AUTOMOTIVE TECHNOLOGY GROUP LIMITED AND CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2011

CONTENTS

CORPORATE INFORMATION

This annual report covers the Consolidated Entity comprising Automotive Technology Group Limited ("the Company" or "ATG") and its subsidiaries ("the Group"). The Group's functional and presentation currency is in AUD ($).

A description of the Group's operations and principal activities is included in the review of operations and activities in the Directors' report on pages 2 to 16.

ASX Code ATJ

Directors

Mr R Siemens	(Non-Executive Chairman)
Mr S Apedaile	(Managing Director)
Mr M Wilson	(Non-Executive Director)
Mr R O'Brien	(Non-Executive Director)

Company Secretary
Mr J Stephenson

Chief Financial Officer
Ms E Chan (resigned on 10 September 2010)
Mr M van Uffelen (joined 6 September 2010)

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Share Registrar
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000
Ph: 1300 850 5051

Bankers
National Australia Bank
3 Exhibition Drive
Malaga WA 6090

Westpac Banking Corporation
116 James Street
Perth WA 6000

Auditors
Ernst & Young
11 Mounts Bay Road
Perth WA 6000

DIRECTORS' REPORT

Your directors present their report on the Consolidated Entity consisting of Automotive Technology Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and responsibilities

Mr Richard John Siemens (Non-Executive Chairman)
Mr Siemens was born and raised in Canada, trained as a Chartered Accountant and moved to Hong Kong in 1979. In 1984, he formed Hutchison Telephone Company Limited in partnership with Hutchison Whampoa and Motorola. While Group Managing Director of Hutchison Telecommunications Limited, Mr. Siemens was instrumental in the establishment of other leading companies including AsiaSat (the first satellite company in Asia), STAR TV, Metro Radio (the radio station awarded with the first private radio licence granted by the Hong Kong Government in 25 years) and Hutchison's move into the European wireless business under the brand "Orange". His financial acumen and entrepreneurial leadership is also key to establishing mobile telecommunication businesses across the world led by Distacom Group, a privately-held group of companies in mobile telecommunication business including SUNDAY in Hong Kong, Blu in Italy, Spice in India and Madacom in Madagascar. Mr Siemens has been a director and major investor in ATG since August 2005. During the past three years, Mr Siemens has also served as the Chairman of e-Kong Group Limited, a company listed on the main board of the Hong Kong Stock Exchange since January 2000.

Mr Steven James Apedaile (Managing Director)
Mr Apedaile is a founding Director and major investor since 2003. He is a former Chairman of the Group having extensive overseas experience as a resident of Hong Kong for nearly 25 years, the first 7 with KPMG Hong Kong and then 18 years with Horwath Hong Kong. Mr Apedaile was an Audit Director of Horwath and is experienced in all facets of international business and corporate finance. Mr Apedaile has been involved in merger and acquisitions and the raising of capital, both equity and debt for clients. He has also provided expertise in audits in connection with public stock offerings, both in Hong Kong and on Nasdaq. Mr Apedaile, a Chartered Accountant and previously a registered auditor. On 14 September 2009, Mr Apedaile assumed the Managing Director position after previously being Executive Director - Corporate. During the past three years, Mr Apedaile did not serve as a director of other listed companies.

Mr Michael John Wilson (Non-executive Director)
Mr Wilson is the owner and managing director of a Perth-based company which supplies engineering, procurement, fabrication and construction services to the oil and gas and resources sector. Mr Wilson has overseen the growth of the business into a multi-million dollar annual revenue generating operation in the past 12 years. Mr Wilson has been a director and major investor in ATG since October 2009. During the past three years, Mr Wilson did not serve as a director of other listed companies.

Mr Richard John O'Brien (Independent Non-executive Director)
Mr O'Brien joined the Board as a non-executive director effective 3 March 2010. He has vast experience and expertise in company financial management and administration, which has been acquired through more than 35 years in senior finance and administration roles - including company secretary and chief accountant with two mining companies. He holds a Bachelor of Business, Post Graduate Diploma in Business and is a Fellow of the Australian Society of CPA's. During the past three years, Mr O'Brien did not serve as a director of other listed companies.

DIRECTORS' REPORT (CONT'D)

Directors' Interests

As at the date of this report, the interests of the Directors in the shares and options of Automotive Technology Group Limited were:

Director	Number of Ordinary Shares	Number of Options Over Ordinary Shares Expiring 30 Jun 2012
Mr M Wilson	133,517,726	4,962,716
Mr R Siemens	132,940,734	7,688,788
Mr S Apedaile	85,104,469	6,438,122
Mr R O'Brien	6,445,218	600,000
	358,008,147	19,689,626

Company Secretary

Mr Jay Richard Stephenson (Company Secretary)

Mr Jay Stephenson holds a Master of Business Administration (UK), is a Certified Management Accountant (Canada), a Fellow of the Australian Institute of Chartered Secretaries and is a Member of the Australian Institute of Company Directors. Mr Stephenson has had a career spanning over 20 years including the past 14 years as Director, Chief Financial Officer and Company Secretary in both Australia and Canada for various listed and unlisted entities in resources, manufacturing, wine, hotels, and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, business restructuring as well as managing all areas of finance for companies. Mr Stephenson is currently non-executive director and company secretary of Drake Resources Limited and Aura Energy Limited and company secretary of Frontier Resources Limited, Revere Mining Limited, Stonehenge Metals Limited, Globe Securities Limited, Noah Resources Limited, and Alpha Uranium Limited.

Principal Activities

The principal activity of Automotive Technology Group Limited and the entities it controlled for the financial year ended 30 June 2011 was the manufacture and distribution of the patented range of Sprintex® superchargers.

Dividends

No dividends have been declared or paid to shareholders during the year and at the date of this report.

Review of Operations

Over the course of the past year, ATG has repositioned its business and has achieved a number of significant milestones. These culminated with an inaugural order for 500 supercharger systems for the Proton Satria Neo, which should commence delivery in the second half of 2011. Following the cementing of a strong business relationship with Proreka, a tier 1 supplier to the automotive industry supplying companies throughout Asia, ATG and Proreka signed an agreement in July 2011 to establish a joint venture, low cost, high volume manufacturing facility in Malaysia and for Proreka to be the exclusive sales agent for Asia and exclusive distributor for Malaysia. The search for a strategic partner has been a long and challenging process, however your directors and management are confident that we now have a strong partner to assist us in expanding our global business. While the hard work is not yet finished, ATG has embarked on a step change which positions the Company to be a supplier to car manufacturers worldwide. ATG is already in discussions with a number of car manufacturers for future performance upgrade or engine downsizing programs.

DIRECTORS' REPORT (CONT'D)

Malaysia as a location and Proreka as a partner bring a range of benefits to ATG. Malaysia has a buoyant automotive industry with well trained and experienced personnel available, a high proportion of English speaking people, established and respected legal system and highly developed public infrastructure. Proreka is an experienced mass producer of automotive components with an OEM customer network that extends throughout Asia. Proreka recently merged with Malaysian Stock Exchange listed AutoV Corporation, a partnership that offers a more complete suite of products to a wider customer base. The joint sales of the group exceed US$70M p.a..

