of performance rights to be issued during the 2016 financial year, under the 2015 STI scheme was \$137,145, which was fully accrued in the 2015 year and was issued into the Advanced Braking Technology Limited Rights Share Trust managed by Trinity Management Group Pty Ltd. No accrual has been raised for the LTI scheme as at 30 June 2016. The trust was established on 15 April 2015, with a valuation of \$321,493.50, based on the Black Scholes valuation methodology. Details of the valuation break-down as at 30 June 2016 are included below;

STI 17,480,162 @ \$0.007 = \$122,361.13

LTI 16,425,000 @ \$0.006 = \$98,550.00  
Total \$220,911.13

### ***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 \$10,392 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.

## DIRECTORS' REPORT

### Non-Audit Services

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

<b>AUDITOR'S REMUNERATION</b>	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Remuneration of the auditor of the Consolidated Group for:		
Auditing the financial statements	62	51
Other services	11	22
	<u>73</u>	<u>73</u>
Remuneration of the auditor of Safe Effect (Thailand) Co. Ltd	-	2

### ***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.



Graeme Sumner  
Chief Executive Officer and Managing Director  
16 September 2016

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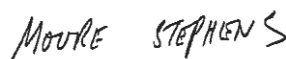
**AUDITOR'S INDEPENDENCE DECLARATION UNDER  
S307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF  
ADVANCED BRAKING TECHNOLOGY LIMITED & CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 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.



**Neil Pace**  
Partner



**Moore Stephens**  
Chartered Accountants

Signed at Perth this 16<sup>th</sup> day of September 2016

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2016**

	NOTES	CONSOLIDATED GROUP	
		2016 \$'000	2015 \$'000
Revenues from trading activities		4,392	5,860
Cost of sales	3	(2,392)	(2,832)
<b>Gross Profit</b>		<b>2,000</b>	<b>3,028</b>
Revenues from other activities	2	960	1,038
<b>Expenses</b>			
Amortisation of Intellectual Property		(199)	(199)
Bad and doubtful debts	3	(25)	(40)
Computer related expenses		(44)	(24)
Consulting and contract labour expenses		(165)	(229)
Consumables and minor equipment		(68)	(52)
Depreciation expense	3	(124)	(167)
Employee expenses		(2,470)	(2,301)
Finance expenses	3	(340)	(434)
Insurance		(158)	(154)
Legal fees		(20)	(36)
Marketing and advertising expenses		(12)	(81)
Patents		(50)	(34)
Property expenses		(289)	(327)
Telephone and other communication		(33)	(35)
Travel and accommodation		(302)	(346)
Other expenses		(419)	(607)
<b>Total expenses</b>		<b>(4,718)</b>	<b>(5,066)</b>
<b>Loss from continuing operations</b>		<b>(1,758)</b>	<b>(1,000)</b>
Significant expenses	3	-	(1,758)
<b>Loss before income tax</b>		<b>(1,758)</b>	<b>(2,758)</b>
Income tax	4	-	-
<b>Loss after income tax</b>		<b>(1,758)</b>	<b>(2,758)</b>
<b>Other comprehensive income/(loss)</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign exchange translation		-	173
<b>Total comprehensive loss for the period</b>		<b>(1,758)</b>	<b>(2,585)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Basic profit / (loss) per share (cents)</b>	7	<b>(0.10)</b>	<b>(0.19)</b>

A diluted earnings per share has not been shown for either 2016 or 2015, as it would dilute the actual loss per share attributable to existing Shareholders.

**Notes to the financial statements are included on pages 27 to 56.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	NOTES	CONSOLIDATED GROUP	
		2016 \$'000	2015 \$'000
<b>CURRENT ASSETS</b>			
Cash and Cash equivalents	8	887	1,509
Trade and other Receivables	9	1,294	1,162
Inventories	10	904	712
Other current assets	11	846	835
<b>Total current assets</b>		<b>3,931</b>	<b>4,218</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other Receivables	9	-	-
Property, plant and equipment	13	291	279
Intangibles	14	995	1,194
<b>Total non-current assets</b>		<b>1,286</b>	<b>1,473</b>
<b>TOTAL ASSETS</b>		<b>5,217</b>	<b>5,691</b>
<b>CURRENT LIABILITIES</b>			
Trade and other Payables	15	1,118	1,669
Interest bearing liabilities	16	1,940	202
Provisions	17	216	183
<b>Total current liabilities</b>		<b>3,274</b>	<b>2,054</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	16	13	2,270
Provisions	17	20	29
<b>Total non-current liabilities</b>		<b>33</b>	<b>2,299</b>
<b>TOTAL LIABILITIES</b>		<b>3,307</b>	<b>4,353</b>
<b>NET ASSETS</b>		<b>1,910</b>	<b>1,338</b>
<b>EQUITY</b>			
Issued Capital	18	50,142	47,812
Accumulated losses	19	(48,232)	(46,474)
<b>TOTAL EQUITY</b>		<b>1,910</b>	<b>1,338</b>

Notes to the financial statements are included on pages 27 to 56.



