ADVANCED BRAKING TECHNOLOGY LTD

AND CONTROLLED ENTITIES

ABN 66 099 107 623

ANNUAL REPORT
2014

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
Bank of Western Australia Ltd (BankWest)
Level 20, 108 St Georges Terrace
Perth, WA, 6000

National Australia Bank Ltd
13 / 100 St Georges Terrace
Perth, WA, 6000

Manufacturing
Safe Effect (Thailand) Co. Ltd
Laem Chabang Industrial Estate
No. 242 Moo 3
Tambol Thungsukla, Amphur Sriracha
Chonburi 20230
Thailand

Share Registry
Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth, WA, 6000
Telephone: + 61 8 9323 2000
Facsimile: + 61 8 9323 2033

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

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

ASX Home Branch
Australian Securities Exchange (ASX)
Level 8, Exchange Plaza
2 The Esplanade
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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Advanced Braking Technology Ltd

CORPORATE GOVERNANCE STATEMENT

Dear Shareholder,

The 2013/14 financial year has proved to be an extremely difficult one for ABT. The business has gone through significant change.

I was pleased to announce the appointment of Graeme Sumner as Managing Director in January 2014. Graeme was tasked with undertaking a full review of the company's position and developing a refreshed strategy in conjunction with the board. To date, the board is very pleased with the progress that has been made in turning the organisation around.

I am sure shareholders will be disappointed to learn that the truck brake development has not delivered on the promise that we were all expecting. Graeme addresses this point in the following CEO's Operational Review.

In reviewing the strategy, management and the board have determined that ABT is primarily an application engineering company which has benefited from a lot of foundation research and development into wet brake technology. Many of the opportunities that this research has identified have not been fully developed, particularly in the mining sector. As I noted in last year's report, the Company's existing products in the mining sector offer compelling cost and safety benefits to our customers, but it is apparent that there is significant scope for the development of the product range and the geographies in which it operates. Consequently ABT's significant investment in research and development will be scaled back in favour of commercial product development and release programmes.

During the year, ABT raised over $2.58million by way of a rights issue and placement. I would like to express my gratitude to existing shareholders for their support and welcome those new shareholders to ABT. The Board and Management are very aware of the trust you have placed in us to turn ABT into a profitable business.

Finally I would like to thank Ken Johnsen for his leadership of ABT over the past 7 years. ABT has created an impressive list of unique products in Ken's time, and has given the company the opportunity to create a strong, commercially sustainable future.

Bruce Grey
Chairman

CORPORATE GOVERNANCE STATEMENT

Chief Executive Officer's Operational Review.

The 2014 financial year proved to be very difficult one for Advanced Braking Technology (ABT). As noted in last year's report, ABT announced the first commercial sales of the SIBS® Truck Brake into the waste disposal sector. During 2013/2014 it became evident however that the industry was not going to respond quickly enough to support an expanded commercial program, notwithstanding the benefits that the product brought to the market.

As a result the company had to take the difficult but necessary step of putting the truck program on hold and reducing its cost base. This step was taken as part of a review of the company's strategy to focus on expanding our existing lines of business. In a total loss of $7.54m for the year, $3.7m was directly related to write offs associated with this program.

Further to the Chairman's report ABT's management team are working within these new strategic guidelines and will be focused on the following priorities

Become Cash flow Positive
ABT will spend the rest of 2014/15 arresting cash outflows and becoming a cash generating business. There are a number of initiatives that are underway that will contribute to this, the most significant of which are

- The Closure of our Thailand factory and the outsourcing of manufacturing to Australian based manufacturers. This is a significant cash generative initiative we are taking across the calendar year 2014. The combination of reduced operating expenses and reduced working capital will contribute significantly to an improved cash position.
- A substantial reduction in Australian staff costs.
- The sale of non-core assets, including plant and equipment, light vehicles and garbage trucks.
- The Improved management of suppliers. We are implementing a number of initiatives to improve our cost base through more effective supplier management

Broadening our Distribution Channels
ABT will continue to broaden its distribution channels. We have announced new points of distribution in South Africa, Poland, Germany and New Zealand. We anticipate the development of a number of additional dealerships this year, with a particular emphasis on Southern Africa, Europe and North America.

Develop our Trailer Brake Solution
ABT's trailer brake is currently being trialled with Linfox. ABT will endeavour to commercialise the product this year subject to a satisfactory commercial agreement with a direct customer or distribution partner.

Broaden Our Product Range
It is imperative that we develop a culture of continuous product development and improvement, subject to our ability to pay for it. In this vein, ABT has announced the release of SIBS™4 in association with support for the Ford Ranger and anticipates regular product development announcements throughout the rest of the financial year.

Bed Down our Local Manufacturing Partnerships
It is essential that our local manufacturing relationships are up and running as soon as possible. This program remains on target to fully transition by November 2014 and will greatly enhance our responsiveness to market needs.

Outlook
Having been in the role since January 2014, it is clear to me that there are good prospects for ABT becoming a sustainably profitable organisation. We expect to make significant progress this year towards that goal by executing on the initiatives that I have outlined.

Acknowledgements
Finally I would like to acknowledge the significant contribution from the board and ABT staff members during this challenging period for ABT.

Graeme Sumner
Managing Director

Advanced Braking Technology Ltd

DIRECTORS' REPORT

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

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

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

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

THE BOARD OF DIRECTORS

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

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

The Board evaluates this policy on an ongoing basis.

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

At 30 June 2013 Mr Bruce Grey was appointed to the Board of Directors. Mr David Humann retired from the Board effective 13 September 2013. The Board normally comprises three non-executive Directors and one executive Director but for a period from 30 June 2014 to the date of this report it comprised four non-executive directors. Details of the Directors are set out in the Directors' Report.

The Board requires that the Chairperson should be an independent director and that the role of Chairperson and Chief Executive Officer should not be exercised by the same individual. The role of the Chairperson has been fulfilled during the financial year ended 30 June 2014 by Mr Bruce Grey and the role of Chief Executive Officer has been fulfilled by Mr Ken Johnsen from 1 July 2013 to 23 January 2014 and subsequently by Mt Graeme Sumner from 28 January 2014 to 30 June 2014.

DIRECTORS' REPORT

Appointment of Directors

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

Retirement and re-election of Directors

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

Independence of Directors

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

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

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

Name	**Position**
Mr 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.

DIRECTORS' REPORT

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 2014 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 2014		Objectives 2015	
	No.	%	No.	%
Women on the Board	-	-	-	-
Women in senior executive positions	1	50%	-	0%
Women employees in the Company	9	27%	6	30%

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.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Board has established an Audit Committee consisting of two non-executive Directors, Mr David Slack (Chairperson) and, during the year ended 30 June 2014, Mr Bruce Grey. On 20 August 2014 the structure of the Audit Committee changed to the following; Mr Adam Levine - Chairman, Mr Bruce Grey – Member. The Audit Committee has a formal charter. Meetings are held as required between the Audit Committee, the Company's Chief Financial Officer and the auditors to discuss the Company's ongoing activities and to discuss, where appropriate, any proposed changes prior to their implementation and to seek advice in relation thereto.

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

REMUNERATION COMMITTEE

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 2014, the Remuneration Committee comprised two non-executive Directors, Mr David Slack (Chairperson), Mr David Humann (retired 13 September 2013) and Mr Bruce Grey (appointed 14 September 2013).

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 2014, 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 2014, 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.

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:

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

Recommendation 4.2: The Audit Committee should be structured so

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

The Audit Committee (as of 20 August 2014) comprises only two non-Executive Directors, both of whom are considered to be independent (see "Independence of Directors" above).

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

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

During the year ended 30 June 2014, the remuneration committee comprised two non-executive Directors, Mr David Slack (Chairperson), Mr David Humann (retired 13 September 2013) and Mr Bruce Grey (appointed 14 September 2013). Since Mr David Slack is not an independent director the Committee does not consist of a majority of independent directors and it is not chaired by an independent director. Also it does not have at least three members. Consequently the committee does not comply with the ASX's *Corporate Governance Principles and Recommendations* during the period.

Having regard to the number of members currently comprising the Company's Board, the Board considers the size and composition of the 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.

The Directors of Advanced Braking Technology Ltd submit herewith the annual financial report for the financial year ended 30 June 2014. 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.

