ADVANCED BRAKING TECHNOLOGY LTD
AND CONTROLLED ENTITIES

ABN 66 099 107 623

HALF-YEAR REPORT
AND APPENDIX 4D

31 DECEMBER 2014

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2014.

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are:

Bruce Grey	David Slack
Adam Levine	Graeme Sumner

REVIEW OF OPERATIONS

Business Overview

Advanced Braking Technology Ltd (ABT) is an Australian company focusing on the distribution, development and manufacturing of industrial products to the automotive, transport and mining industry incorporating the internationally patented single rotor enclosed wet brake technology, known as Sealed Integrated Braking System or SIBS®

Highlights

The highlights for the half year to date and subsequent period to this report include:

- A 66% increase in operational sales (excluding R&D rebates, etc.) compared to the first half of the 2013/14 financial year.
- The rationalisation of ABT's cost structure, resulting in a 40% reduction in operating costs from January 2015.
- The stabilisation of the company's cash position. ABT held $1.940 million in cash as at December 31 2014, compared with $1.989 million at June 30 2014.
- The successful transition from our own Thailand manufacturing facility to an outsourced Australian manufacturing model, resulting in improved quality, improved margins and shorter lead times.
- The addition of 7 new international distributors to complement the 3 active distributors already working with ABT, with the prospect of another 4 distributors being activated in the 2nd half of the year.
- The launch of SIBS 4 technology with a reduced footprint and enhanced functionality for on road use.
- The launch of a SIBS brake for the Ford Ranger light mining vehicle.

Financial Performance

In the 6 months ending 31 December 2014 the Company recorded a $2.428 million after-tax loss (and after significant non-recurring items of $1.758 million) on revenues of $3.227 million. As noted in the highlights, revenue from trading activities were up 66% over the prior comparable period reflecting increased spending from existing customers and the addition of a number of new international distributors. The company also completed the closure of its Thailand manufacturing plant as well as a significant restructuring of its cost base. As part of that restructuring ABT has taken the view that its remaining stocks of garbage truck and trailer brakes and certain other assets should be written off. Accordingly, the company has taken a one-time charge of $1.758 million comprising: inventory write-down $1,150,000; Impairment of property, plant and equipment $217,000; Thailand closure $301,000 and property relocation $90,000. With these matters dealt with, ABT does not believe there will be any further need for material adjustments of this nature in the foreseeable future.

Total recurring expenses for the period were 39% lower at $2.548 million. In the prior corresponding period total expenses were $4.165 million. One-off costs such as redundancies and lease cancellations of $105,000 were realised in the 6 month period. The full effect of the cost reduction program will be realised in the second half of the current financial year.

In August 2014 ABT raised a net $0.481 million by way of the placement of seventy-seven million shares with Cashel House. The placement was undertaken with advice and support from Phillip Capital.

Conclusion

ABT has made significant progress in the past six months towards a sustainable future and the Board is confident in the company's strategy and refreshed management team.

Acknowledgement

The Board extends its thanks to Mr Graeme Sumner and the management team for the significant work that has been done over the last six months in addressing the challenges and opportunities in front of the company.

Rounding of Amounts

The consolidated group has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest $1,000.

Auditor's Declaration

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 3 for the half year ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors.

Director: Bruce Grey, Chairman
Dated this 25 February 2015

Appendix 4D

Half year report

Rule 4.2A.3
Introduced 1/1/2003.

Name of Entity: **Advanced Braking Technology Limited**

ABN: **66 099 107 623**

1. Reporting period

Current period:	**Half-year ended 31 December 2014**
Previous corresponding period:	**Half-year ended 31 December 2013**

2. Results for announcement to the market

				$A'000
Revenue	up	17%	to	3,227
Loss from ordinary activities after tax attributable to members	up	14%	to	(2,428)
Net loss for the period attributable to members	up	14%	to	(2,428)

	Amount per share cents	Franked amount per share cents
Dividends		
Final	Nil	n/a
Interim	Nil	n/a

Record date for determining entitlements to dividends	n/a

3. Net tangible assets

	Current period cents	Previous corresponding period cents
Net tangible asset backing per ordinary share	0.03	0.24