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2016**

		<b>CONSOLIDATED GROUP</b>	
		<b>2016</b>	<b>2015</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>NOTES</b>		
<b>Net cash flows from operating activities</b>			
Receipts from customers		4,593	5,596
Payments to suppliers, consultants and employees		(7,364)	(6,924)
Borrowing costs		(270)	(434)
Interest received		14	29
Other – Grants and R&D tax incentive		776	1,782
Net cash provided by / (used in) operating activities	22	(2,251)	49
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		49	125
Purchase of property, plant and equipment		(163)	(140)
Net cash (used in) investing activities		(114)	(15)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(943)
Proceeds from issue of shares		1,881	539
Cost of issuing shares		(138)	(58)
Net cash provided by financing activities		1,743	(462)
<b>Net increase / (decrease) in cash and cash equivalents held</b>		<b>(622)</b>	<b>(428)</b>
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies		-	(52)
<b>Cash and Cash equivalents at the beginning of the financial year</b>		<b>1,509</b>	<b>1,989</b>
<b>Cash and Cash equivalents at the end of the financial year</b>		<b>887</b>	<b>1,509</b>

Notes to the financial statements are included on pages 27 to 56.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2016**

	Attributable to equity holders of the parent			
	Issued Capital	Accumulated Losses	Other Reserves	Total
	\$'000	\$'000	\$'000	\$'000
<b>CONSOLIDATED GROUP</b>				
<b>At 1 July 2015</b>	47,812	(46,474)	-	1,338
Loss for the year	-	(1,758)	-	(1,758)
Total comprehensive income / (loss) for the year	-	(1,758)	-	(1,758)
Transaction costs relating to share issues	(135)	-	-	(135)
Issue of ordinary shares	2,465	-	-	2,465
Total transactions with owners	2,330	-	-	2,330
<b>At 30 June 2016</b>	<b>50,142</b>	<b>(48,232)</b>	-	<b>1,910</b>
<b>CONSOLIDATED GROUP</b>				
<b>At 1 July 2014</b>	47,331	(44,460)	571	3,442
Option premium and foreign currency translation	-	744	(571)	173
Loss for the year	-	(2,758)	-	(2,758)
Total comprehensive income / (loss) for the year	-	(2,014)	(571)	(2,585)
Transaction costs relating to share issues	(58)	-	-	(58)
Issue of ordinary shares	539	-	-	539
Total transactions with owners	481	-	-	481
<b>At 30 June 2015</b>	<b>47,812</b>	<b>(46,474)</b>	-	<b>1,338</b>

Notes to the financial statements are included on pages 27 to 56.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Preparation**

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

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

#### **(a) Principles of Consolidation**

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

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

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

#### **Business combinations**

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### (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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### (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 as unused tax losses.

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

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

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

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

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

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

### (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 (i.e. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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.

### **(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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### Depreciation

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

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

#### *Class of Fixed Asset*

Plant and equipment	2-5 years
Motor vehicles	3-15 years
Office equipment and furniture	3-5 years
Software	3-5 years

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

#### Short-term employee benefits

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

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

#### Other long-term employee benefits

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

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

#### Equity-settled compensation

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### (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

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).  
The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.  
The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.  
Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.
- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).  
When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.  
The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:
  - identify the contract(s) with a customer;

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019). When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

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

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact

- AASB 2014-3: *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* (applicable to annual reporting periods beginning on or after 1 January 2016)

This Standard amends AASB 11: *Joint Arrangements* to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method per AASB 3.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 30 June 2016, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity going forward and as such is not capable of providing a reasonable estimate at this stage of the impact on initial application of AASB 2014-3.

- AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

### **(u) New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

### **(v) Fair Value of Assets and Liabilities**

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2 REVENUES FROM OTHER ACTIVITIES</b>		
Other activities		
- interest received	14	29
- net foreign exchange gain	(2)	-
- income from sale of fixed assets	49	30
- Export Market Development Grant	49	43
- R&D Tax Incentive	776	729
- Other income	74	207
<b>Total revenue from other activities</b>	<b>960</b>	<b>1,038</b>
<b>3 PROFIT / (LOSS) BEFORE INCOME TAX</b>		
Profit / (Loss) before income tax has been determined after deducting the following expenses:		
Cost of sales	2,392	2,832
Finance expenses	340	434
Depreciation of non-current assets		
- plant and equipment	60	91
- motor vehicle	23	48
- office equipment and furniture	14	19
- leasehold improvements	9	9
- software	27	-
Total depreciation	124	167
Bad and doubtful debts		
- trade debtors	25	40
Total bad and doubtful debts	25	40
Operating leases		
- property rental expense	182	280
- office equipment lease	4	5
Total operating leases	186	285
<b>Significant expenses comprise;</b>		
Write-down of inventory	-	1,150
Costs associated with closing down operations in Thailand	-	301
Impairment of property, plant and equipment	-	217
Property relocation	-	90
	-	1,758