DIRECTORS' REPORT

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 Ken Johnsen *Executive Director and CEO*, Appointed 30 April 2007, Retired 23 January 2014
Mr Johnsen joined the Company as Chief Executive Officer on 9 September 2005. Mr Johnsen has over 40 years' experience in the development and licensing of advanced technology for the automotive industry. He has held senior management roles in both Australia and the USA with Orbital Corporation Ltd and served on the Orbital Board for 13 years. He is a Fellow of the Australian Institute of Company Directors.

Mr David Slack *Non-Executive Director*, Appointed 9 September 2009
Mr Slack is the Managing Partner and Investment Manager - Small Companies for Karara Capital Limited. Over the past 30 years Mr Slack has made a significant contribution to the Australian funds management industry. Notably he was the co-founder and Joint Managing Director of Portfolio Partners, which had $5.3 billion in funds under management when it was sold to Norwich Union in 1998. Prior to that, Mr Slack was a founding executive Director of County NatWest Investment Management, where he was Head of Australian Equities. He was formerly a non-executive Director of the Victorian Funds Management Corporation and until 2007 was its deputy Chairman and Chair of the Board Investment Committee. David has a Bachelor of Economics degree with Honours and is a Fellow of FINSIA. He is a Member of the Australian Institute of Company Directors.

Mr Adam Levine *Non-Executive Director, Appointed 9 April, 2013*
Mr Levine, a lawyer by profession, has over 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. He is the Managing Principal and founder of Rockwell Olivier (Melbourne), a law firm with offices in Australia and the Asia Pacific and affiliate offices in India and the United States.

Mr Levine is also the Executive Chairman and founder of Rockwell Financial Services Group, a boutique integrated wealth management business focused on Trustee & Guardianship services with offices across Australia.

Mr Levine's extensive international business experience covers the Transport and Aviation industries, Electrical Manufacturing, Financial Services, Advertising and Technology industries. His current directorships include Rockwell Financial Services Group Pty Ltd, Rockwell Bates Pty Ltd, Rockwell Investments Pty Ltd, Flinders Australia Limited, 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 less privileged youth.

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

Mr Grey is a Fellow of the Australian Academy of Technological Sciences and Engineering and was a member of the Advisory Board for the Platform Technologies Research Institute at RMIT University until April 2014. He is also a Director of the Murdoch Children's Research Institute. He is 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 Humann Appointed 28 August 2006, Retired 13 September 2013
Mr Humann is a Fellow of the Institute of Chartered Accountant, A Fellow of the Institute of Certified Practicing Accountants and Fellow of the Australian Institute of Company Directors. He was Chairman and Senior Partner of Price Waterhouse (Hong Kong and China firm) from 1986 until 1994. Mr Humann was also the Managing Partner of Price Waterhouse, Asia Pacific Region, and a member of the World Board of Price Waterhouse and of the global firm's World Executive Committee based in London and New York. He was formerly a member of the Australian and New Zealand firm's Executive Policy Committee. Mr Humann is a member of the boards of a number of public and private companies. He is a Fellow of the Australian Institute of Company Directors.

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

Name	Company	Period of Directorship
Mr David Humann	India Resources Ltd (re-appointed) Logicamms Ltd Mincor Resources NL	2006 – 2008 and 2010 – to date 2008 – 2011 1999 – to date
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
Clare Madelin was Company Secretary during the year ended 30 June 2014, resigning on 27 August 2014. Ms Madelin is a Chartered Accountant.
Neville Walker was appointed Company Secretary on 26 August 2014. Mr Walker is a Fellow Certified Practicing Accountant.

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

Operating results
The results of the Consolidated Group for the year ended 30 June 2014 were a loss from continuing activities, after income tax, of $7,543,000 (2013: loss of $920,000) and a total comprehensive loss of $7,548,000 (2013: loss of $849,000). The results for the year ended 30 June 2014 are stated after a one-off write-off of capitalised development and pre-production costs of $2,906,000 and the write-down of inventory of $801,000. Revenues from trading activities were $4,451,000 for the year ending 30 June 2014 compared with $5,978,000 for the year ending 30 June 2013. Revenues from other activities were $1,813,000 for the year ended 30 June 2014 compared with $2,175,000 for the year ended 30 June 2013.

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

Summary of material transactions

- Convertible Notes Issue

  On 15 August 2013 the Company issued 17,950 unlisted convertible notes with a face value of $100 per note, bearing interest at 12% per annum, convertible into shares at $0.022 per share up to three years after the issue date, and raising an amount of $1,795,000 before costs. The issue had been offered to sophisticated, experience or professional investors. A further 5,000 convertible notes were subscribed for by a Related Party, being an entity associated with Mr David Slack, a Director of the Company, and the issue of these convertible notes was subject to Shareholder approval which was sought and provided at the 2013 Annual General Meeting on 29 October 2013.

- Non-Renounceable Rights Issue

  Advanced Braking Technology announced a 1 share for every 3 share entitlements offer to shareholders on 8 April 2014. The total number of shares offered under the Entitlement Offer was 369,022,463.

  Advanced Braking Technology received applications and issued New Shares under the Entitlements Offer in respect of a total of 170,627,282 fully-paid ordinary shares (New Shares) for a total subscription amount of $1,194,391.

  As the Rights Issue was under-subscribed, Advanced Braking Technology announced on 29 May 2014 that each applicant for New Shares was offered a loyalty-based option (exercisable at 1.2 cents on or before 15 August 2016) (Option) on the basis of one (1) Option for every two (2) New Shares issued.

Advanced Braking Technology received further applications and issued New Shares under the Entitlements Offer in respect of a total of 121,338,808 fully-paid ordinary shares (New Shares). In addition, 60,669,407 Options were issued in respect of these 121,338,808 shares.

The total Rights Issue raising was $2.044 million, before costs.

- Initial Substantial Holder

  Singaporean company Cashel Capital Partners Fund 1 Pte Ltd acquired a total of 80,375,613 shares on 7 and 8 August 2014. This included the issue of 77,000,000 fully paid ordinary shares.

- Legal proceedings

  On 23 August 2012 the Company announced that it had successfully defended an action taken against the Company in the NSW District Court. The litigation began in 2009 and was successfully concluded by a judgement in the Company's favour on 22 August 2012. The proceedings dealt with an allegation that a Mr Roger Cowan had loaned $300,000 to the Company in 2003 and that this money had not been repaid. The action was taken by two companies associated with Mr Cowan, MSPR Pty Ltd and Phyro Holdings Pty Ltd. Advanced Braking Technology's position was that it had never recorded the amount in its books as a loan and the funds received by the Company were related to the subscription of shares arising out of a fully underwritten rights issue in 2003. Costs were awarded by the court in favour of Advanced Braking Technology Ltd. Subsequent to this, the Plaintiffs appealed and lost. A judgement of costs of $130,000 was awarded to Advanced Braking Technology on 25 August 2014. This will provide a net benefit to the profit of ABT in excess of $100,000 in Financial Year 2014/15.

- Write-off of capitalised development and pre-production costs

  Following disappointing sales to date and as a part of impairment testing, the directors of Advanced Braking Technology decided to take a conservative view and write-off the $2.906 million capitalised development and pre-production costs in relation to the new truck brake. This write-down was advised in the Preliminary final report for financial year 2014 released on 26 August 2014

- Impending Closure of the Thailand Manufacturing Operation

  A review of Advanced Braking Technology's Thailand operation was completed in July 2014 and a decision was taken and announced to the market on 28 July 2014, to contract out our manufacturing requirements to full service third party providers. Our own assembly and manufacturing activities will therefore ceased by the end of September 2014 and the operation will be totally closed by 30 November 2014. Negotiations with potential providers in Asia and Australia are well advanced. This action will address the need for improved quality and improved capital management.

  The review of the Thailand operation identified a significant amount of inventory of little or no value in the current market. The review also identified the opportunity to convert truck brake inventory into trailer brake inventory for further trials and early market support. Accordingly, Advanced Braking Technology brought to account a one-time inventory write-down of $0.801 million for the financial year 2013/14.

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

Initial Substantial Holder: See Initial Substantial Holder under Summary of Material Transactions note above which refers to Cashel Capital Partners' acquisition on 7 and 8 August 2014.