The current achievements started just under two years ago. ATG closed its motor cycle parts business and repositioned all human, financial and operational resources to the Sprintex® supercharger business. This involved a number of difficult decisions including personnel changes, writing off redundant inventory, changing suppliers and changing manufacturing methods.

Developing and demonstrating that the Sprintex® supercharger is the most efficient in the world

In February 2011, the Company announced that peak isentropic efficiency of 83.89% had been achieved in testing of the Sprintex® Series 5-150 supercharger, and that an efficiency island of more than 80% was achieved across more than one third of the operating speed range. This compares to a typical automotive supercharger having a peak isentropic efficiency of less than 70%.

Reducing the cost of manufacturing Sprintex® superchargers and supercharger systems

In addition to refining and developing our production and procurement process to a point where Sprintex® superchargers are competitively priced in the after-market, the agreement to establish a low cost, high volume manufacturing facility in Malaysia is expected to have further significant costs savings positioning ATG to be able to sell more products to car manufacturers.

Validating product in the after-market

Product validation commenced with the Landcruiser 80/100 Series aimed at the Australian market. Being close to home has enabled us to resolve teething problems in a cost effective manner. We then focused on our two core target markets; compact cars in Asia and SUVs in the United States. In December 2010 we soft launched an aftermarket supercharger system for the Honda Jazz / Fit. In the SUV segment, we have launched a supercharger system for the Jeep XJ Cherokee and are close to finalizing supercharger systems for the Jeep TJ Wrangler, Jeep JK Wrangler and Toyota FJ Cruiser / Hilux.

We also took the opportunity to pit our supercharger against a competitor's by developing a swap out supercharger system for the Mini Cooper S. The results have been impressive, with 21% power and 19% torque gains delivered over the incumbent supercharger.

Focus on distribution

With these key achievements now in place, attention has focused on establishing strong distribution channels in our key target markets – Asia and the US.

The agreement with Proreka provides significant reach into key markets in Asia, with the ability to offer a complete performance upgrade with the world's most efficient supercharger at its heart.

For the US, Kenmar Corporation has been appointed as the Company's exclusive sales representative for the original equipment manufacturer (OEM) market in North and South America. Kenmar is celebrating its 50th year in the automotive technology and component supply arena in 2011, has presence in six countries and manages approximately US$1bn p.a. of automotive component sales.

With sales agents in place, a low cost volume manufacturing facility and world leading technology, the Company's enablers are ready to drive the Company into a sales growth phase.

DIRECTORS' REPORT (CONT'D)

Financial Review

The financial results for the 2011 financial year reflect the continued research and development activities and preparation for commercialisation. The focus was primarily the development of a number of after market supercharger systems, preparatory steps for a low cost, high volume off-shore manufacturing facility in Malaysia, securing sales agents in Asia and the Americas, and securing an inaugural order for 500 Proton Satria Neo supercharger systems.

Operating results

The loss for the financial year was $4,238,296 compared to a loss of $4,322,826 in the 2010 financial year, a 2% decline. This was achieved by an increase in sales of 32.8% to $773,826 while expenses increased as the research and development activities were accelerated to develop new supercharger products. The introduction of new products resulted in a decline in the gross margin as the unit cost of manufacturing products declines as products mature and procurement and supplier chain economics are improved, compared to the more mature former motor cycle parts business which was closed down in 2009.

Key items impacting the operating losses for the year were:

- Research and development (R&D) expenditure increased to $2,302,263 from $1,802,634 as the Company accelerated the development of a series of new supercharger products.
- R&D Tax Concession for 2010 was $341,441 higher than expected at 30 June 2010 and a further amount of $700,000 is expected to be received with respect to 2011 R&D activities.
- Export market development grants of $343,303, including $263,303 being received in relation to the 2009 and 2010 years follow the successful appeal of a previous rejection of the 2009 claim.
- Administration expenses declined from $1,162,799 to $664,139 as a result of a cost reduction program being implemented.
- Inventory provisions and receivables provisions of $864,607 were made during the year, compared to $152,600 in the previous year
- Interest expense increased from $171,425 to $312,058, primarily as a result of convertible note financing being used during the year.

Liquidity and Capital Resources

Asset and capital structure	2011 $	2010 $
Total borrowings	438,483	2,717,575
Less: cash and cash equivalents	(596,077)	(75,521)
Net debt	(157,594)	2,642,054
Total equity	5,775,934	2,888,379
Total capital	5,618,340	5,530,433
Gearing ratio – net debt over total capital	**(3%)**	**48%**

Gearing ratio, defined as net debt over total capital, as at 30 June 2011 was (3%) (2010: 48%). The Group's policy for the year ended 30 June 2011 allowed up to 60% of financing to be provided by net debt at any particular time. The Group is currently operating well within its stated policy. Management's policies for determining whether fixed or floating rates of interest are entered into are examined on a yearly basis.

Total equity increased from $2,888,379 at 30 June 2010 to $5,775,934 at 30 June 2011. The movement was largely the result of an increase in contributed equity from the placement of ordinary shares throughout during the year and one for one entitlement issue at $0.03 per share in November 2010, private placements and advances from a further entitlement issue at $0.03 which was partially compensated by the operating loss of $4,238,296. This included the repayment of the majority of a convertible note from which the holder used $1,335,177 to participate in an entitlement issue subsequent to year end. The result is that the Company is now largely debt free other that $68,627 of insurance premium financing, $100,507 of equipment financing and $269,349 being due to related parties.

Further, trade creditors declined from $527,062 to $333,081 and cash increased from $75,521 to $596,077 due to the capital raised during the year.

Capital expenditure
Property, plant and equipment of $138,199 (2010 $88,713) were acquired during the year ended 30 June and, the Company had outstanding capital commitments in respect of acquisition of property plant and equipment contracted for but not provided for in the financial statements in the amount of US$50,000 (2010: US$50,000).

Profile of borrowings
The profile of the Company's debt finance is as follows:

	2011	2010
	$	$
Current		
Insurance premium funding	68,627	64,467
Finance lease liabilities	50,547	152,869
Convertible notes	-	1,650,814
Loans from related parties	269,349	772,977
	388,521	2,641,127
Non current		
Finance lease liabilities	49,962	76,448
	438,483	2,717,575

The Company's debts have decreased by 84% over the last year as a result of an entitlement issues and private placements. A further entitlement issue subsequent to year end (see below for details) is currently underway.

Outlook
The Company has significantly improved its financial position by raising capital, made significant progress with supercharger products and is now targeting sales directly to car manufacturers. This is expected to be underpinned by an inaugural sales order from Proton via the Company's proposed joint venture partner in a new high volume, low cost manufacturing facility to be established in Malaysia, which will service the Asian market. The Company envisages investing $1.25 million in the joint venture. In addition, subsequent to year end the Company engaged the services of Kenmar Corporation, a specialty motor vehicle sector business development company which has been in business for 50 years and manages around US$1 billion of automotive component sales, to be the Company's exclusive sales agent in the Americas targeting sales to cars manufacturers.

With product development largely complete, a new large volume, low cost manufacturing facility being established and distribution and sales agents in place in the Company's core target markets, the Company is positioned to rapidly expand sales while having contained costs via cost reduction programs. These actions are expected to take the Company to profitability in the coming year.