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

4: INCOME TAX EXPENSE	CONSOLIDATED GROUP	
	2016 \$'000	2015 \$'000
<b>a. The components of tax expense comprise:</b>		
Current tax	-	-
Deferred tax	-	-
Recoupment of prior year tax losses not previously recognised	-	-
Income tax	-	-
<b>b. The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:</b>		
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2015: 30%)	(527)	(828)
Add tax effect of:		
- Non-allowable items	535	797
- Revenue losses and other deferred tax balances not recognised	225	288
	233	257
Less tax effect of:		
- Non-allowable items	-	(39)
- R&D tax incentive/offset	(233)	(218)
Income tax	-	-
<b>c. Deferred tax recognised:</b>		
<b>Deferred tax liabilities:</b>		
Grants receivable	(19)	(19)
Interest receivable	-	-
<b>Deferred tax assets:</b>		
Carry forward revenue losses	19	19
<b>Net deferred tax</b>	-	-
<b>d. Unrecognised deferred tax assets:</b>		
Carry forward revenue losses	5,810	5,555
Carry forward capital losses	91	91
Capital raising costs	71	73
Provisions and accruals	145	144
Plant and Equipment	95	96
Other	1	8
	<b>6,213</b>	<b>5,967</b>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**5. Key Management Personnel Compensation**

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2016.

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

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
Short-term employee benefits	1,298	1,219
Post-employment benefits	110	135
Other long-term benefits	-	-
Share-based payments	-	3
<b>Total KMP compensation</b>	<b>1,408</b>	<b>1,354</b>

**Short-term employee benefits**

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

**Post-employment benefits**

These amounts are the superannuation contributions made during the year.

**6. AUDITOR'S REMUNERATION**

Remuneration of the auditor of the Consolidated Group for:

	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditing the financial statements	62	51
Other services	11	22
	<u>73</u>	<u>73</u>
Remuneration of the auditor of Safe Effect (Thailand) Co. Ltd.	-	2

**7. EARNINGS PER SHARE**

<b>Basic Earnings per share</b>	<b>\$'000</b>	<b>\$'000</b>
Net (loss) ( \$'000's)	(1,758)	(2,758)
	<b>Number</b>	<b>Number</b>
	<b>('000's)</b>	<b>('000's)</b>
Weighted average number of ordinary shares during the year used in calculation of basic EPS (in '000's)	1,668,815	1,468,053
	<b>cents</b>	<b>cents</b>
Basic (loss) per share (cents)	<u>(0.10)</u>	<u>(0.19)</u>

A diluted earnings per share has not been shown for either 2016 or 2015 as it would dilute the actual loss per share attributable to existing Shareholders.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2015</b>
<b>8 CASH AND CASH EQUIVALENTS</b>	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	887	1,509

**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	887	1,509
--------------	-----	-------

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

At 30 June 2016 the borrowing facility available was \$434,000 (2015: \$406,000) and the amount borrowed was \$nil (2015: \$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	1,314	1,192
Less: provision for doubtful debts	(20)	(30)
	<u>1,294</u>	<u>1,162</u>

**Non-current**

Other receivables	-	-
	<u>-</u>	<u>-</u>

**Receivables Ageing and Impairment losses**

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

	<b>CONSOLIDATED GROUP</b>			
	<b>Total Receivables</b>		<b>Gross Impairment</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not past due	874	1,055	-	-
Past due 0 – 30 days	25	100	-	-
Past due 31 – 60 days	177	14	-	-
Over 60 days #	238	23	-	-
	<u>1,314</u>	<u>1,192</u>	<u>-</u>	<u>-</u>

**Note: #** Over 60 days debts have all been settled. As at 12 September 2016 there is a zero balance.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

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

	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July	(30)	(143)
Impairment provision (recognised) / reversed during the year	(25)	(30)
Bad debts written off	35	143
Closing balance at 30 June	<u>(20)</u>	<u>(30)</u>

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

**10 INVENTORIES**

**Current**

Finished goods	28	175
Components and WIP	976	537
Less: Provision for obsolescence	(100)	-
	<u>904</u>	<u>712</u>

**11 OTHER CURRENT ASSETS**

Prepayments	6	15
Refundable deposits paid	-	9
Staff advances	-	20
Grants receivable	64	62
Accrued Income - R&D Tax incentive	776	729
	<u>846</u>	<u>835</u>

**12. CONTROLLED ENTITIES**

<b>(a) Advanced Braking Pty Ltd</b> ACN 088 129 917 (Incorporated in WA)	<b>Parent Entity</b>	
	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Class and number of shares: ordinary	<u>200,002</u>	<u>200,002</u>

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

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

Advanced Braking Pty Ltd closed down its 100% owned subsidiary in Thailand, namely Safe Effect (Thailand) Co. Ltd with effect from 2 November 2014.