Legal Proceedings: See Legal proceedings under Summary of Material Transactions note above which refers to the awarding of costs on 25 August 2014.

DIRECTORS' REPORT

Impending Closure of the Thailand Manufacturing Operation: See Impending Closure of the Thailand Manufacturing Operation note above.

Unissued Shares

At the date of this report there are 22,950 convertible notes on issue. These may be converted to shares at any time prior to the maturity date of 15 August 2016 at the request of the note holder, or will automatically be converted into shares on the maturity date. The number of shares issued under each convertible note will be calculated by dividing the face value of $100 by $0.022. If the note holders convert the maximum number of 22,950 convertible notes, then assuming the conversion price remains at $0.022, then 104,318,182 shares would be issued.

Future developments

The Economic Entity will continue to commercialise the Wet Brake Technology business in Australia and expand into overseas markets.

Directors' interests

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

Director	Ordinary shares
D Slack	211,051,800
A Levine	2,666,667
B Grey	2,666,667
D Humann	1,195,091
K Johnsen	1,059,818

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

Director	Listed Options	Unlisted Convertible Notes
D Slack	26,022,150	5,000
A Levine	333,334	
B Grey	333,334	

Directors' meetings

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

The attendances of the Directors at these meetings were:

	Directors' Meetings		Audit Committee		Nomination Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
B Grey	12	11	2	2			2	2
D Slack	12	12	2	2			2	2
A Levine	12	12	-	-	-	-	-	-
G Sumner	6	6	-	-	-	-	-	-
D Humann	2	2	-	-	-	-	1	1
K Johnsen	6	5	-	-	-	-	-	-

REMUNERATION REPORT

This remuneration report for the year ended 30 June 2014 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.

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	-
D Humann	Ex- Chairman	28 August 2006	13 September 2013
K Johnsen	Executive Director & CEO	30 April 2007	23 January 2014

Specified Executives

Name	Position	Appointment Date	Resignation Date
C Madelin	CFO & Company Secretary	11 January 2011	27 August 2014 (post reporting date)
S Leighton	General Manager	12 April 2010	28 August 2014 (post reporting date)

Key Management Personnel
Directors:

Bruce Grey		Chairman (non-executive)
David Slack		Director (non-executive)
Adam Levine		Director (non-executive)
Graeme Sumner	appointed 28 January 2014	Chief Executive Officer (and Executive Director)
David Humann	retired 13 September 2013	Ex-Chairman (non-executive)
Kenneth Johnsen	resigned 23 January 2014	Ex-Chief Executive Officer (and Executive Director)

Executives / other key management personnel:

Clare Madelin		Company Secretary and Chief Financial Officer
Sam Leighton		General Manager - Truck Brake
Martin Johnston		General Manager - Mining
Dale Waters	appointed 22 July 2013 Resigned 17 January 2014	Director of Business Development

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

- 1 July 2014 - Mr Martin Johnston was appointed General Manager – Engineering,
- 26 August 2014 – Mr Neville Walker was appointed Company Secretary and Chief Financial Officer
- 27 August 2014 - Clare Madelin resigned as Company Secretary and Chief Financial Officer
- 28 August 2014 - Mr S Leighton, General Manager - Truck Brake resigned
- 1 September 2014 – Mr Dean Robinson was appointed International Sales Director

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

- **Board Oversight of Remuneration**

Remuneration Committee
During the year, the Remuneration Committee met twice to make recommendations to the Board on remuneration policy and to recommend salary reviews and short and long term incentives for executive Directors and specified executives.

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

- **Non-executive Director remuneration arrangements**

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

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

The Board will not seek any increase for the non-executive Directors' pool at the 2014 AGM.

Structure
The remuneration of non-executive Directors consists of directors' fees. There are no schemes for retirement benefits for non-executive Directors other than statutory superannuation and non-executive Directors do not participate in any incentive programs. Other than the Chairman, each non-executive Director received a base fee of $55,000 per annum (pro-rated as appropriate) plus the superannuation guarantee contribution. The Chairman received a base fee of $79,148 (pro-rated as appropriate) plus the superannuation guarantee contribution.

- **Executive remuneration arrangements**

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

- **Remuneration of Directors and Executives**

Executive Contracts

Mr K Johnsen, Ms C Madelin, Mr S Leighton, Mr D Waters and Mr M Johnston are employed through employment contracts. Under the terms of the Employment Contract with both Mr Johnsen and Mr Sumner, Advanced Braking Technology and the Executive are required to provide six months' notice to terminate the agreement. The Employment Contracts for Ms Madelin, Mr Leighton, Mr Waters and Mr Johnston require both parties to provide one month's 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:

Advanced Braking Technology Ltd

DIRECTORS' REPORT

Specified Directors	Held at 1 July 2013 or at date of appointment	Movement during year	Held at date of resignation	Held at 30 June 2014
B Grey	-	2,666,667	n/a	2,666,667
D Slack	156,132,883	52,044,298	n/a	208,177,181
A Levine	2,000,000	666,667	n/a	2,666,667
G Sumner	-	-	n/a	-
D Humann	14,078,323	(12,883,232)	14,078,323	n/a
K Johnsen	3,559,818	(1,500,000)	2,059,818	n/a
Total	175,771,024	38,327,733	16,138,141	213,510,515

Options held directly by Directors were as follows:

	Vested	Acquired	Expired	Acquisition Date	Terms and condition of acquisition	
					Exercise price	*Expiry Date*
	No.	No.	No.		$	
Specified Directors						
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
K Johnsen		-	(4,500,000)	5/11/2009	0.035	5/11/2013
	-	923,067	(4,500,000)			

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	
						Exercise price	Expiry Date
	No.	No.	No.			$	
Specified Directors							
D Slack	-	25,765,751	-	100%	26/05/2014	0.012	15/08/2016
	-	25,765,751	-				

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

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 $0.022 per share up to three years after the issue date, raising an amount of $500,000 before costs.

Structure

In the 2014 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 FY14 year there was no share based scheme in place. Employee share grant of up to $1,000 in shares (excluding executive and non-executive Directors).	Rewards executives for their contribution to achievement of Group and business unit outcomes.	Linked to specified key performance indictors including group performance such as sales revenue, profit targets, performance against budget and individual targets such as inventory and receivables turnover. At judgement and discretion of the Board of Directors.
Long term incentive component (LTI)	Paid in cash.	Rewards executives for their contribution to achievement of Group.	Linked to key performance indicators at the judgement and discretion of the Board of Directors.

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

- **Details of emoluments**

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

		Primary	*STI*	*Post-Employment*	*Total*
		Salary & Fees	**Cash bonus**	**Super**	
Directors	**Year**	$	$	$	$
B Grey	**2014**	**79,148**	**-**	**7,321**	**86,469**
	2013	n/a	n/a	n/a	n/a
D Slack	**2014**	**55,000**	**-**	**5,088**	**60,088**
	2013	55,000	-	4,950	59,950
A Levine	**2014**	**55,000**	**-**	**5,088**	**60,088**
	2013	12,375	-	1,114	13,489
G Sumner	**2014**	**151,690**	**-**	**11,778**	**163,468**
	2013	n/a	n/a	n/a	n/a
D Humann	**2014**	**18,787**	**-**	**-**	**18,787**
	2013	92,650	-	-	92,650
K Johnsen	**2014**	**453,562**	**33,898**	**25,000**	**512,460**
	2013	347,750	-	25,000	372,750
M Richmond	**2014**	**n/a**	**n/a**	**n/a**	**n/a**
	2013	42,096	-	3,789	45,885
Total	**2014**	**813,187**	**33,898**	**54,275**	**901,360**
Total	2013	**549,871**	**-**	**34,853**	**584,724**

		Primary	*STI*	*STI*	*LTI*	*Post Employ-ment*	*Equity*	*Total*
		Salary & Fees	*Sales Commission*	*Cash Bonus*	*Cash Bonus*	*Super*	*Shares*	
Executives	**Year**	$	$	$	$	$	$	$
C Madelin	**2014**	***189,000***	**-**	***35,364***	**-**	***20,754***	***1,000***	***246,118***
	2013	188,272	-	6,422	5,046	17,977	1,000	218,717
M Johnston	**2014**	***170,183***	**-**	**-**	**-**	***15,742***	***1,000***	***186,925***
	2013	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
D Waters	**2014**	***100,296***	**-**	**-**	**-**	***8,837***	**-**	***109,133***
	2013	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
S Leighton	**2014**	***196,191***	**1,280**	***12,586***	**-**	***19,430***	***1,000***	***230,487***
	2013	188,323	18,380	-	15,000	18,603	1,000	241,306
Total	**2014**	***655,670***	***1,280***	***47,950***	**-**	***64,763***	***3,000***	***772,663***
Total	2013	376,595	18,380	6,422	20,046	36,580	2,000	460,023

Bonuses to Directors and Executives are recognised above in the year in which they are paid. No bonuses were earned in the year to 30 June 2014. Cash and share bonuses paid in 2014 and relating to 2013 were approved by the Board on 22 August 2013 and were accrued at 30 June 2013. Sales commissions were earned in 2013 but not in 2014. Commissions for the final quarter of 2013 were paid in 2014.