Risk management
The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of key performance indicators of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks, including for example such matters as environmental issues and occupational health and safety.

- The Company has mechanisms in place to get access to external professional advice in assisting the discharge of the Board's responsibilities to manage the organisation's financial risks including such matters as the Company's liquidity, currency, interest rate and credit policies and exposures and monitors management's actions to ensure they are in line with Company policy.

Significant Changes in the State of Affairs

Total equity increased from $2,888,379 at 30 June 2010 to $5,775,934 at 30 June 2011. The movement was largely the result of an increase in contributed equity from the placement of ordinary shares throughout during the year and one for one entitlement issue at $0.03 per share in November 2010, private placements and advances from a further entitlement issue at $0.03 which was partially compensated by the operating loss of $4,238,296. This included the repayment of the majority of a convertible note from which the holder used $1,335,177 to participate in an entitlement issue subsequent to year end. Refer to note 19 for further information on movements in equity.

Events Subsequent to Reporting Period

Subsequent to the reporting period, the Company raised share capital by way of a one for one non-renounceable entitlement issue at $0.02 per share. 204,825,364 ordinary shares were issued for total gross proceeds of $4,096,507 plus a further 30,390,123 shares were issued from the shortfall for gross proceeds of $607,802. The directors have until 10 November 2011 to place the remaining 107,500,776 shares that were not subscribed to by the existing shareholders and the Company has engaged Patterson Securities Limited to be the lead manager for this placement.

On 5 July 2011, the Company announced that it had signed a binding agreement with Proreka (M) Sdn. Bhd, a tier 1 automotive component manufacturer and supplier to various Asian car manufacturers, to form a joint venture manufacturing facility in Malaysia. Under the agreement, the Company will invest an estimated US$1.25 million to establish a low cost manufacturing facility in Malaysia.

On 14 September 2011, 20 million options with an expiry date of 30 June 2012 and an exercise price of $0.08 were issued to consultants for providing business development services.

On 16 September 2011, the Company was granted a $750,000 bank overdraft secured against the Company's property at 73 Resource Way, Malaga.

Loss per Share

Basic loss and diluted loss per share for 2011 and 2010 was $0.0144 and $0.0246, respectively.

Employees

The Company employed 20 persons as at 30 June 2011 (2010: 25 persons).

Future Developments, Prospects and Business Strategies

Outlook
With key enablers now in place and costs having been reduced, the focus of the Company is to achieve break even in the first half of fiscal 2010 / 2011 and then to achieve profitability.

Also refer to the Review of Operations section included in this Directors' report which details the specific activities and products which are expected to be the enablers to achieving these goals.

Environmental Issues

The Consolidated Entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the Company.

Share/Option Information

As at the date of this report, there were 28,751,108 unissued ordinary shares under options. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate. During the year and up to the date of this report, 52,681,930 options expired.

Indemnification and Insurance of Directors

The Company has entered into an Indemnity, Insurance and Access Deed with each Director and Officer.

Pursuant to the Deed, the Director/Officer is indemnified by the Company against any liability incurred in that capacity as an officer of the Company to the maximum extent permitted by law subject to certain exclusions.

The Company must keep a complete set of company documents until the later of:

- the date which is seven years after the Director/Officer ceases to be an officer of the Company; and
- the date after a final judgment or order has been made in relation to any hearing, conference, dispute, enquiry or investigation in which the Director/Officer is involved as a party, witness or otherwise because the Director is or was an officer of the Company ("Relevant Proceedings").

The Director has the right to inspect and/or copy a company document in connection with Relevant Proceedings during the period referred to above.

Subject to the next sentence, the Company must maintain an insurance policy insuring the Director/Officer against liability as a director and officer of the Company while the Director/Officer is an officer of the Company and until the later of:

- the date which is seven years after the Director/Officer ceases to be an officer of the Company; and
- the date any Relevant Proceedings have been finally resolved.

The Company may cease to maintain the insurance policy if the Company reasonably determines that the type of coverage is no longer available.

$8,093 has been paid by the Company in respect of insurance contract premiums for directors and officers during the year.

Directors' Meetings

The number of meetings of directors held during the year and up to the date of the report and the attendance by each director were as follows:

Name	Number of meetings held	Number of meetings eligible to attend	Number of meetings attended
Mr R Siemens	2	2	2
Mr S Apedaile	2	2	2
Mr M Wilson	2	2	2
Mr R O'Brien	2	2	2

DIRECTORS' REPORT (CONT'D)

In addition to physical meetings held, written resolutions of the Board together with full copies of related documents were circulated to all directors for consideration and approval. All such written resolutions were approved by all directors unanimously.

Corporate Governance

Corporate governance matters are discussed in Corporate Governance Statement on pages 20 to 21 of this report.

Non-audit Services

No non-audit services have been provided by the Company's auditor, Ernst and Young during the year.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on the next page.

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Auditor's Independence Declaration to the Directors of Automotive Technology Group Limited

In relation to our review of the financial report of Automotive Technology Group Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

P McIver
Partner
Perth
28 February 2011

PM:MB:ATG:023

Remuneration Report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purpose of this report, key management personnel of the Company are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Company receiving the highest remuneration.

Details of key management personnel (including the five highest paid executives of the Company)

Names and positions held of the Company's Directors and other key management personnel in office at any time during the financial year and up to the date of this report were:

Parent Entity Directors
Mr R Siemens.................................. Non-Executive Chairman
Mr S Apedaile .... Managing Director
Mr M Wilson.................................... Non-Executive Director
Mr R O'Brien .... Non-Executive Director

Other Key Management Personnel
Ms E Chan[1]...................................... Chief Financial Officer
Mr J Stephensen......... .... Company Secretary
Mr M van Uffelen[2] .... Chief Financial Officer
Mr J Williams................................... General Manager - Operations
Mr J Upton .... Business Development Manager

1. Resigned 23 August 2010
2. Joined 6 September 2010

Remuneration Policy

For the purposes of this report, the term key management personnel encompasses the Directors, Chief Financial Officer, Company Secretary and Departmental Managers of the Company.

Each Director of the Company is entitled to such remuneration from the Company as shareholders approve at the annual general meeting, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the Company in a general meeting.

The Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the directors and executives. The Board assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team. Options can be issued as part of director and executive remuneration to encourage the alignment of personal and shareholder interests. The expected outcome of this remuneration structure is:

- Retention and motivation of Directors
- Performance rewards to allow Directors to share the rewards of the success of the Company
- Competitiveness and reasonableness
- Acceptability to shareholders

Remuneration Report (Audited) (cont'd)

Remuneration Policy (cont'd)

The Board feels that the expiry date and exercise price of options currently on issue to the directors is sufficient to align the goals of the directors and executives with those of shareholders to maximise shareholders wealth, and as such, has not set any performance conditions for the directors and executives of the company in relation to options. The Board will continue to monitor this to ensure that it is appropriate for the Company in future years.

The Company has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

Company performance over the last 5 years is as follows:

	Losses	Loss per share	Share Price
	$	$	
2011	4,238,296	0.01	0.021
2010	4,322,826	0.02	0.055
2009	5,473,738	0.05	N/A
2008	5,457,159	0.09	N/A
2007	3,334,957	N/A	N/A

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

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.