Manufacturing has been moved to Australian based companies.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

13	PROPERTY, PLANT AND EQUIPMENT	CONSOLIDATED GROUP	
		2016 \$'000	2015 \$'000
	Plant and equipment at cost	238	287
	Less: accumulated depreciation	(81)	(197)
		<u>157</u>	<u>90</u>
	Motor vehicles at cost	202	293
	Less: accumulated depreciation	(174)	(208)
		<u>28</u>	<u>85</u>
	Office equipment and furniture at cost	84	121
	Less: accumulated depreciation	(49)	(97)
		<u>35</u>	<u>24</u>
	Software at cost	98	80
	Less: accumulated depreciation	(27)	-
		<u>71</u>	<u>80</u>
	Total at net written down value	<u>291</u>	<u>279</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**Reconciliation**

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

<b>CONSOLIDATED GROUP</b>	<b>Plant &amp; Equipment</b>	<b>Motor Vehicles</b>	<b>Office Equipment &amp; Furniture</b>	<b>Leasehold Improvements</b>	<b>Software</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2016</b>						
Balance at the beginning of year	90	85	24	-	80	279
Additions	144	(1)	25	-	18	186
Disposals	-	(33)	-	-	-	(33)
Written-off	(17)	-	-	-	-	(17)
Depreciation expense	(60)	(23)	(14)	-	(27)	(124)
Carrying amount at the end of year	157	28	35	-	71	291
<b>2015</b>						
Balance at the beginning of year	388	226	86	36	-	736
Additions	75	53	6	-	80	214
Disposals	-	(145)	-	-	-	(145)
Written-off	(316)	-	(45)	(27)	-	(388)
Depreciation expense	(57)	(49)	(23)	(9)	-	(138)
Carrying amount at the end of year	90	85	24	-	80	279

**14. INTANGIBLES**

	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Wet Brake technology assigned from Safe Effect Technologies International Ltd	2,984	2,984
Less - Accumulated amortisation	(1,989)	(1,790)
Carrying amount at the end of year	995	1,194
Total carrying amount at the end of year	995	1,194

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**Reconciliation**

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

<b>CONSOLIDATED GROUP</b>	<b>Wet Brake Technology</b>	<b>Total</b>
<b>2016</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of year	1,194	1,194
Amortisation expense	(199)	(199)
Carrying amount at the end of year	995	995
<b>2015</b>		
Balance at the beginning of year	1,392	1,392
Amortisation expense	(198)	(198)
Carrying amount at the end of year	1,194	1,194

**Impairment Disclosure**

An impairment assessment was performed in 2014, in which it was decided to write-off the Capitalised Development and Pre-Production costs. No impairment assessment of intangibles was performed in 2015 and 2016, as there were no impairment triggers.

	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>15 TRADE AND OTHER PAYABLES</b>		
<b>Current (unsecured)</b>		
Trade creditors	937	1,272
Accrued expenses	181	397
	1,118	1,669
<b>16 INTEREST BEARING LIABILITIES</b>		
<b>(a) Current and non-current</b>		
<b>Current (secured)</b>		
Lease agreements	57	166
Unexpired interest charges	(2)	(21)
	55	145
Convertible Notes (i)	1,839	-
Interest due on Convertible note	46	57
	1,885	57
<b>Total</b>	<b>1,940</b>	<b>202</b>
<b>Non-current (secured)</b>		
Lease and Hire purchase agreements	14	15
Unexpired interest charges	(1)	12
	13	27
Convertible Notes (i)	-	2,243
<b>Total</b>	<b>13</b>	<b>2,270</b>

- (i) These may be converted to shares at any time prior to the maturity date of 15 August 2016 for \$1,345,000 and 19 November 2016 for \$500,000, at the request of the note holder, or will 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 \$0.00938. All \$1,345,000 in convertible notes were redeemed on 15 August 2016.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