Bonuses Earned in the year ended 30 June 2014
The Board determined that, due to the financial results in the year ended 30 June 2014, no bonuses would be paid.

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

DIRECTORS' REPORT

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package, other than up to $1000 of shares under an employee share grant (ESG shares). In 2014 ESG shares were issued to 25 employees (1,562,500 at $25,000) during the year. These shares were issued to qualifying employees in respect of 2014 as approved by the Board on 22 August 2013. Qualifying employees included executives but excluded all Directors.

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

As stated above, no bonuses are payable in relation to the year ended 30 June 2014.

All bonuses paid to Key Management Personnel in the Financial Year 2014 were in relation to Financial Year 2013. Refer to the above Details of emoluments for details by individual.

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 $9,922 in premiums for Directors and Officers liability insurance for costs and expenses incurred by them in defending legal proceedings arising out of their conduct whilst acting in the capacity of Director or Officer of the Company other than conduct involving wilful breach of duty in relation to the Company. The Company has not during or since the end of the financial year, in respect of an auditor of the Consolidated Group, paid a premium to indemnify an auditor against a liability incurred as an auditor, including costs and expenses in successfully defending legal proceedings.

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

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

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

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

	CONSOLIDATED GROUP	
	2014	**2013**
AUDITOR'S REMUNERATION	**$'000**	**$'000**
Remuneration of the auditor of the Consolidated Group for:		
Auditing the financial statements	44	42
Other services	19	21
	63	63
Remuneration of the auditor of Safe Effect (Thailand) Co. Ltd	4	4

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
30th September 2014

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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 2014 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

Moore Stephens

Neil Pace
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 30th day of September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	CONSOLIDATED GROUP 2014 $'000	2013 $'000
Revenues from trading activities		4,451	5,978
Revenues from other activities	2	1,813	2,175
Total revenue		**6,264**	**8,153**
Cost of sales		(1,969)	(2,312)
One-off inventory write-down		(801)	-
Amortisation of IP		(199)	(199)
Bad and doubtful debts		(68)	(124)
Borrowing costs		(364)	(52)
Computer related expenses		(55)	(66)
Consulting fees		(430)	(566)
Consumables and minor equipment		(383)	(351)
Depreciation expense		(389)	(372)
Employee expenses		(4,635)	(4,523)
Insurance		(185)	(153)
Legal fees		(131)	(116)
Marketing and advertising expenses		(98)	(57)
Patents		(98)	(131)
Property expenses		(398)	(381)
Share options cost		(3)	(10)
Telephone and other communication		(41)	(45)
Travel and accommodation		(284)	(257)
Write-off of prototype fixed assets consumed in product development		-	(139)
Overheads capitalised as development and pre-production activities		-	1,071
Write-off of development and pre-production costs capitalised		(2,906)	-
Other expenses		(563)	(290)
Overheads recovered in production		193	-
Total expenses		**(13,807)**	**(9,073)**
(Loss) from continuing activities before related income tax benefit	**3**	(7,543)	(920)
Income tax credit	**4**	-	-
(Loss) from continuing activities after related income tax benefit		**(7,543)**	**(920)**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation		(5)	71
Total comprehensive (loss) for the period		**(7,548)**	**(849)**
		cents	**cents**
Basic profit / (loss) per share (cents)	**7**	**(0.67)**	**(0.08)**

A diluted earnings per share has not been shown for either 2014 or 2013, as it would dilute the actual loss per share attributable to existing Shareholders.

Notes to the financial statements are included on pages 25 to 55.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	CONSOLIDATED GROUP 2014 $'000	2013 $'000
CURRENT ASSETS			
Cash and Cash equivalents	8	1,989	1,197
Trade and other Receivables	9	535	838
Inventories	10	1,614	2,094
Other current assets	11	1,638	1,424
Total current assets		5,776	5,553
NON-CURRENT ASSETS			
Trade and other Receivables	9	31	32
Property, plant and equipment	13	736	974
Intangibles	14	1,392	4,497
Total non-current assets		2,159	5,503
TOTAL ASSETS		7,935	11,056
CURRENT LIABILITIES			
Trade and other Payables	15	819	891
Interest bearing liabilities	16	943	251
Provisions	17	233	252
Deferred Income	19	-	106
Total current liabilities		1,995	1,500
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	16	2,472	395
Provisions	17	26	58
Total non-current liabilities		2,498	453
TOTAL LIABILITIES		4,493	1,953
NET ASSETS		3,442	9,103
EQUITY			
Issued Capital	20	47,331	45,447
Foreign Currency Reserve	21	(173)	(167)
Other Reserves	21	744	740
Accumulated losses	22	(44,460)	(36,917)
TOTAL EQUITY		3,442	9,103

Notes to the financial statements are included on pages 25 to 55.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	CONSOLIDATED GROUP 2014 $'000	2013 $'000
Net cash flows from operating activities			
Receipts from customers		6,647	7,867
Payments to suppliers, consultants & employees		(10,020)	(8,479)
Borrowing costs		(278)	(52)
Interest received		34	45
Net cash provided by / (used in) operating activities	25	(3,617)	(619)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		53	31
Purchase of property, plant and equipment		(165)	(315)
Development and Pre-production expenditure capitalised		-	(1,071)
Net cash (used in) investing activities		(112)	(1,355)
Cash flows from financing activities			
Proceeds from borrowings		3,123	534
Repayment of borrowings		(452)	(293)
Proceeds from issue of shares		1,943	-
Cost of issuing shares		(84)	-
Net cash provided by financing activities		4,530	241
Net increase / (decrease) in cash and cash equivalents held		801	(1,733)
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies		(9)	5
Cash and Cash equivalents at the beginning of the financial year		1,197	2,925
Cash and Cash equivalents at the end of the financial year	8	1,989	1,197

Notes to the financial statements are included on pages 25 to 55.

Advanced Braking Technology Ltd

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to equity holders of the parent			
	Issued Capital	Accumulated Losses	Other Reserves	Total
	$'000	$'000	$'000	$'000
CONSOLIDATED GROUP				
At 1 July 2013	45,447	(36,917)	573	9,103
Foreign currency translation	-	-	(5)	(5)
Loss for the year	-	(7,543)	-	(7,543)
Total comprehensive income / (loss) for the year	-	(7,543)	(5)	(7,548)
Cost of share-based payment	-	-	3	3
Issue of ordinary shares	1,884	-	-	1,884
Total transactions with owners	1,884	-	3	1,887
At 30 June 2014	47,331	(44,460)	571	3,442
CONSOLIDATED GROUP				
At 1 July 2012	45,153	(35,997)	492	9,648
Foreign currency translation	-	-	71	71
Loss for the year	-	(920)	-	(920)
Total comprehensive income / (loss) for the year	-	(920)	71	(849)
Cost of share-based payment	-	-	10	10
Issue of ordinary shares	294	-	-	294
Total transactions with owners	294	-	10	304
At 30 June 2013	45,447	(36,917)	573	9,103

Notes to the financial statements are included on pages 25 to 55.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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.