Structure

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The aggregate remuneration for all non-executive Directors has been set at a maximum amount of $300,000 per annum.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Company advises that the remuneration of the non-executive chairman was reduced from $2,500 per month to $nil per month commencing October 2010. All non-executive Directors do not receive retirement benefits.

Executive Directors and other Key Management Personnel Remuneration

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. Due to the current size of the Company and number of Directors, the board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

Structure

While it is intended to achieve the remuneration structure as mentioned in the Remuneration Policy in page 11, due to the current nature and performance of the Company's business operations, the rewards for Directors have no set or pre-determined performance conditions or key performance indicators as part of their remuneration.

Remuneration Report (Audited) (cont'd)

Remuneration Structure (cont'd)

In the case of executive directors, the Company has entered into a detailed service contract with the Managing Director. In the case of other key management personnel, standard contracts setting out base salary, superannuation and non-monetary benefits were entered. Details of these service contracts with the Managing Director are provided below.

Managing director
The Company has entered into a consultancy agreement with Powertraveller Pty Ltd ("Powertraveller") for the provision of services by Mr Steven Apedaile as Managing Director. Pursuant to the terms of this agreement, the Company will pay Powertraveller $20,000 per month for the term of the agreement (being 12 months from 1 October 2010). The agreement can be terminated by either party by giving six months' notice. No termination payment is payable upon completion of the term of the agreement and the agreement has no effect on compensation in the future.

All Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

Other key management personnel
Other key management personnel are given the opportunity to receive their remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The remuneration of directors and executives is detailed under the heading "Compensation of Key Management Personnel" below.

The Company has established an employee share option plan ("ESOP") for all employees of the Company. The ESOP is designed to provide eligible participants with an ownership interest in the Company and to provide additional incentives for eligible participants to increase profitability and returns to shareholders. Details of the ESOP are set out in note 25 to the financial statements. No options have been granted under the ESOP during the years ended 30 June 2011 and 2010.

Remuneration Report (Audited) (cont'd)

Compensation of Key Management Personnel (Consolidated) for the years ended 30 June 2011 and 2010

	Short-term benefits			Post employment	Share based payment		Total	% Performance related	% of remuneration consisting option
Year ended 30 June 2011	Salary & fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Shares $	Options $	$		
Directors									
Mr R Siemens	7,500	-	-	-	-	-	7,500	-	-
Mr S Apedaile	240,000	-	-	-	-	-	240,000	-	-
Mr M Wilson	7,500	-	-	-	-	-	7,500	-	-
M R O'Brien	29,500	-	-	-	-	-	29,500	-	-
Sub-total directors	284,500	-	-	-	-	-	284,500		
Other key management personnel									
Ms E Chan[1]	40,030	-	-	3,603	-	-	43,633	-	-
Mr J Stephensen	36,000	-	-	-	-	-	36,000		
Mr M van Uffelen[2]	123,295	-	-	-	-	-	123,295	-	-
Mr J Upton	150,000	-	25,316	-	9,000[3]	-	184,316	-	-
Mr J Williams	110,000	-	3,072	9,900	-	-	122,972	-	-
Sub-total key management personnel	459,325	-	28,388	13,503	9,000	-	510,216		
Totals	743,825	-	28,388	13,503	9,000	-	794,716		

1. Resigned effective 8 September 2010
2. Appointed 5 September 2010
3. During the year Mr J Upton was granted shares to the value of $9,000 as part of his remuneration for services provided.

Remuneration Report (Audited) (cont'd)

Compensation of Key Management Personnel (Consolidated) for the years ended 30 June 2011 and 2010 (cont'd)

	Short-term benefits			Post employment	Share based payment		Total	% Performance related	% of remuneration consisting option
Year ended 30 June 2010	Salary & fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Shares $	Options $	$		
Directors									
Mr R Siemens	42,000	-	547	-	-	-	42,547	-	-
Mr S Apedaile	240,000	-	547	-	-	-	240,547	-	-
Mr M Wilson	20,000	-	365	-	-	-	20,365	-	-
M R O'Brien	10,000	-	182	-	-	-	10,182	-	-
Mr A Hamilton[1]	100,000	-	137	-	-	-	100,137	-	-
Sub-total directors	412,000	-	1,778	-	-	-	413,778		
Other key management personnel									
Mr J Upton	150,000	-	-	-	-	-	150,000	-	-
Mr J Stephensen	36,000	-	-	-	-	-	36,000		
Ms E Chan	155,769	300	-	14,019	-	-	170,088	-	-
Mr J Williams	96,015	300	10,467	8,641	-	-	115,423	-	-
Mr R Griffin[1]	70,784	300	8,062	6,371	-	-	85,517	-	-
Mr S Wilkinson[1]	47,287	-	3,761	2,789	-	-	53,837	-	-
Sub-total key management personnel	555,855	900	22,290	31,820	-	-	610,865		
Totals	967,855	900	24,068	31,820	-	-	1,024,643		

1. Resigned during the year ended 30 June 2010

Remuneration Report (Audited) (cont'd)

Options granted and vested during 2010 and 2011

No remuneration options were granted, vested or exercised during the period ended 30 June 2010 or 30 June 2011. No remuneration options lapsed during 2010 or 2011. There were no alterations of the terms and conditions of options granted as remuneration since the grant date.

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

Steven Apedaile
Managing Director
Dated at Perth this 28th day of September 2011

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of ATG is responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of the Company on the behalf of the shareholders by whom they are elected and to whom they are accountable.

The Corporate Governance Statement of ATG is structured with reference to the Australian Stock Exchange Corporate Governance Council's (the Council's) "Corporate Governance Principles and Recommendations" ("ASX Principles") as revised in August 2007 the Principles of which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the Board to add value
Principal 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balances disclosures
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

Commensurate with the spirit of the ASX Principles, the Company has followed each of the Recommendations to the extent the Board considered that their implementation was practicable and likely to genuinely improve the Company's internal processes and accountability to external stakeholders. The Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact is disclosed, together with reasons for the departure.

Explanation for Departures from Best Practice Recommendations

Principle 2

Nomination Committee

Recommendation 2.4 requires listed entities to establish a nomination committee. During the year ended 30 June 2011, ATG did not have a separately established nomination. However, the duties and responsibilities typically delegated to such committee are included in the responsibilities of the full Board.

Principle 8

Remuneration Committee

Recommendation 8.1 requires listed entities to establish a remuneration committee. During the year ended 30 June 2011, ATG did not have a separately established remuneration committee. However, the duties and responsibilities typically delegated to such committee are included in the responsibilities of the full Board.

With the exception of the departures from the Corporate Governance Council recommendations in relation to the establishment of a nomination committee and remuneration committee as stated above, the corporate governance practices of ATG are compliant with the Council's best practice recommendations.

Board Function

The Board is accountable to the shareholders for the performance of the Company and will have overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of the corporate strategy and policy initiatives, is delegated by the Board to Mr Steven Apedaile, Managing Director.