<b>(b) Total of current and non-current</b>		
Lease, hire purchase, loans payable and convertible notes	1,956	2,481
Unexpired interest charges	(3)	(9)
	<u>1,953</u>	<u>2,472</u>
<b>(c) The carrying amounts of non-current assets pledged as security are:</b>		
Plant and equipment	-	-
Motor vehicles	18	40
Office equipment	21	-
	<u>39</u>	<u>40</u>
	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>17 PROVISIONS</b>		
<b>Current</b>		
Warranties	41	60
Employee entitlements	175	123
Total	<u>216</u>	<u>183</u>
<b>Non-Current</b>		
Employee Entitlements	20	29
Other	-	-
Total	<u>20</u>	<u>29</u>
<b>(b) Number of Employees</b>	<b>Number</b>	<b>Number</b>
Number of employees at year-end		
Australia	16	15
Overseas	-	-
Total	<u>16</u>	<u>15</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**18 ISSUED CAPITAL**

**(a) Issued Capital**

The Parent Entity had issued 1,813,529,007 (2015: 1,476,074,530) fully paid ordinary shares as at the 30 June 2016.

	2016		2015	
	Number of shares	\$'000	Number of shares	\$'000
<b>Ordinary shares</b>				
Balance at beginning of the financial year	1,476,074,530	47,812	1,399,033,479	47,331
Shares issued shortfall of rights issue on 7 August 2014			77,000,000	539
Exercise of options on 8 August 2014			14,459	-
Exercise of options on 22 August 2014			26,592	-
Exercise of options on 6 October 2015	47,257	1		
1 for 4 rights issue 23 October 2015	149,852,532	1,049		
Convertible notes converted to shares 5 November 2015	15,306,123	150		
Shares issued to management under incentive scheme 5 November 2015	22,857,512	134		
Shares issued shortfall of rights issue 11 November 2015	108,773,805	761		
Shares issued shortfall of rights issue 20 November 2015	10,000,003	70		
Convertible notes converted to shares 13 January 2016	15,306,123	150		
Convertible notes converted to shares 19 April 2016	15,306,122	150		
Exercise of options 25 May 2016	5,000	-		
	<u>1,813,529,007</u>	<u>50,277</u>	<u>1,476,074,530</u>	<u>47,870</u>
Transaction costs relating to share issues		(135)		(58)
Balance at end of financial year	<u>1,813,529,007</u>	<u>50,142</u>	<u>1,476,074,530</u>	<u>47,812</u>

**(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. Advanced Braking Pty Ltd has a finance agreement with NAB under which it may borrow up to \$0.5m secured against debtors. The amount which may be drawn down at any time is dependent on the debtor balance - see note 9.

There are no externally imposed capital requirements.

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

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 2016 and 30 June 2015 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.

	CONSOLIDATED GROUP	
	2016	2015
<b>(c) Gearing ratio</b>	35.8%	41.9%

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2015</b>
<b>19 ACCUMULATED LOSSES</b>		
Accumulated losses at the beginning of the financial year	(46,474)	(44,460)
Transfers from option premium reserve	-	744
Net loss attributable to members of the parent entity	(1,758)	(2,758)
Accumulated losses at the end of the financial year	<u>(48,232)</u>	<u>(46,474)</u>
<b>20 CONTRACT AND LEASING COMMITMENTS</b>		
<b>(a) Finance lease commitments</b>		
Payable		
- not later than 1 year	57	166
- later than 1 year but not later than 5 years	14	15
	<u>71</u>	<u>181</u>
Less future finance charges	(3)	(9)
Total hire purchase and finance lease liability	<u>68</u>	<u>172</u>
<b>(b) Operating lease commitments</b>		
Non-cancellable operating lease contracted for but not capitalised in the financial statements		
Payable		
- not later than 1 year	213	264
- later than 1 year but not later than 5 years	231	254
	<u>444</u>	<u>518</u>

**21 SEGMENT REPORTING**

The Consolidated Group's principal activities are research and development, commercialisation and manufacture of SIBS® braking systems, predominantly in Australia and via distribution arrangements to other countries.

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

**Revenue by geographical region**

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

	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Australia	2,857	4,372
Canada	161	778
Guatemala	7	-
Germany	2	20
Indonesia	12	66
Kazakhstan	20	-
Netherlands	2	88
New Guinea	55	-
New Zealand	22	32
Poland	606	34
Singapore	27	41



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

South Africa	527	267
Turkey	81	118
USA	13	44
<b>Total revenue from trading activities</b>	<b>4,392</b>	<b>5,860</b>

**Assets by geographical region**

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

Australia	5,217	5,691
Other	-	-
<b>Total assets</b>	<b>5,217</b>	<b>5,691</b>

**Major customers**

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

<b>Significance</b>	<b>2016 % of total revenue from trading activities</b>	<b>2015 % of total revenue from trading activities</b>
1st	13.7%	17.6%
2nd	11.2%	13.4%
3rd	10.6%	13.3%