(b) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

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

(c) Cash and Cash Equivalents

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

(d) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.
Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(e) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

(f) Income Tax

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

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

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

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

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

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

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

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

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

(g) Financial Instruments

Recognition and initial measurement

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

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

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

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

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

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

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

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

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

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

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

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

Derivative Instruments
The Group designates certain derivatives as either:

i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
ii) hedges of highly probable forecast transactions (cash flow hedges).

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

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

i) *Fair value hedge*

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

ii) *Cash flow hedge*

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

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

Impairment

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

Financial guarantees

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

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

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

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

De-recognition

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

(h) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.
Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(i) Earnings per share

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

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

(j) Revenue and Other Income

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

(k) Government Grants

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

Where it is expected that a grant will be repaid if certain conditions are met, the liability to repay the grant is recognised as the conditions are met and the liability crystallises.

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

(l) Intangibles Other than Goodwill

Technology Assets / Patents

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

Research and development

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

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

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

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

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

(m) Inventories

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

(n) Leases

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

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

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

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

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

(o) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment is measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed periodically by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials and externally supplied services. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed to profit and loss during the financial period in which they are incurred.

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

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

Class of Fixed Asset	
Plant and equipment	2-5 years
Motor vehicles	3-15 years
Office equipment and furniture	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit and loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(p) Employee Benefits
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.

(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 and Interpretations 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 for annual reporting periods commencing on or after 1 January 2017).
  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.
  The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, 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 AASB 9, 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, it is impracticable at this stage to provide a reasonable estimate of such impact.
– AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).
  This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.
– Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).
  Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.
– AASB 2013–3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).
  This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

– AASB 2013–4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).
  AASB 2013–4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.
– AASB 2013–5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014).
  AASB 2013–5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

(u) New and Amended Accounting Policies Adopted by the Group

Consolidated financial statements

During the year the group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

– AASB 10: *Consolidated Financial Statements*;
– AASB 12: *Disclosure of Interests in Other Entities*; and
– AASB 127: *Separate Financial Statements*.

AASB 10 provides a revised definition of "control" and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

The first-time application of AASB 10, 12 and 127 did not result in any changes to the group's financial statements.

Employee benefits

The group adopted AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) from the mandatory application date of 1 January 2013. The Group has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119.

The adoption of these Standards does not affect the group's financial statements as the group does not operate any defined benefit employee plans.

Key Management Personnel Disclosures

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.

This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result, the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year, the individual key management personnel disclosure previously required by AASB 124 (note 5 in the 30 June 2013 financial statements) is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001.

(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 (ie 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 (ie 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.

Advanced Braking Technology Ltd

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

		CONSOLIDATED GROUP	
		2014	2013
		$'000	$'000
2	**REVENUES FROM OTHER ACTIVITIES**		
	Other activities		
	- interest received	35	45
	- net foreign exchange gain	-	6
	- income from sale of fixed assets	53	23
	- Export Market Development Grant	87	79
	-Early Commercialisation Grant	-	756
	-R&D Tax Incentive	1,630	1,265
	-Other income	8	1
	Total revenue from other activities	1,813	2,175
3	**PROFIT / (LOSS) BEFORE INCOME TAX**		
	Profit / (Loss) before income tax has been determined after deducting the following expenses:		
	Cost of sales	1,969	2,312
	Borrowing costs	364	52
	Depreciation of non-current assets		
	- plant and equipment	271	237
	- motor vehicle	72	83
	- office equipment and furniture	28	35
	- leasehold improvements	18	17
	Total depreciation	389	372
	Bad and doubtful debts		
	-trade debtors	68	124
	Total bad and doubtful debts	68	124
	Operating leases		
	- property rental expense	363	351
	- motor vehicle lease	22	21
	- office equipment lease	4	2
	Total operating leases	389	374
	Overheads capitalised as development and pre-production activities	-	(1,071)
	Write-off of prototype fixed assets consumed in product development	-	139
	Write-off of development and pre-production costs capitalised	2,906	-

4: INCOME TAX EXPENSE

		CONSOLIDATED GROUP	
		2014	**2013**
		$'000	**$'000**
a.	**The components of tax expense comprise:**		
	Current tax	-	490
	Deferred tax		-
	Recoupment of prior year tax losses not previously recognised	-	(490)
	Income tax	-	-
b.	**The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:**		
	Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2013: 30%)	(2,263)	(276)
	Add tax effect of:		
	- Non-allowable items	1,184	315
	- Revenue losses and other deferred tax balances not recognised	1,568	647
		489	686
	Less tax effect of:		
	- R&D tax incentive/offset	(489)	(686)
	Income tax	-	-
c.	**Deferred tax recognised:**		
	Deferred tax liabilities:		
	Grants receivable	(25)	(39)
	Interest receivable	(1)	(1)
	Deferred tax assets:		
	Carry forward revenue losses	26	40
	Net deferred tax	-	-
d.	**Unrecognised deferred tax assets:**		
	Carry forward revenue losses	3,888	3,294
	Capital raising costs	73	43
	Provisions and accruals	260	188
	Plant and Equipment	1,305	609
	Other	26	2
		5,552	4,136

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 2014.

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

	2014 $000	2013 $000
Short-term employee benefits	1,551,985	951,268
Post-employment benefits	119,038	71,433
Other long-term benefits	-	20,046
Share-based payments	3,000	2,000
Total KMP compensation	1,674,023	1,044,747

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 current-year's estimated cost of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

	CONSOLIDATED GROUP	
6. AUDITOR'S REMUNERATION	**2014 $'000**	**2013 $'000**
Remuneration of the auditor of the Consolidated Group for:		
Auditing the financial statements	44	42
Other services	19	21
	63	63
Remuneration of the auditor of Safe Effect (Thailand) Co. Ltd	4	4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	CONSOLIDATED GROUP	
	2014	**2013**
	$'000	**$'000**
7. EARNINGS PER SHARE		
Basic Earnings per share	**$'000**	**$'000**
Net (loss) ($'000's)	(7,543)	(920)
	Number ('000's)	**Number ('000's)**
Weighted average number of ordinary shares during the year used in calculation of basic EPS (in '000's)	1,129,150	1,104,273
	cents	**cents**
Basic (loss) per share (cents)	(0.67)	(0.08)

A diluted earnings per share has not been shown for either 2014 or 2013 as it would dilute the actual loss per share attributable to existing Shareholders.

8 CASH AND CASH EQUIVALENTS	**2014**	**2013**
	$'000	**$'000**
Cash at bank	1,989	1,197

Reconciliation of cash

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

Cash at bank	1,989	1,197

During Financial Year 2013, Advanced Braking Pty Ltd entered into an invoice finance facility agreement with NAB under which it may borrow up to $1.5m secured against debtors. The amount which may be borrowed at any time varies depending on the debtor balance.

At 30 June 2014 the borrowing facility available was $445,000 (2013: $706,000) and the amount borrowed was $nil (2013: $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	678	981
Less: provision for doubtful debts	(143)	(143)
	535	838
Non-current		
Other receivables	31	32
	31	32

Receivables Ageing and Impairment losses

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

	CONSOLIDATED GROUP			
	Total Receivables		Gross Impairment	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Not past due	530	664	-	-
Past due 0 – 30 days	5	103	-	(15)
Past due 31 – 60 days	-	128	-	(128)
Over 60 days	143	86	(143)	-
	678	981	(143)	(143)

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

	CONSOLIDATED GROUP	
	2014	2013
	$'000	$'000
Balance at 1 July	(143)	(19)
Impairment provision recognised / reversed during the year	-	(124)
Bad debts written off	-	-
Closing balance at 30 June	(143)	(143)

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	675	1,073
Finished Goods	939	1,021
Components and WIP	1,614	2,094

11 OTHER CURRENT ASSETS

Prepayments	139	43
Grants receivable	84	131
Accrued Income-R&D Tax incentive	1,415	1,250
	1,638	1,424

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

12. CONTROLLED ENTITES

		Parent Entity	
(a)	**Advanced Braking Pty Ltd** ACN 088 129 917 (Incorporated in WA)	**2014**	**2013**
		Number	**Number**
	Class and number of shares: ordinary	200,002	200,002

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

		Advanced Braking Pty Ltd	
(b)	**Safe Effect (Thailand) Co. Ltd** Registration No. 10154601984	**2014**	**2013**
	(Incorporated in Thailand)	**Number**	**Number**
	Class and number of shares: ordinary	876,600	876,600