The key functions of the Board include:

- approving the strategic direction and related objectives of the Company and monitoring management performance in the achievement of these objectives;
- adopting budgets and monitoring the financial performance of the Company;

CORPORATE GOVERNANCE STATEMENT (CONT'D)

- overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- overseeing the implementation and management of effective safety and environmental performance systems;
- ensuring all major business risks are identified and effectively managed; and
- ensuring that the Company meets its legal and statutory obligations.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of ATG 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 judgement. In accordance with the definition of independence above, Mr R O'Brien is considered to be independent.

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek appropriate independent professional advice at ATG's expense.

The terms in office held by each director in office at the date of this report is as follows:

Name	Position	Term in Office
Mr R Siemens	(Non-Executive Chairman)	Appointed 29 August 2005
Mr S Apedaile	(Managing Director)	Appointed16 September 2003
Mr M Wilson	(Non-Executive Director)	Appointed 26 October 2009
Mr R O'Brien	(Non-Executive Director)	Appointed on 3 March 2010

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the Board conducted performance evaluations that involved an assessment of each Board member's and key executive's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of ATG. Key management personnel whose performance is consistently unsatisfactory may be asked to retire.

Trading Policy

The Company has a formal policy for dealing in the Company's securities by Directors, employees and contractors. This sets out their obligations regarding disclosure of dealing in the Company's securities. The Constitution permits Directors to acquire securities in the Company at any time other than seven (7) days prior to and two (2) days after the release of the Company's quarterly, half yearly and annual financial results to the ASX; and

However Company policy prohibits Directors and senior management from dealing the Company's securities at any time while in possession of price sensitive information.

Directors must advise the Board before buying or selling securities in the Company. All such transactions are reported to the Board. In accordance with the provisions of the Corporations Act and the Listing Rules, the Company advises ASX of any transaction conducted by Directors in the securities of the Company.

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. The committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Company;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Company's governance policies.

The members of the Audit Committee during the year and up to the date of this report and the number of meetings and attendees at those meetings were:

Name	No of meetings held	Number of meetings attended
Mr R O'Brien (Committee Chairman)	3	3
Mr M Wilson	3	2
Mr R Siemens	3	2

Risk

The Board has identified the significant areas of potential business and legal risk of the Company. The identification, monitoring and, where appropriate, the reduction of significant risk to the Company will be the responsibility of the Board.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations;
- preparation of reliable published financial information.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts were prepared and reviewed at Board meetings. Budgets were prepared and compared against actual results.

Managing Director and CFO Certifications

In accordance with section 295A of the Corporations Act, both the managing director and chief financial officer have provided a written statement to the Board that:

- their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. The Company does not link the nature and amount of the emoluments of such officers to the Company's financial or operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Company; and
- performance rewards to allow executives to share in the success of ATG

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report in pages 10 to 16.

There is no scheme to provide retirement benefits to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive team.

Shareholder communication policy

Pursuant to Principle 6, ATG's objective is to promote effective communication with its shareholders at all time. The Company is committed to:

- ensuring that shareholders and the financial market are provided with full and timely information about te4h Company's activities in a balances and understandable way;
- complying with continuous disclosure obligations contained in applicable ASX listing rules and the Corporation Act in Australia; and
- communicating effectively with its shareholders and making it easier for shareholders to communicate with ATG.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

Through the release of information to the market via the ASX
Through the distribution of the annual report and notices of annual general meeting
Through shareholder meetings and investor relations presentations
Through letter and other forms of direct communications to shareholders
By posting relevant information on ATG's website: www.ATGgroup.com.au

The external auditors are required to attend the annual general meeting and are required to answer any shareholder questions about the conduct of ht audit and preparation of the audit report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	NOTES	2011 $	2010 $
Sales of goods and services		761,840	579,938
Other revenue	5	11,986	2,730
Revenue		773,826	582,668
Cost of goods sold	11	(760,318)	(456,141)
Gross profit		**13,508**	**126,527**
Other income/(losses)	5	343,303	15,783
Distribution & marketing expenses		(305,011)	(252,515)
Corporate expenses		(1,098,242)	(1,161,491)
Research & development expenses	5	(2,302,263)	(1,802,634)
Administration expenses		(664,139)	(1,162,799)
Other expenses	5	(954,835)	(281,624)
Finance costs	5	(312,058)	(171,425)
Loss before income tax expense		**(5,279,737)**	**(4,690,178)**
Income tax benefit	6	1,041,441	367,352
Net loss for the year		**(4,238,296)**	**(4,322,826)**
Other comprehensive income, net of tax			
Fair value revaluation of land and buildings		**61,913**	**(79,934)**
Total comprehensive income for the year		**(4,176,383)**	**(4,402,760)**
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share	7	1.44 cents	2.46 cents
Diluted loss per share	7	1.44 cents	2.46 cents

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	NOTES	2011 $	2010 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	12(c)	596,077	75,521
Pledged bank deposit	9	82,000	82,000
Trade and other receivables	10	1,277,512	787,730
Inventories	11	1,556,614	2,179,892
TOTAL CURRENT ASSETS		**3,512,203**	**3,125,143**
NON-CURRENT ASSETS			
Receivables	12	-	49,762
Property, plant and equipment	13	2,618,620	2,722,939
Goodwill & intellectual property	14	532,506	491,207
TOTAL NON-CURRENT ASSETS		**3,151,126**	**3,263,908**
TOTAL ASSETS		**6,663,329**	**6,389,051**
CURRENT LIABILITIES			
Trade and other payables	15	333,081	527,062
Interest bearing liabilities	16	388,521	2,641,127
Provisions	17	111,331	139,066
Other liabilities	18	4,500	116,969
TOTAL CURRENT LIABILITIES		**837,433**	**3,424,224**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	16	**49,962**	**76,448**
TOTAL LIABILITIES		**887,395**	**3,500,672**
NET ASSETS		**5,775,934**	**2,888,379**
EQUITY			
Contributed equity	19	33,592,819	26,568,547
Reserves	20	1,429,287	1,327,708
Accumulated losses		(29,246,172)	(25,007,876)
TOTAL EQUITY		**5,775,934**	**2,888,379**

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

		Reserves				
CONSOLIDATED ENTITY	**Contributed equity**	**Convertible note equity**	**Asset revaluation reserve**	**Share option reserve**	**Accumulated losses**	**Total**
	Note 19	Note 20 (a)	Note 20 (b)	Note 20 (c)		
	$	$	$	$	$	$
Balance at 30 June 2009	**21,622,916**	**10,886**	**832,088**	**458,550**	**(20,685,050)**	**2,239,390**
Loss for the year	-	-	-	-	(4,322,826)	(4,322,826)
Other comprehensive income	-	-	(79,934)	-	-	(79,934)
Total Comprehensive income for the year	-	-	(79,934)	-	(4,322,826)	(4,402,760)
Transactions with owners in their capacity as owners	-	-		-		
Issue of shares	5,142,791	-	-	-	-	5,142,791
Share issue expenses	(197,160)	-	-	-	-	(197,160)
Issuance of convertible note	-	30,368	-	-	-	30,368
Share-based payments	-	-	-	75,750	-	75,750
Balance at 30 June 2010	**26,568,547**	**41,254**	**752,154**	**534,300**	**(25,007,876)**	**2,888,379**
Loss for the year	-	-	-	-	(4,238,296)	(4,238,296)
Other comprehensive income	-	-	61,913	-	-	61,913
Total Comprehensive income for the year	-	-	61,913	-	(4,238,296)	(4,176,383)
Transactions with owners in their capacity as owners						
Issue of shares	3,873,537	-	-	39,666	-	3,913,203
Funds received in advance of share issue	3,212,115	-	-	-	-	3,212,115
Share issue expenses	(61,380)	-	-	-	-	(61,380)
Balance at 30 June 2011	**33,592,819**	**41,254**	**814,067**	**573,966**	**(29,246,172)**	**5,775,934**