**CONSOLIDATED GROUP**

**2016**                      **2015**  
**\$'000**                      **\$'000**

**22 CASH FLOW INFORMATION**

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

Profit / (Loss) from ordinary activities after income tax	(1,758)	(2,758)
(Profit) / loss on disposal of property, plant and equipment	2	(30)
<b><i>Non-cash flows in loss from ordinary activities</i></b>		
Depreciation and impairment	124	355
Amortisation of IP	199	198
<b><i>Changes in assets and liabilities</i></b>		
(Increase) / decrease in trade and other receivable	(162)	579
(Increase) / decrease in inventories	(192)	902
(Increase) / decrease in other current assets	84	-
Increase / (decrease) in deferred income	-	-
Increase / (decrease) in trade and other payables	(574)	850
Increase / (decrease) in provisions	26	(47)
<b>Cash inflows / (outflows) from operations</b>	<b>(2,251)</b>	<b>49</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### (b) Non-cash financing and investing activities 2016

During the year to 30 June 2016, ordinary shares were issued to Directors and key management personnel as follows;

- a) ordinary shares were issued to one Director, the CEO/Managing Director, who was issued with 8,287,000 shares, awarded under his 2015 STI
- b) ordinary shares were issued to the three key management personnel, who were awarded 14,570,512 shares under their 2015 STI

### 2015

During the year to 30 June 2015, no shares were issued to Directors.

## 23 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 2016, ordinary shares were issued to one director and three key management personnel – see note 22 (b).

During 2015, no shares were issued to directors.

## 24 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 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:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

	Average Interest Rate %	Floating Interest Rate \$'000	Within 1 Year \$'000	1 to 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
<b>2016</b>						
<b>Financial assets</b>						
Cash	1.2%	887	-	-	-	887
Receivables - current	-	-	-	-	1,294	1,294
Accrued Income (note 11)						
Government Grants	-	-	-	-	64	64
R&D Tax incentive	-	-	-	-	776	776
<b>Total financial assets</b>		<b>887</b>	<b>-</b>	<b>-</b>	<b>2,134</b>	<b>3,021</b>
<b>Financial liabilities</b>						
Payables	-	-	-	-	1,118	1,118
Interest Payable	-	-	-	-	46	46
Finance lease liabilities	8.5%	-	55	13	-	68
Convertible notes	12%	-	1,839	-	-	1,839
<b>Total financial liabilities</b>		<b>-</b>	<b>1,894</b>	<b>13</b>	<b>1,164</b>	<b>3,071</b>
<b>Net Financial Assets / (Liabilities)</b>		<b>887</b>	<b>(1,894)</b>	<b>(13)</b>	<b>970</b>	<b>(50)</b>
<b>2015</b>						
<b>Financial assets</b>						
Cash	1.8%	1,509	-	-	-	1,509
Receivables - current	-	-	-	-	1,162	1,162
Accrued Income (note 11)						
Government Grants	-	-	-	-	62	62
R&D Tax incentive	-	-	-	-	729	729
<b>Total financial assets</b>		<b>1,509</b>	<b>-</b>	<b>-</b>	<b>1,953</b>	<b>3,462</b>
<b>Financial liabilities</b>						
Payables	-	-	-	-	1,669	1,669
Interest Payable	-	-	-	-	57	57
Finance lease liabilities	6.8%	-	160	12	-	172
Convertible notes	12.0%	-	-	2,243	-	2,243
<b>Total financial liabilities</b>		<b>-</b>	<b>160</b>	<b>2,255</b>	<b>1,726</b>	<b>4,141</b>
<b>Net Financial Assets / (Liabilities)</b>		<b>1,509</b>	<b>(160)</b>	<b>(2,255)</b>	<b>227</b>	<b>(679)</b>

As at 30 June 2016 Advanced Braking Pty Ltd was entitled to interest on deposits at the National Australia Bank at rates up to 2.05% per annum (2015: 2.80% per annum).

The sensitivity analysis below is based on the interest rate risk exposure in existence at the balance sheet date. The 1.0% (2015: 1.0%) 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Possible movements before tax:		
+1.0% (2015: 1.0%) per annum	1	1
-1.0% (2015: -1.0%) per annum	(1)	(1)
<hr/>		
<i>Reconciliation of net financial assets to net assets</i>		
Net financial (liabilities)/assets as above	(50)	(679)
Non-financial assets and liabilities		
-Inventories	904	712
-Property, plant & equipment	291	279
-Intangible Assets	995	1,194
-Other current assets-prepayments (note 11)	6	15
-Refundable deposits	-	9
-Staff advances	-	20
-Provisions-Current	(216)	(183)
-Provisions-Non current	(20)	(29)
Net (liabilities)/assets as per the Balance Sheet	<u>1,910</u>	<u>1,338</u>