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

	CONSOLIDATED GROUP	
13 PROPERTY, PLANT AND EQUIPMENT	**2014**	**2013**
	$'000	**$'000**
Plant and equipment at cost	1,138	1,202
Less: accumulated depreciation	(749)	(684)
	389	518
Motor vehicles at cost	487	594
Less: accumulated depreciation	(262)	(297)
	225	297
Office equipment and furniture at cost	320	308
Less: accumulated depreciation	(234)	(203)
	86	105
Leasehold improvements at cost	78	78
Less: accumulated depreciation	(42)	(24)
	36	54
Total at net written down value	736	974

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

Reconciliation

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

CONSOLIDATED GROUP	Plant & Equipment	Motor Vehicles	Office Equipment & Furniture	Leasehold Improvements	Total
2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at the beginning of year	518	297	105	54	974
Additions	145	-	20	-	165
Depreciation expense	(262)	(71)	(38)	(18)	(389)
Foreign exchange translation	(13)	-	(1)	-	(14)
Carrying amount at the end of year	388	226	86	36	736
2013					
Balance at the beginning of year	676	322	112	52	1,162
Additions	206	64	26	19	315
Disposals	(2)	(6)	-	-	(8)
Write-off of prototype fixed assets consumed in product development	(139)	-	-	-	(139)
Depreciation expense	(237)	(83)	(35)	(17)	(372)
Foreign exchange translation	14	-	2	-	16
Carrying amount at the end of year	518	297	105	54	974

14. INTANGIBLES

	CONSOLIDATED GROUP	
	2014	**2013**
	$'000	**$'000**
Wet Brake technology assigned from Safe Effect Technologies International Ltd	2,984	2,984
Less - Accumulated amortisation	(1,592)	(1,393)
Carrying amount at the end of year	1,392	1,591
Development and Pre-Production Costs capitalised	2,906	2,906
Less – Write-off	(2,906)	-
Carrying amounts at the end of year	-	2,906
Total carrying amount at the end of year	1,392	4,497

Reconciliation

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

CONSOLIDATED GROUP	Wet Brake Technology	Development and pre-production costs capitalised	Total
2014	**$'000**	**$'000**	**$'000**
Balance at the beginning of year	1,591	2,906	4,497
Additions-internally developed	-	-	-
Write-off	-	(2,906)	(2,906)
Amortisation expense	(199)	-	(199)
Carrying amount at the end of year	1,392	-	1,392
2013			
Balance at the beginning of year	1,790	1,835	3,625
Additions-internally developed	-	1,071	1,071
Amortisation expense	(199)	-	(199)
Carrying amount at the end of year	1,591	2,906	4,497

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 was performed in 2013, as there were no impairment triggers.

		CONSOLIDATED GROUP	
		2014	**2013**
		$'000	**$'000**
15	**TRADE PAYABLES**		
	Current (unsecured)	654	705
	Trade creditors	165	186
	Accrued expenses	819	891
16	**INTEREST BEARING LIABILITIES**		
(a)	**Current and non-current**		
	Current (secured)		
	Lease and Hire purchase agreements	215	292
	Unexpired interest charges	(30)	(41)
		185	251
	Interest due on Convertible note	58	-
	Loan repayable out of R&D Tax Incentive receipt	700	-
		700	-
	Total	943	251

		CONSOLIDATED GROUP	
		2014	2013
		$'000	$'000
	Non-current (secured)		
	Lease and Hire purchase agreements	297	440
	Unexpired interest charges	(22)	(45)
		275	395
	Convertible Notes (i)	2,197	-
	Total	2,472	395

(i) These may be converted to shares at any time prior to the maturity date of 15 August 2016 at the request of the note holder, or will automatically be converted into shares on the maturity date. The number of shares issued under each convertible note will be calculated by dividing the face value of $100 by $0.022.

(b)	**Total of current and non-current**		
	Lease, hire purchase, loans payable and convertible notes	3,466	732
	Unexpired interest charges	(51)	(86)
		3,415	646
(c)	**The carrying amounts of non-current assets pledged as security are:**		
	Plant and equipment	95	158
	Motor vehicles	225	295
	Office equipment	14	22
		334	475

17	**PROVISIONS**		
(a)	**Current and non-current**		
	Current		
	Warranties	115	60
	Employee entitlements	118	192
	Total	233	252
	Non-Current		
	Employee Entitlements	16	50
	Other	10	8
	Total	26	58
(b)	**Number of Employees**	**Number**	**Number**
	Number of employees at year-end		
	Australia	16	36
	Overseas	17	20
	Total	33	56

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

19. DEFERRED INCOME

Current		
Early Commercialisation Grant	-	106
Total	-	106

20. ISSUED CAPITAL

(a) Issued Capital

The Parent Entity had issued 1,399,033,479 (2013: 1,105,504,889) fully paid ordinary shares as at the 30 June 2014.

	2014 Number of shares	2014 $'000	2013 Number of shares	2013 $'000
Ordinary shares				
Balance at beginning of the financial year	1,105,504,889	45,447	1,088,204,889	45,153
Shares issued to Directors on 26 July 2012, paid out of share application funds held in trust.			17,300,000	294
Shares issued under an Employee share scheme 20 December 2013	1,562,500	25		
Shares issued under rights issue on 20 May 2014	170,627,282	1,195		
Shares issued shortfall of rights issue on 19 June 2014	121,338,808	849		
	1,399,033,479	47,516	1,105,504,889	45,447
Transaction costs relating to share issues		(185)		-
Balance at end of financial year	1,399,033,479	47,331	1,105,504,889	45,447

(b) Capital Management

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

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. During 2013 a subsidiary, Advanced Braking Pty Ltd, entered into a finance agreement with NAB under which it may borrow up to $1.5m secured against debtors. The amount which may be drawn down at any time is dependent on the debtor balance - see note 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 2014 and 30 June 2013 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 2014	CONSOLIDATED GROUP 2013
Gearing ratio	29.3%	Nil

NOTES TO THE FINANCIAL STATEMENTS
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		CONSOLIDATED GROUP	
		2014	2013
		$'000	$'000
21.	**RESERVES**		
	Foreign Exchange Translation Reserve	(173)	(167)
	Option premium reserve	744	740
22.	**ACCUMULATED LOSSES**		
	Accumulated losses at the beginning of the financial year	(36,917)	(35,997)
	Net loss attributable to members of the parent entity	(7,543)	(920)
	Accumulated losses at the end of the financial year	(44,460)	(36,917)
23.	**CONTRACT AND LEASING COMMITMENTS**		
(a)	**Hire purchase and Finance Lease commitments**		
	Payable		
	- not later than 1 year	215	292
	- later than 1 year but not later than 5 years	297	440
		512	732
	Less future finance charges	(52)	(86)
	Total hire purchase and finance lease liability	460	646
(b)	**Operating lease commitments**		
	Non-cancellable operating lease contracted for but not capitalised in the financial statements		
	Payable		
	- not later than 1 year	265	302
	- later than 1 year but not later than 5 years	459	768
		724	1,070

24. SEGMENT REPORTING

The Company ceased reporting by operating segments early in 2014. As such, operating segments are not disclosed for 2014. For comparatives, refer to note 24 in the 2013 Annual Report.

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.