4. Details of entities over which control has been gained or lost

Control gained over entities
N/A

Control lost over entities
N/A

5. Dividends

		Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
		cents	cents	cents
Final dividend	current year	Nil	n/a	n/a
	previous year	Nil	n/a	n/a
Interim dividend	current year	Nil	n/a	n/a
	previous year	Nil	n/a	n/a

Total dividends on all securities for the year

	Current period	Previous corresponding period
	$'000	$'000
Ordinary securities	-	-
Preference securities	-	-
Other equity instruments	-	-
	-	-

6. Dividend reinvestment plans

The dividend reinvestment plans below are in operation: **N/A**

Last date for receipt of election notices for the dividend re-investment plan: **N/A**

7. Details of associates and joint venture:

Name of entity	Percentage of ownership interest held at end of period	
	Current period	Previous corresponding period
N/A	**N/A**	**N/A**

Aggregate share of profits (losses) of associates and joint venture entities

	Current period	Previous corresponding period
	$'000	$'000
Profit / (loss) from ordinary activities before income tax	-	-
Income tax on ordinary activities	-	-
Profit / (loss) from ordinary activities after income tax	-	-
Outside equity interests	-	-
Net profit (loss) attributable to members	-	-

8. Accounting Standards

For foreign entities, the set of accounting standards used in compiling the report:

AIFRS

9. Auditor's review report

For all entities, if the accounts are subject to audit dispute or qualification, include a description of the dispute or qualification.

N/A

10. This report is based on accounts which one of the following applies:

☐	The accounts have been Audited	☑	The accounts have been subject to review
☐	The accounts are in the process being audited or subject to review	☐	The accounts have not yet been audited or reviewed

Sign here: Company secretary Date: 25 February 2015

Print name: Neville Walker

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

As lead auditor for the review of Advanced Braking Technology Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

Neil Pace　　　MOORE STEPHENS

Neil Pace
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 25th day of February 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated Group	
		31.12.2014	31.12.2013
		$'000	$'000
Revenue			
Revenue from trading activities	8	2,835	1,713
Revenue from other activities			
R&D Tax Incentive		200	956
Other		192	84
Total revenue		3,227	2,753
Cost of sales		(1,349)	(714)
Amortisation of IP		(99)	(99)
Bad and doubtful debts		(33)	-
Borrowing costs		(252)	(155)
Computer related expenses		(13)	(32)
Consulting fees		(30)	(230)
Consumables and minor equipment		(18)	(255)
Depreciation expense		(133)	(194)
Employee expenses		(1,255)	(2,395)
Insurance		(72)	(94)
Legal fees		(22)	(76)
Marketing and advertising		(50)	(69)
Patents		(21)	(31)
Property expenses		(166)	(197)
Share Option Cost		-	(3)
Telephone and other communication		(16)	(22)
Travel and accommodation		(190)	(153)
Other expenses		(178)	(160)
Loss from continuing operations		(670)	(2,126)
Significant Expenses	9	(1,758)	-
Loss before income tax		(2,428)	(2,126)
Income tax		-	-
Loss after income tax		(2,428)	(2,126)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign Exchange translation		-	(1)
Total comprehensive loss for the period		(2,428)	(2,127)
Earnings per share			
From continuing operations:		**cents**	**cents**
Basic earnings / (loss) per share (cents)		(0.16)	(0.19)

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

The accompanying notes form part of this financial report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	Consolidated Group	
		31.12.2014	30.06.2014
		$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents		1,940	1,989
Trade and other receivables	3	841	535
Inventories		574	1,614
Other assets		442	1,638
Total current assets		3,797	5,776
NON-CURRENT ASSETS			
Trade and other receivables	3	-	31
Property, plant and equipment		164	736
Intangible assets		1,293	1,392
Total non-current assets		1,457	2,159
TOTAL ASSETS	8	5,254	7,935
CURRENT LIABILITIES			
Trade and other payables	4	807	819
Interest bearing liabilities		232	943
Provisions		210	233
Total current liabilities		1,249	1,995
NON-CURRENT LIABILITIES			
Interest bearing liabilities		2,309	2,472
Provisions		29	26
Total non-current liabilities		2,338	2,498
TOTAL LIABILITIES		3,587	4,493
NET ASSETS		1,667	3,442
EQUITY			
Issued capital	5	47,812	47,331
Foreign currency reserves	6	-	(173)
Other reserves	6	-	744
Accumulated losses	7	(46,145)	(44,460)
TOTAL EQUITY		1,667	3,442