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**

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

At 30 June 2016, the Company does not have any forward foreign exchange contracts in place. As at 30 June 2016 the Group had the following exposure to foreign currency:

	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Asset</b>		
Cash and cash equivalents	-	-
Trade and other receivables	14	1
	<u>14</u>	<u>1</u>
<b>Financial Liabilities</b>		
Payables	2	32
Net Exposure	<u>12</u>	<u>(31)</u>

The following sensitivity analysis is based on the foreign currency risk exposure in existence at the balance sheet date. The 7% (2015: 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 2015 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)		
+7% (2015: +7%) per annum	1	2
-7% (2015: -7%) per annum	(1)	(2)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**(b) Liquidity Risk**

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

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

	<b>CONSOLIDATED GROUP</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
The following are the contractual maturities of financial liabilities, including estimated interest payments:		
0 – 6 months	48	73
6 – 12 months	8	38
1 – 5 years	12	61
	68	172
Payment to be made, up to 90 days post 15 August 2016 for Convertible Notes redeemed by holders. See note 16(a).	1,345	1,795
Potential payment to be made, up to 90 days post 19 November 2016, if Convertible Note holder elects to redeem rather than converting notes to shares. See note 16(a).	500	500
	1,913	2,467

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

**CONSOLIDATED GROUP AS AT 30 JUNE 2016**

	<b>&lt; 6 Mths</b>	<b>6 - 12 Mths</b>	<b>1 - 5 Years</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>				
Cash and cash equivalents	887	-	-	887
Trade and other receivables	1,294	-	-	1,294
Accrued Income				
Government grants	64	-	-	64
R&D tax incentive	776	-	-	776
	3,021	-	-	3,021
<b>Financial Liabilities</b>				
Payables	1,118	-	-	1,118
Hire purchase and finance lease liabilities	48	8	12	68
Convertible Note accrued interest	46	-	-	46
Convertible notes	1,839	-	-	1,839
Total financial liabilities	3,051	8	12	3,071
Net exposure	(30)	(8)	(12)	(50)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**CONSOLIDATED GROUP AS AT 30 JUNE 2015**

**Financial Assets**

Cash and cash equivalents	1,509	-	-	1,509
Trade and other receivables	1,162	-	-	1,162
Accrued Income				
Government grants	62	-	-	62
R&D tax incentive	729	-	-	729
	<u>3,462</u>	-	-	<u>3,462</u>

**Financial Liabilities**

Payables	1,669	-	-	1,669
Hire purchase and finance lease liabilities	73	38	61	172
Convertible Note accrued interest	57	-	-	57
Convertible notes	-	-	2,243	2,243
Total financial liabilities	<u>1,799</u>	<u>38</u>	<u>2,304</u>	<u>4,141</u>

Net exposure	<u>1,663</u>	<u>(38)</u>	<u>(2,304)</u>	<u>(679)</u>
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**Financial Assets**

**(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 and adequately covered by the estimated bad and doubtful debt accrual of \$20,000 as at 30 June 2016.

Other than the concentration of credit risk described, 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. Impairment assessments in financial year 2016 resulted in the build-up of a provision for obsolete inventory of \$100,000.

Intangible assets as at 30 June 2016 only comprises 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.

**25 EVENTS SUBSEQUENT TO BALANCE DATE**

On 4 August 2016, Advanced Braking Technology Ltd. raised \$2.7 million at the effective issue price of A\$0.007 per share in an over-subscribed share placement to institutions and sophisticated investors.

Under the placement, 271,815,065 shares were issued within the Company's 15% capacity to issue without shareholder approval.

An additional 114,134,943 shares were issued within the Company's 10% capacity to issue under Listing Rule 7.1A, as approved by shareholders at the 27 November 2015 Annual General Meeting.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

Funds received from the placement will be used to:

- Fund repayment of \$1.345m of Convertible Notes, which expired on 15 August 2016 and for which redemptions were requested and, if elected, will be used for the \$0.500m of Convertible Notes due to expire on 19 November 2016, and
- Provide additional working capital to fund future developments

**26 CONTINGENT LIABILITIES**

There are no contingent liabilities.

**27 SHARE BASED PAYMENTS**

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

**28 PARENT INFORMATION**

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

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current assets	1	9
<b>TOTAL ASSETS</b>	<b>4,072</b>	<b>3,758</b>
<b>LIABILITIES</b>		
Current Liabilities	1,962	142
<b>TOTAL LIABILITIES</b>	<b>1,962</b>	<b>2,385</b>
<b>EQUITY</b>		
Issued Capital	50,142	47,812
Other reserves	-	-
Accumulated losses	(48,032)	(46,439)
<b>TOTAL EQUITY</b>	<b>2,110</b>	<b>1,373</b>
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
Total profit/(loss) after tax	(676)	(14,275)
Total Comprehensive Income/(Loss)	(676)	(14,275)

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

### **Guarantees**

At 30 June 2016 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 2013 financial year.