NOTES TO THE FINANCIAL STATEMENTS
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	CONSOLIDATED GROUP	
	2014	2013
	$'000	$'000

Revenue by geographical region

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

	2014	2013
Australia	3,407	4,720
Canada	542	646
Germany	5	-
Netherlands	40	-
New Zealand	30	39
Papua New Guinea	-	2
South Africa	290	415
Turkey	110	47
USA	27	109
Zambia	-	-
Total revenue from trading activities	4,451	5,978

Assets by geographical region

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

	2014	2013
Australia	6,892	9,512
South Africa	16	22
Thailand	1,027	1,522
Total assets	7,935	11,056

Major customers

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

2014 Significance	2014 % of total revenue from trading activities	2013 % of total revenue from trading activities
1st	13.6%	10.8%
2nd	12.2%	10.1%
3rd	9.6%	9.6%

		CONSOLIDATED GROUP	
		2014 $'000	2013 $'000
25.	**CASH FLOW INFORMATION**		
(a)	**Reconciliation of Cash Flow from operations with profit / (loss) after income tax**		
	Profit / (Loss) from ordinary activities after income tax	(7,543)	(920)
	(Profit) / loss on disposal of property, plant and equipment	(53)	(23)
	Non-cash flows in loss from ordinary activities		
	Cost of share options	3	10
	Depreciation	389	372
	Write-off of prototype fixed assets consumed in product development	-	139
	Unrealised foreign exchange (profit) / loss on Fixed Assets	14	(16)
	Amortisation of IP	199	199
	Write-off of Capitalised development and pre-production costs	2,906	-
	Recognition of deferred grant	106	-
	Shares issued to employees	25	-
	Foreign exchange (gain)/loss	(5)	65
	Changes in assets and liabilities		
	(Increase) / decrease in trade and other receivable	303	(42)
	(Increase) / decrease in inventories	480	131
	(Increase) / decrease in other current assets	(214)	(585)
	Increase / (decrease) in deferred income	(106)	(5)
	Increase / (decrease) in trade and other payables	(72)	43
	Increase / (decrease) in provisions	(49)	13
	Cash inflows / (outflows) from operations	(3,617)	(619)

(b) Non-cash financing and investing activities

2014

During the year to 30 June 2014, no shares were issued to Directors other than shares acquired by them under the rights issue - See Non-Renounceable Rights Issue note in the Directors' Report.
Under the rights issue they also received their entitlement to options. All issues were on the same terms and conditions as all other investors under this issue.

2013

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

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

26. RELATED PARTY TRANSACTIONS

(a) Intercompany transactions

Transactions between related parties are on normal commercial terms and conditions except for intercompany loans which are provided at no interest and are treated by the Parent Entity as an investment in the subsidiary. Related party transactions are eliminated on consolidation.

(b) Directors and Key Management Personnel

During 2014, no shares were issued to directors.

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

During 2014, Advanced Braking Technology was charged $9,000 for office rental at the offices of Rockwell Oliver, Non-Executive Directors Adam Levine's law firm.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

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

The Directors have responsibility for the development and control of the risk management framework. The Audit Committee, established by the Directors, is responsible for development and monitoring of risk management policies. The Group's principal financial instruments comprise cash, interest bearing deposits, lease and hire purchase finance and an invoice finance facility (see note 8). The purpose of these financial instruments is to finance the growth of the Group and to provide working capital for the Group's operations.

The Group has various other financial instruments including trade debtors and trade creditors which arise directly out of its operations and through the negotiation of trading terms with customers and suppliers. During the period under review the Group has not traded in financial instruments. However, it is Group policy to hedge foreign currency against fluctuations where appropriate, which may result in exchange losses.

The main risks arising from the Group's financial instruments are market risk, including interest rate risk and foreign currency risk, liquidity risk and credit risk. The Directors review and agree policy for managing each of these risks and they are summarised as follows:

(a) Market Risk

Interest rate risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Average Interest Rate %	Floating Interest Rate $'000	Within 1 Year $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
2013						
Financial assets						
Cash	2.9%	1,197	-	-	-	1,197
Receivables - current	-	-	-	-	838	838
Accrued Income (note 11)						
Government Grants	-	-	-	-	131	131
R&D Tax incentive	-	-	-	-	1,250	1,250
Receivables - non-current	-	-	-	-	32	32
Total financial assets		1,197	-	-	2,251	3,448
Financial liabilities						
Payables	-	-	-	-	891	891
Hire purchase and finance lease liabilities	9.5%	-	251	395	-	646
Total financial liabilities		-	251	395	891	1,537

NOTES TO THE FINANCIAL STATEMENTS
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	Average Interest Rate %	Floating Interest Rate $'000	Within 1 Year $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Net Financial Assets / (Liabilities)		1,197	(251)	(395)	1,360	1,911
2014						
Financial assets						
Cash	2.4%	1,989	-	-	-	1,989
Receivables - current	-	-	-	-	535	535
Accrued Income (note 11)						
Government Grants	-	-	-	-	84	84
R&D Tax incentive	-	-	-	-	1,415	1,415
Receivables - non-current	-	-	-	-	31	31
Total financial assets		1,989	-	-	2,065	4,054
Financial liabilities						
Payables	-	-	-	-	819	819
Interest Payable	-	-	-	-	58	58
Hire purchase and finance lease liabilities	8.2%	-	185	275	-	460
Loan repayable out of R&D Tax Incentive Receipt	14.0%	-	700	-	-	700
Convertible notes		-	-	2,198	-	2,198
Total financial liabilities		-	885	2,473	877	4,234
Net Financial Assets / (Liabilities)		1,989	(885)	(2,473)	1,188	(181)

As at 30 June 2014 Advanced Braking Pty Ltd was entitled to interest on deposits at various banks at rates up to 3.80% per annum (2013: 3.80% per annum).

The sensitivity analysis below is based on the interest rate risk exposure in existence at the balance sheet date. The 1.0% (2013: 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.

	CONSOLIDATED GROUP 2014 $'000	2013 $'000
Possible movements before tax:		
+0.5% (2013: 1.0%) per annum	7	10
-0.5% (2013: -1.0%) per annum	(7)	(10)

Reconciliation of net financial assets to net assets

	2014	2013
Net financial (liabilities)/assets as above	(180)	1,911
Non-financial assets and liabilities		
-Inventories	1,614	2,094
-Property, plant & equipment	736	974
-Intangible Assets	1,392	4,497
-Other current assets-prepayments (note 11)	139	43
-Provisions-Current	(233)	(252)
-Provisions-Non current	(26)	(106)
-Deferred Income-Non current	-	(58)
Net (liabilities)/assets as per the Balance Sheet	3,442	9,103

The Directors' objective is to earn the highest rate of interest on deposits with minimum risk. The Directors' policy therefore is to place deposits with recognised banks which offer the highest variable and/or fixed rates. Similarly loans and asset finance contracts are shopped to find the lowest rates of interest expense.

Foreign Currency Risk

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

The net investment in the Company's other subsidiary, Advanced Braking Pty Ltd (ABPL), has exposure from time to time in foreign currency debtors, mainly in USD, and creditors, mainly Thai Baht as a result of purchases from SETT. ABPL has hedged the Thai Baht exposure on creditors during the year and may hedge against future foreign currency risk when considered appropriate.

At 30 June 2014 neither the Company nor its subsidiaries had any forward foreign exchange contracts in place. As at 30 June 2014 the Group had the following exposure to foreign currency:

	CONSOLIDATED GROUP	
	2014	**2013**
Financial Asset	**$'000**	**$'000**
Cash and cash equivalents	130	162
Trade and other receivables	36	61
	166	223
Financial Liabilities		
Payables	371	355
Net Exposure	(205)	(132)

The following sensitivity analysis is based on the foreign currency risk exposure in existence at the balance sheet date. The 7% (2013: 5%) 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 2014 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% (2013:+5%) per annum	14	7
-7% (2013: -5%) per annum	(16)	(7)

(b) Liquidity Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	CONSOLIDATED GROUP 2014 $'000	CONSOLIDATED GROUP 2013 $'000
The following are the contractual maturities of financial liabilities, including estimated interest payments:		
0 – 6 months	1903	1,032
6 – 12 months	184	151
1 – 5 years	642	440
	2,729	1,623
Potential payment in August 2016 if Convertible Note holders elect to be paid out rather than converting notes to shares. See note 16(a).	2,295	-
	5,023	1,623

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

CONSOLIDATED GROUP AS AT 30 JUNE 2014

	< 6 Mths $'000	6 - 12 Mths $'000	1 - 5 Years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	1,981	-	-	1,981
Trade and other receivables	535	-	31	566
Accrued Income				
Government grants	-	84	-	84
R&D tax incentive	1,415	-	-	1,415
	3,939	84	31	4,054
Financial Liabilities				
Payables	819	-	-	819
Hire purchase and finance lease liabilities	93	92	275	460
Convertible Note accrued interest	58	-	-	58
Convertible notes	-	-	2,198	2,198
Bank Loan repayable out of R&D Tax Incentive	700	-	-	700
Total financial liabilities	1,670	92	2,473	4,235
Net exposure	2,270	(8)	(2,442)	(181)

CONSOLIDATED GROUP AS AT 30 JUNE 2013

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

(c) Credit risk

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

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

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

The Company's policy is to manage credit risk by ensuring that all customers who wish to trade on credit terms subject themselves to credit worthiness checks, and to obtain agreement to a "retention of title" clause where possible. The Directors believe that the Company's exposure to bad debts is not significant other than one debt of $143,000 for which full provision has been made at 30 June 2014.