The accompanying notes form part of this financial report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Issued Capital	Accumulated losses	Reserves	Total
	$'000	$'000	$'000	$'000
Balance at 1.7.2014	47,331	(44,460)	571	3,442
Total net loss for the period		(2,428)		(2,428)
Subtotal	47,331	(46,888)	571	1,014
Issue of ordinary shares	539			539
Cost of share issue	(58)			(58)
Option premium reserve	-	744	(744)	-
Foreign currency translation	-	-	173	173
Balance at 31.12.2014	47,812	(46,145)	-	1,667
Balance at 1.7.2013	45,447	(36,917)	573	9,103
Total net loss for the period		(2,126)		(2,126)
Subtotal	45,447	(39,043)	573	6,977
Foreign currency translation			(1)	(1)
Cost of share based payments			4	4
Issue of ordinary shares	25			25
Balance at 31.12.2013	45,472	(39,043)	576	7,005

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Consolidated Group	
	31.12.2014	31.12.2013
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,258	3,497
Payments to suppliers and employees	(3,791)	(5,035)
Interest received	17	22
Finance costs	(184)	(132)
Net cash used in operating activities	300	(1,648)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of non-current assets	40	-
Purchase of property, plant and equipment	(59)	(116)
Net cash used in investing activities	(19)	(116)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	0	2,359
Repayment of borrowings	(811)	(212)
Proceeds from issue of shares	481	-
Net cash provided by financing activities	(330)	2,147
Net decrease in cash held	(49)	383
Cash and cash equivalents at beginning of period	1,989	1,197
Net foreign exchange difference	-	(1)
Cash and cash equivalents at end of period	1,940	1,579

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. **Basis of Preparation**

These general purpose interim financial statements for half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting.* The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards

This interim financial report is intended to provide users with an update on the latest annual financial statements of Advanced Braking technology Limited and its controlled entities (referred to as the "consolidated group" of "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the following half-year.

b. **Accounting Policies**

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to some of the matters discussed at Note 1(c) below.

c. **New and revised accounting requirements applicable to the current interim period**

Interpretation 21: Levies is mandatorily applicable for annual financial reporting periods commencing 1 January 2014 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2014 to 31 December 2014. The Interpretation clarifies that a liability to pay a government levy should be recognised when the activity triggering the payment has occurred.

The above requirement is not expected to have a significant impact on the Group.

d. **Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Advanced Braking Technology Limited and all of the subsidiaries (including any structured entities). 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

e. **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 (ie 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 instruments, 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.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

– *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

– *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

– *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the 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. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

f. **Critical Accounting Estimates and Significant Judgments Used in Applying Accounting Policies**

The critical estimates and judgments are consistent with those applied and disclosed in the June 2014 annual report.

g. **Going Concern**

The financial statements of the Group have been prepared on a going concern basis of accounting which assumes that the Group will be able to meets its commitments, realise its assets and discharge its liabilities in the ordinary course of business. During the half year ended 31 December 2014, the Group reported a net loss after tax of $2.428 million, net operating cash inflow of $0.300 million and closing cash/bank balance of $1.940 million.

The Directors recognise that the Group is dependent on various funding alternatives to meet these commitments but consider the going concern basis to be appropriate for the following reasons:

- The ability to raise capital from shareholders or, if required, loans from external parties;
- The ability to draw down on existing and new finance facilities. The Group currently has a debtor finance arrangement with the National Australia Bank with the facility to draw down up to $1.0 million.

The Directors believe that at the date of signing the financial statement there are reasonable grounds to believe that, having regard to the matters set out above, the Group will be able to raise sufficient funds if required to meet its obligations as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

NOTE 2: DIVIDENDS

No dividends were provided for or paid during the half year to 31 December 2014 and no dividends were provided for or paid during the preceding half year to 31 December 2013.