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2011

	NOTES	2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		506,576	575,322
Payments to suppliers and employees		(5,043,767)	(5,982,787)
Interest and finance lease charges paid		(252,046)	(152,933)
Interest received		11,986	2,730
Research & development tax concession received		671,441	357,352
Net cash flows used in operating activities	21(a)	(4,105,810)	(5,200,316)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to non-related parties		-	(17,219)
Release of secured deposit		-	118,000
Proceeds from sale of property, plant and equipment		42,017	60,450
Payments for property, plant and equipment		(138,199)	(88,713)
Net cash flows (used in) generated from investing activities		(96,182)	72,518
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings – related parties		235,379	1,124,523
Proceeds from borrowings – insurance premium funding and finance leases		111,043	92,096
Repayment of borrowings – related parties		(397,756)	(188,390)
Repayment of borrowings - hire purchase contracts		(171,751)	(330,696)
Repayment of borrowings – insurance premium funding		(64,467)	(93,395)
Proceeds from convertible note		-	1,700,000
Proceeds from share capital raised		5,071,480	4,088,367
Capital raising costs		(61,380)	(191,259)
Net cash flows generated from financing activities		4,722,548	6,201,246
Net increase in cash held		520,556	1,073,448
Net foreign exchange differences		-	16,267
Cash at the beginning of the financial year		75,521	(1,014,194)
Cash at the end of the financial year	21(c)	596,077	75,521

The Consolidated Statement of Cash Flow should be read in conjunction with the Notes to the Financial Statements.

1. Corporate information

Automotive Technology Group Limited (the "Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The Company's registered office is 73 Resource Way, Malaga WA 6090.

The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group"). The nature of the operations and principal activities of the Group are described in the Directors' Report.

The general purpose consolidated financial statements of Automotive Technology Group Limited for the year ended 30 June 2011 were authorised for issue and approved by the Board of Directors on 28 September 2011.

2. Significant accounting policies

(a) Statement of compliance

This financial report is a general purpose financial report which complies with Australian Accounting Standards (AASBs) (including Australian interpretations) as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report also complies with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for land and buildings which have been measured at fair value.

Apart from the changes in accounting policy noted in note 2(d) below, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Going concern

The Company has net assets and net current assets of $5,775,934 (2010: $2,888,379) and $2,674,770 (2010: net current liabilities of $299,081), respectively, as at 30 June 2011 and incurred a loss of $4,238,296 (2010: $4,322,826) and net operating cash outflow of $4,105,810 (2010: $5,200,316) for the year ended 30 June 2011.

The Company's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including:

- the ability to raise sufficient working capital to ensure the continued implementation of the Company's business plan;
- delivery of existing and new products through the Company's distribution network to generate sales revenues and positive cash flows; and
- the success of the manufacturing facility being established with a joint venture partner in Malaysia (see note 30).

The financial report has been prepared on a going concern basis. In arriving at this position the directors have had regard to the fact that the Company has, or in the directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

Should the Company not achieve the matters set out above, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

(b) Basis of preparation (cont'd)

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the functional currency and the presentation currency of the Company and its Australian subsidiaries.

(d) Adoption of new or revised accounting standards and interpretations

From 1 July 2010 the Company has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2010.

- AASB 2009-5 - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below:
  - AASB 5 – Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations
  - AASB 8 – Disclosure of information about segment assets
  - AASB 101 – Current/non-current classification of convertible instruments
  - AASB 107 – Classification of expenditures that does not give rise to an asset
  - AASB 117 – Classification of leases of land
  - AASB 118 – Determining whether an entity is acting as a principle or an agent
  - AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation
  - AASB 139 – Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract

- AASB 2009-8 - Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]

- AASB 2009-10 - Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]

- AASB 2010-3 - Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139].
  - Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value.
  - Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses.
  - Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.
  - Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.

(d) Adoption of new or revised accounting standards and interpretations (cont'd)

- Interpretation 19 - Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
  - This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.
  - The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.

While the adoption of the standards and interpretations above resulted in a change in the relevant accounting policies of the Company or presentation of the financial statements, neither the adoption of the standards and interpretation of previous pages have any effect on the financial position or performance of the Company.

Accounting standards and interpretations issued but not yet effective listed below have not been adopted by the Company for the annual reporting period ending 30 June 2011. The impact of these standards and amendments on the Company's financial performance and position has not been assessed.

Effective for financial periods commencing on or after 1 July 2011:
- AASB 124 (Revised) - Related Party Disclosures (December 2009)
- AASB 2009-12 - Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]
- AASB 2009-14 - Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement
- AASB 1054 - Australian Additional Disclosures
- AASB 2010-4 - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]
- AASB 2010-5 - Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]
- AASB 2010-6 - Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]
- AASB 2011-1 - Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]

Effective for financial periods commencing on or after 1 July 2012:
- AASB 2010-8 - Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]

Effective for financial periods commencing on or after 1 July 2013:
- AASB 9 - Financial Instruments
- AASB 2009-11 - Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]
- AASB 1053 - Application of Tiers of Australian Accounting Standards
- AASB 2010-7 - Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]

(d) Adoption of new or revised accounting standards and interpretations (cont'd)

- AASB 2011-2 - Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime IFRS 10 Consolidated Financial Statements - Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities.
- AASB 10 – Consolidated Financial Statements – establishes a new control model that applies to all entities
- AASB 11 – Joint Arrangements – replaces AASB 131 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
- AASB 12 Disclosure of Involvement with Other Entities - Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- AASB 2011-7 – Amendments to Australia Accounting Standards arising from the Consolidation and Joint Arrangement Standards
- AASB 13 Fair Value Measurement - Replaces the guidance on fair value measurement in existing AASB's accounting literature with a single standard.
- AASB 2011-8 - Amendments to Australia Accounting Standards arising from the Fair Value Measurement Standard
- AASB 2011-9 - Amendments to Australia Accounting Standards – Presentation of Items of Other Comprehensive Income
- AASB 119 – Employee Benefits – changes accounting for defined benefit plans

(e) Basis of consolidation

Subsequent to 1 July 2009
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 2(f)).

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

(e) Basis of consolidation (cont'd)

If the Group loses control over a subsidiary, it
- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

There is no non-controlling interest in any subsidiary of the Group.

Prior to 1 July 2009
In comparison to the above mentioned requirements which were applied on a prospective basis from 1 July 2009, the following differences applied:

- Non-controlling interests (formerly known as minority interests) represented the portion of profit or loss and net assets of a subsidiary that were not wholly-owned by the Group and were presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

(f) Business combinations

Subsequent to 1 July 2009
Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(e) Business combinations (cont'd)

Prior to 1 July 2009
The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(g) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

The Company is operating in one segment, being the manufacture and distribution of the patented range of Sprintex® superchargers and Vee Two aftermarket and performance motorcycle accessories based on the similarity of activity type, nature of products sold, production processes, type of customers for the product and methods used to distribute the product.