Advanced Braking Technology Ltd has provided guarantees to a number of suppliers of Advanced Braking Pty Ltd in connection with the subsidiary negotiating finance under lease agreements. The 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 2016, Advanced Braking Technology Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2015: Nil).




## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 23 to 56, 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 2016 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:



G SUMNER  
Director

Melbourne, Victoria  
16 September 2016

## MOORE STEPHENS

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Level 15, Exchange Tower,  
2 The Esplanade, Perth, WA 6000

PO Box 5785, St Georges Terrace,  
WA 6831

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

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### **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 2016, 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*.

*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 2016 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**

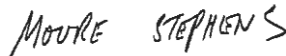
We have audited the remuneration report as included in the Directors' Report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to 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 2016 complies with s 300A of the *Corporations Act 2001*.



**Neil Pace**  
Partner



**Moore Stephens**  
Chartered Accountants

Signed at Perth this 16<sup>th</sup> day of September 2016

## 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 31 August 2016.

(a) Distribution of fully paid ordinary shares

Size of Holding		Number of Shareholders	Shares Held
1	- 1,000	65	4,928
1,001	- 5,000	17	56,752
5,001	- 10,000	145	1,382,895
10,001	- 100,000	534	24,910,317
100,001	and Over	828	2,173,282,742
Total		1,589	2,199,637,634

(b) There are 608 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 12 September 2016:

- Cashel Capital Partners Fund	287,171,974 shares
- Mr David Slack	271,471,476 shares

Mr David Slack also has an indirect holding of 5,000 convertible notes (see note 5 below) which could be converted to 53,304,904 shares.

### 3. Shareholders

The twenty largest Shareholders hold 44.8% of the total issued ordinary shares in the Company as at 12 September 2016.

### 4. Share Options

All Listed Options expired on 15 August 2016.

### 5. Convertible Notes

Unlisted convertible notes with a face value of \$100 per note, bearing interest at 12% per annum, convertible into shares at \$0.00938 per share up to the maturity date of 19 November 2016.

Number of Convertible Notes	5,000
Number of Holders	1

### 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.

## STOCK EXCHANGE INFORMATION

### Largest Fully Paid Ordinary Shareholders

The names of the twenty largest Shareholders at 12 September 2016, who hold 44.78% of the fully paid ordinary shares in the Company, are:

Rank	Name	Number of Shares	% of Issued Shares
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	315,066,625	14.32
2.	WINDPAC PTY LTD	122,332,918	5.56
3.	DASI INVESTMENTS PTY LTD	86,324,578	3.92
4.	SCINTILLA STRATEGIC INVESTMENTS LIMITED	66,250,000	3.01
5.	MR PETER RODNEY BOWER	54,000,000	2.45
6.	RP INVEST PTY LTD <PALMER FAMILY RETIRE A/C>	46,500,000	2.11
7.	MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C>	29,975,000	1.36
8.	WINDPAC PTY LTD <THE DAVID EARL SLACK SUPERANNU>	29,166,668	1.33
9.	WINDPAC PTY LTD <THE SLACK FAMILY A/C>	24,833,334	1.13
10.	MR DALE ALBERT MONSON + MRS DAGMAR ERNA MONSON <DALE MONSON S/FUND NO 2 A/C>	24,411,358	1.11
11.	M/S TRACEY-ANN PALMER	24,144,893	1.10
12.	KIZOGO PTY LTD <BERGAN EXEC RETIREMENT A/C>	22,767,402	1.04
13.	CHIFLEY INVESTOR GROUP PTY LTD	20,000,000	0.91
14.	ONMELL PTY LTD <ONM BPSF A/C>	20,000,000	0.91
15.	TRINITY MANAGEMENT PTY LTD	17,480,162	0.79
16.	EDNA SECURITIES PTY LTD <WARREN GELFAND PSF A/C>	17,288,000	0.79
17.	MONDAL INVESTMENTS PTY LTD	17,230,747	0.78
18.	RP INVEST 2 PTY LTD <PALMER SMSF 2 A/C>	17,000,000	0.77
19.	SOUTHBANK PROMENADE PTY LTD <ENTERPRISE SUPER FUND A/C>	16,285,714	0.74
20.	GURRAVEMBI INVESTMENTS PTY LTD	14,295,000	0.65
<b>Total</b>		<b>985,352,399</b>	<b>44.80</b>



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