	CONSOLIDATED GROUP	
	31.12.2014	30.6.2014
	$'000	$'000
NOTE 3: RECEIVABLES		
Current		
Trade debtors	871	678
Less provision for doubtful debts	(30)	(143)
Total	841	535
Non-current		
Other receivables	-	31
Total	-	31
NOTE 4: PAYABLES		
Trade creditors	616	654
Accrued expenses	191	165
	807	819
NOTE 5: ISSUED CAPITAL		
1,476,074,530 (June 2014: 1,399,033,479) ordinary shares, fully paid	47,812	47,331
Ordinary shares		
At the beginning of the financial period / year	47,331	45,447
77,000,000 Ordinary Shares issued to Cashel House	539	
1,562,500 shares issued under an Employee share scheme 20 December 2013	-	25
170,627,282 shares issued under a Rights Issue 20 May 2014	-	1,195
121,338,808 shortfall shares issue 19 June 2014	-	849
	47,870	47,516
Transaction costs relating to share issues	(58)	(185)
Balance at end of financial period / year	47,812	47,331

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	CONSOLIDATED GROUP	
	31.12.2014	30.6.2014
	$'000	$'000
NOTE 6: RESERVES		
Option premium reserve	-	744
Foreign currency translation reserve	-	(173)
	-	571
NOTE 7: ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial period / year	(44,460)	(36,917)
Transfer from option premium reserve	744	-
Net loss attributable to members of the parent entity	(2,428)	(7,543)
Accumulated losses at the end of the financial period / year	(46,145)	(44,460)

NOTE 8: SEGMENT REPORTING

The Group has identified its operating segment based on the management reports that are reviewed and used by the executive management team (chief operating decisions makers) in assessing performance and in determining the allocation of resources.

Management has identified a single operating segment, which is the design, manufacture and distribution of improved vehicle braking systems based on the patented Sealed Integrated Braking System (SIBS) technology to customers worldwide.

The performance of the operating segment is evaluated based on profit before tax and net finance costs (profit before tax and interest) and is measured in accordance with the Group's accounting policies.

The Group's financing requirements, finance income, finance costs and taxes are managed on a group basis

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

	For the six months ended 31.12.2014	For the six months ended 31.12.2013
	$'000	$'000
Australia	2,416	1,407
Canada	73	71
Netherlands	19	-
New Zealand	17	20
Poland	19	-
Singapore	41	-
South Africa	174	152
Turkey	47	49
USA	29	14
Total revenue from trading activities	2,835	1,713

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

NOTE 8: SEGMENT REPORTING

Assets by geographical region

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

	Balance as at 31.12.2014 $'000	Balance as at 30.6.2014 $'000
Australia	5,254	6,892
South Africa	-	16
Thailand	-	1,027
Total Assets	5,254	7,935

Intangible assets are treated as located in Australia.

NOTE 9: SIGNIFICANT EXPENSES

The following significant expense items are relevant in explaining the financial performance;

	For the six months ended 31.12.2014 $'000	For the six months ended 31.12.2013 $'000
Write down of inventory	1,150	-
Impairment of property, plant and equipment	217	-
Costs associated with closing down operations in Thailand	301	-
Property relocation	90	-
Total significant expenses	1,758	-

NOTE 10: EVENTS OCCURING AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events since the end of the reporting period.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 17 are in accordance with the *Corporations Act 2001*, including:
   a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.

2. 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.

Director
Bruce Grey
Dated this 25th day of February 2015

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ADVANCED BRAKING TECHNOLOGY LIMITED AND ITS CONTROLLED ENTITIES

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Advanced Braking Technology Limited which comprises the consolidated condensed statement of financial position as at 31 December 2014, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Advanced Braking Technology Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Advanced Braking Technology Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Advanced Braking Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Advanced Braking Technology Limited is not in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Neil Pace

MOORE STEPHENS

Neil Pace
Partner

Moore Stephens
Chartered Accountants

Signed at Perth this 25th day of February 2015