(h) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the reporting date. All exchange differences in the financial report are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(i) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of Goods
Revenue is recognised when the significant risks and rewards of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest
Revenue is recognised as the interest accrues using the effective interest method.

Effective interest method is a method of calculating the annualised cost of a financial asset or liability and allocating the interest income or expense over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

(j) Income tax

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax
Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; or

- When the taxable temporary differences are associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

(j) Income tax (cont'd)

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities shall be offset only if:

(a) there is a legally enforceable right to set-off current tax assets against current tax liabilities; and
(b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  (i) the same taxable entity; or
  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Tax consolidation legislation
The Company and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2004.

The head entity, Automotive Technology Group Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Company has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

(k) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except:

(a) where the GST on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
(b) Receivables and payables are stated with amounts of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financial activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments or contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Loss per share

Basic loss per share
Basic loss per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted loss per share
Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(m) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity date of twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing liabilities in current liabilities on the statement of financial position.

(n) Trade and other receivables

Trade receivables, which generally have 0-30 day terms are recognised initially at fair value and subsequently measured at amortised cost using effective interest method (note 2 (i) above), less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(o) Inventories

Inventories are valued at the lower of cost or net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials – purchase cost on a first in, first out basis.

Finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Costs are assigned on a first in, first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(p) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition
All regular way purchases and sales of financial assets are recognised on the trade date ie the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method (note 2(i) above). Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(q) Property, plant and equipment

Recognition
Plant and equipment and leasehold improvements are carried at cost, less accumulated depreciation/amortisation and any impairment in value. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Land and buildings are measured at fair value, based on periodic but at least triennial valuations by external independent valuer who apply the International Valuations Standards Committee's International Valuation Standards, less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation & amortisation
Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as follows:

Buildings: 2.5%
Building Improvements: 0-30%
Plant and Equipment: 15%
Engineering Equipment and Software: 15-37.5%
Furniture and Office Equipment: 7.5-37.5%
Motor Vehicles: 18.75%
Leasehold Improvements: 30%

The assets' residual values, useful lives and amortisation method are reviewed, and adjusted if appropriate, at each financial year end.

(q) Property, plant and equipment (cont'd)

Revaluations of land and buildings
Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss. Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(r) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
The minimum lease payments made under operating leases are charged against profit or loss in equal instalments over the accounting periods covered by the lease term where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements and amortised over the shorter of the estimated useful life of the asset or the lease term.

Finance leases
Leases which effectively transfer substantially all of the risks and rewards incidental to ownership of the leased item to the Company are capitalised at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in net profit.

(s) Impairment of non-financial assets other than goodwill

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

At each reporting date, management assess whether there is any indication that an asset may be impaired, where an indicator of impairment exists, management makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less cost to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash- generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

(t) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the costs of the business combination over the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for the internal management purposes; and is not larger than an operating segment determined in accordance with AASB 8. The Company operates in one cash-generating unit and therefore goodwill was allocated to the Company as a whole.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill related. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(t) Goodwill and intangibles (cont'd)

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note 2(s) for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

The Company's intangible asset represents acquired intellectual property – patents are amortised over the remaining life on a straight line basis.

(u) Trade and other payables

Trade and other payables are carried at amortised cost. Due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(v) Convertible notes

Convertible notes are compound financial instruments where interest are calculated and payable periodically in arrears. The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method (note 2(i) above) until extinguished upon conversion or at the instrument's maturity date. The increase in the liability due to the passage of time is recognised as a finance cost.

The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Transaction costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(w) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(x) Borrowing costs

Borrowing costs are recognised as an expense when incurred, except where they are directly attributable to the acquisition or construction of qualifying assets (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale), in which case they are capitalised as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Company does not currently hold qualifying assets.

(y) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under and insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(v) Provisions (cont'd)

Service warranties
Provision is made for the estimated liability on all products still under warranty at balance date. The amount of the provision is the present value of the estimated cash flows expected to be required to settle the warranty obligations, having regard to the service warranty experience over the last two years and the risks of the warranty obligations. The provision is not discounted to its present value as the effect of discounting is not material.

(z) Employee leave benefits

Wages, salaries, annual leave and non-monetary benefits
Provision is made for the employee benefits accumulated as a result of the employee rendering services up to the reporting date. These benefits including on costs due to be settled within one year, together with benefits arising from wages and salaries, annual leave and non-monetary benefits which will be settled after one year, are measured at their nominal amounts based on remuneration rates which are due to be paid when the liability is settled.

Long service leave
Long service leave including on costs, payable later than one year have been measured at the present value of estimated future cash outflows to be made for those benefits using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations
The Company contributes to various superannuation plans in accordance with and at rates set down by law. Some employees contribute to these plans at differing percentages of their salaries.

The Company's contributions and costs are charged as an expense as incurred.

(aa) Share based payment transactions

The Company operates an Employee Share Option Plan (ESOP), which provides benefits to employees (including Directors) of the Company in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity settled transactions").

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. An external valuer using Black Scholes model determines the fair value, which takes into account the factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share, the expected life of the option, and any barriers associated with vesting.

The fair value of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the option ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting reflects:

(a) the grant date fair value of the award,
(b) the extent to which the vesting period has expired, and
(c) the number of options that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

(aa) Share based transactions (cont'd)

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition.

Where the terms of an equity settled option are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity settled option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the option is recognised immediately. However, if a new option is substituted for the cancelled option, and designated as a replacement option on the date that it is granted, the cancelled and new option are treated as if they were a modification of the original option, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Equity-settled share-based payments transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(ab) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. Significant accounting estimates, assumptions and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions in relation to assets, liabilities, contingent liabilities, revenue and expenses that affect the reported amounts in the financial statements. Estimations and judgements are continually evaluated by management and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Significant accounting judgements

The following are the critical judgements that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect of the amounts recognised in financial statements:

Impairment of non-financial assets other than goodwill
The Company assesses impairment of all assets including intangible assets with definite useful lives at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment, these assets have been tested for impairment in this financial period.

Taxation
The Company's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities in respect of tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of unrecognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

(b) Significant estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Estimation of provisions for obsolete inventory
The Company estimates the recoverable value of inventory by references to expected future selling prices and where these are lower that the cost of the inventory, reduces the value of inventory to the expected selling price less selling cost.

Revaluation of property
The Company estimates the value of its building by reference to the selling prices of comparable buildings as guided by an independent valuer.

3. Significant accounting estimates, assumptions and judgements (cont'd)

(b) Significant estimates and assumptions (cont'd)

Impairment of goodwill
The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill is allocated. No impairment loss was recognised in the current year. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 14.

Warranty provision
In determining the level of provision required for product warranties the Company has made judgements in respect of the expected performance of the product, number of customers who will actually use the warranty and how often, and the costs of fulfilling the performance of the service warranty. Historical experience and current knowledge of the performance of products has been used in determining this provision. The related carrying amounts are disclosed in note 17. Any increase or decrease in the provision would affect profit or loss in future years.