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

(d) Net fair values

The financial assets and liabilities included in current asset and current liabilities in the Balance Sheet position are carried at amounts that approximate net fair values or recoverable amount. Impairment assessments in financial year 2014 resulted in;

a) The $2.906 million write-off of development and pre-production overheads capitalised in respect of SIBS® Truck Brakes, and

b) a stock write-down of $0.801 million.

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

Intangible assets as at 30 June 2014 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.

28. EVENTS SUBSEQUENT TO BALANCE DATE

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

Initial Substantial Holder

Singaporean company Cashel Capital Partners Fund 1 Pte Ltd acquired a total of 80,375,613 shares on 7 and 8 August 2014. This included the issue of 77,000,000 fully paid ordinary shares.

Legal proceedings

On 23 August 2012 the Company announced that it had successfully defended an action taken against the Company in the NSW District Court. The litigation began in 2009 and was successfully concluded by a judgement in the Company's favour on 22 August 2012. The proceedings dealt with an allegation that a Mr Roger Cowan had loaned $300,000 to the Company in 2003 and that this money had not been repaid. The action was taken by two companies associated with Mr Cowan, MSPR Pty Ltd and Phyro Holdings Pty Ltd. Advanced Braking Technology's position was that it had never recorded the amount in its books as a loan and the funds received by the Company were related to the subscription of shares arising out of a fully underwritten rights issue in 2003. Costs were awarded by the court in favour of Advanced Braking Technology Ltd. Subsequent to this, the Plaintiffs appealed and lost. A judgement of costs of $130,000 was awarded to Advanced Braking Technology on 25 August 2014. This will provide a net benefit to the profit of ABT in excess of $100,000 in Financial Year 2014/15.

Impending Closure of the Thailand Manufacturing Operation

A review of Advanced Braking Technology's Thailand operation was completed in July 2014 and a decision was taken and announce to the market on 28 July 2014, to contract out our manufacturing requirements to full service third party providers. Our own assembly and manufacturing activities will therefore ceased by the end of September 2014 and the operation will be totally closed by 30 November 2014.

Negotiations with potential providers in Asia and Australia are well advanced. This action will address the need for improved quality and improved capital management.

The review of the Thailand operation identified a significant amount of stock of little or no value in the current market. The review also identified the opportunity to convert truck brake stock into trailer brake inventory for further trials and early market support. Accordingly, Advanced Braking Technology brought to account a one-time stock write-down of $0.801 million for the financial year 2013/14.

29. CONTINGENT LIABILITIES

There are no contingent liabilities.

30. 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, other than up to $1000 of shares under an employee share grant (ESG shares). In 2014 ESG shares were issued to 25 employees (1,562,500 at $25,000) during the year. These shares were issued to qualifying employees in respect of 2014 as approved by the Board on 22 August 2013. Qualifying employees included executives but excluded all Directors.

31. PARENT INFORMATION

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

	2014 $'000	2013 $'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	1,087	545
TOTAL ASSETS	17,576	14,369
LIABILITIES		
Current Liabilities	212	70
TOTAL LIABILITIES	2,409	70
EQUITY		
Issued Capital	47,331	45,447
Foreign Currency Reserve	-	-
Other reserves	744	740
Accumulated losses	(32,908)	(31,888)
TOTAL EQUITY	15,167	14,299

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	2014 $'000	2013 $'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total profit/(loss) after tax	(1,020)	(506)
Total Comprehensive Income/(Loss)	(1,020)	(506)

Guarantees

At 30 June 2014 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 or HP agreements. The Directors have also resolved that the Company will continue to provide financial support to its subsidiaries for as long as it is required.

Contingent Liabilities

There are no contingent liabilities.

Contractual Commitments

As at 30 June 2014, Advanced Braking Technology Ltd had not entered into any contractual commitments for the acquisition of property, plant and equipment (2013: Nil).

Advanced Braking Technology Ltd

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 21 to 55, 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 2014 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
30th September 2014

Advanced Braking Technology Ltd

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

Report on the Financial Report

We have audited the accompanying financial report of Advanced Braking Technology Limited, which comprises the consolidated statement of financial position as at 30 June 2014, 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 2014 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 2014. 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 2014 complies with s 300A of the *Corporations Act 2001*.

Neil Pace

Moore Stephens

Neil Pace
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 30th day of September 2014

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 2014.

(a) Distribution of fully paid ordinary shares

Size of Holding			Number of Shareholders	Shares Held
1	-	1,000	54	3,315
1,001	-	5,000	18	64,166
5,001	-	10,000	146	1,386,773
10,001	-	100,000	570	26,094,770
100,001	and	Over	679	1,448,525,506
Total			1,467	1,476,074,530

(b) There are 635 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 10 September 2014:

- Mr David Slack	212,270,182 shares
- Mr Richard Andrew Palmer	107,838,929 shares
- Cashel Capital Partners Fund	81,875,613 shares

Mr David Slack also has an indirect holding of 5,000 convertible notes (see note 5 below) which could be converted to 22,727,272 shares.

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

3. Shareholders

The twenty largest Shareholders hold 43.95% of the total issued ordinary shares in the Company as at 10 September 2014.

4. Share Options

Listed Options expiring 18 August 2016 exercisable at $0.012

Number of Options	145,942,031
Number of Holders	271

5. Convertible Notes

Unlisted convertible notes with face value $100 per note, bearing interest at 12% per annum, convertible into shares at $0.022 per share up to the maturity date of 15 August 2016 for 17,950 of the shares and 19 November 2016 for 5,000 of the shares.

Number of Convertible Notes	22,950
Number of Holders	21

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 10 September 2014, who hold 43.95% of the fully paid ordinary shares in the Company, are:

		Number of shares	% of Issued Shares
1.	WINDPAC PTY LTD	97,866,334	6.63
2.	CASHEL CAPITAL PARTNERS FUND 1 PTE LTD <CASHEL CAPITAL PARTNERS A/C>	81,875,613	5.55
3.	DASI INVESTMENTS PTY LTD	65,059,662	4.41
4.	RP INVEST PTY LTD <PALMER FAMILY RETIRE A/C>	46,500,000	3.15
5.	MR PETER RODNEY BOWER	40,000,000	2.71
6.	MR DALE ALBERT MONSON + MRS DAGMAR ERNA MONSON <DALE MONSON S/F NO2 A/C>	30,186,458	2.05
7.	ANNAPURNA PTY LTD	30,000,000	2.03
8.	SCINTILLA STRATEGIC INVESTMENTS LIMITED	29,000,000	1.96
9.	MR RICHARD ANDREW PALMER	24,334,036	1.65
10.	M/S TRACEY-ANN PALMER	24,144,893	1.64
11.	WINDPAC PTY LTD <THE DAVID EARL SLACK SUPERANNU>	23,333,334	1.58
12.	FITEL NOMINEES LIMITED	23,000,000	1.56
13.	KIZOGO PTY LTD <BERGAN EXEC RETIREMENT A/C>	22,767,402	1.54
14.	MYALL RESOURCES PTY LTD <MYALL GROUP SUPER FUND A/C>	20,759,500	1.41
15.	WINDPAC PTY LTD <THE SLACK FAMILY A/C>	19,866,667	1.35
16.	MONDAL INVESTMENTS PTY LTD	16,365,237	1.11
17.	SOUTHBANK PROMENADE PTY LTD <ENTERPRISE SUPER FUND A/C>	16,285,714	1.10
18.	ONMELL PTY LTD <ONM BPSF A/C>	14,000,000	0.95
19.	MR JIM SUMPTER + MRS DALE ELIZABETH SUMPTER	12,000,000	0.81
20.	SANDHURST TRUSTEES LTD <LMA A/C>	11,401,575	0.77
Total		**648,746,425**	**43.95**

Advanced Braking Technology Ltd

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