Research and Development tax concession
The Company's accounting policy for research and development tax claim requires management's judgement in assessing whether the tax claim is probable. Historical experience of the success of prior years' claims has been used in determining the amount recognised in the income statement as research and development tax benefit.

4. Segment information

(a) Identification of reportable segments

The Company identifies its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision makers) in assessing performance and in determining the allocation of resources. Operating segments are identified by management based on the similarity of the products produced and sold.

The Company is operating in one segment, being the manufacture and distribution of the patented range of Sprintex® superchargers.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

(b) Geographic information and major customers

	2011 $	2010 $
Australia	335,282	335,772
United States	155,350	44,455
China	122,301	-
Indonesia	15,869	-
Japan	25,866	63,562
United Kingdom	15,869	19,213
Germany	5,208	57,938
Other countries	86,095	58,998
Total revenue	761,840	579,938

The revenue information above is based on the location of the customer. During the years ended 2010 and 2011, no customer accounted for more than 10% or more of the Company's revenue, except for sales to a dealer in the United States, which represented 15% of sales in 2011.

4. Segment information (cont'd)

(c) Location of non-current assets

Non-current assets for this purpose consist of property, plant and equipment and intangible assets. All non-current assets of the Company are located in Australia.

5. Revenue and expenses	**2011 $**	**2010 $**
Other revenue		
Interest income	11,986	2,730
Other income/(losses)		
Export market development grant	343,303	-
Gain on disposal of property, plant and equipment, net	-	9,308
Net foreign exchange gain	-	6,475
	343,303	15,783
Employee payments including benefits expense		
Salaries and wages	1,730,024	1,852,530
Superannuation expense	140,888	157,978
Annual leave and long service leave	(45,218)	26,048
Other employment expense	80,703	100,481
	1,906,397	2,137,037
Less: Research & development staff costs	(768,834)	(530,831)
Total employee benefits expense	1,137,563	1,606,206
Research & development expenses		
Research and development staff costs	768,834	530,831
Consultant costs	219,382	195,409
Materials/services costs	1,314,047	1,076,394
Total research & development expenses	2,302,263	1,802,634
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	237,724	289,752
Amortisation for leasehold improvements	23,536	33,622
Amortisation for trademarks and patents	14,220	18,210
Total depreciation and amortisation	275,480	341,584
Operating lease expense	181,437	174,859
Other expenses		
Share based payments	62,726	129,024
Loss on disposal of property, plant and equipment, net	1,154	-
Net foreign exchange (loss)	26,348	-
Provision for receivables impairment	65,999	-
Provision for inventory impairment	798,608	152,600
Total other expenses	954,835	281,624
Finance costs		
Interest and finance charges paid	103,366	140,219
Convertible note interest	208,692	31,206
Total finance costs	312,058	171,425

		2011 $	2010 $
6.	**Income tax**		

(a) Income tax credit

The major components of income tax credit are:

	2011 $	2010 $
Current income tax		
Research and development tax benefit	700,000	367,352
Adjustment in respect of current income tax of previous years	341,441	-
	1,041,441	367,352
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
Recognition of tax losses	-	-
	1,041,441	367,352

The research and development tax benefit for the current year includes $341,441 related to the year ended 30 June 2010 which was received in the year ended 30 June 2011 but had not been recorded in the year ended 30 June 2010.

(b) Numerical reconciliation between aggregate tax credit recognised in the income statement and tax expense calculated per the statutory income tax rate

	2011 $	2010 $
Loss before income tax expense	(5,279,737)	(4,690,178)
Income tax calculated at statutory tax rate of 30% (2010: 30%)	1,583,921	1,407,053
Tax effect of amounts which are not deductible in calculating taxable income	12,101	749
Share based payments	18,818	30,525
Tax effect of amount which are not assessable in calculating taxable income	(76,298)	(9,144)
Tax losses and temporary differences not recognised	(1,538,542)	(1,429,183)
Research and development tax benefit – prior year adjustment	341,441	-
Research and development tax benefit	700,000	367,352
Aggregate income tax benefit	1,041,441	367,352

The franking account balance at year end was $Nil (2010: $Nil)

(c) Unrecognised temporary differences

At 30 June 2011, there are no unrecognised temporary differences associated with the Company's investments in subsidiaries as the Company has no liability for additional taxation should unremitted earnings be remitted (2010: $nil).

6. Income tax (cont'd)

(d) Deferred tax assets and liabilities

At 30 June 2011, the Company has unused tax losses of $24,419,318 (2010: $20,782,912) available for offset against future taxable profits. Such losses may be carried forward indefinitely subject to meeting relevant statutory tests.

A net deferred tax asset of $263,605 (2010: $230,466) arises from temporary differences but has not been recognised due to the unpredictability of future profit streams. Deferred income tax at 30 June relates to the following:

	2011 $	2010 $
(i) Deferred tax assets		
Provision for doubtful debts	7,800	-
Provision for unused annual leave	17,790	23,553
Provision for unused long service leave	752	8,555
Warranty provisions	14,858	9,613
Superannuation payable	11,931	9,661
Provision for inventory diminution	230,529	186,929
Accrued expenses	37,486	49,391
Unrealised foreign exchange losses	4,880	-
Gross deferred tax assets	326,026	287,702
Deferred tax asset not recognised	(326,026)	(287,702)
	-	-
(ii) Deferred tax liabilities		
Prepayments	28,977	49,143
Accelerated depreciation: leasehold improvements, plant & equipment, motor vehicles	33,444	8,093
Gross deferred tax liabilities	62,421	57,236
Deferred tax liabilities not recognised	(62,421)	(57,236)
	-	-

7. Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to equity holders of the Company for the year of $4,238,296 (2010: $4,322,826) and the weighted average of 294,745,156 (2010: 175,832,028) ordinary shares in issue during the year.

Diluted loss per share amount for the year was the same as the basic loss per share as the share options outstanding (note 19(b)) at 30 June 2011 which are considered to be potential ordinary shares had anti-dilutive effects on the basic loss per share.

Transactions involving ordinary shares or potential ordinary shares that would change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of the completion of these financial statements are disclosed in notes 19 and 29 to the financial statements.

8. Remuneration of auditors

	2011 $	2010 $
Auditors of the Company – Ernst & Young:		
Audit and review of the financial report	61,593	57,722

The independent auditor did not provide any other services during 2011 or 2010.

9. Pledged bank deposits

Pledged bank deposits at 30 June 2011 represented a fixed deposit for a term of 6 months maturing on 27 October 2011, bearing interest at 6.0% per annum and is pledged against a guarantee in the amount of $82,000 issued by a bank on behalf of the Company. Pledged bank deposits at 30 June 2010 represented fixed deposits for terms of 2 months and bear interest at a weighted average rate of 1.5% per annum. The deposits were pledged against an operating lease facility granted to the Company (note 26(a)).

	2011 $	2010 $
10. Trade and other receivables		
Trade receivables	201,397	27,868
Allowance for impairment loss	(25,999)	-
	175,398	27,868
Other receivables	783,316	332,284
Trade deposits	222,209	211,118
Prepayments	96,589	216,460
	1,277,512	787,730

(a) Allowance for impairment loss

Trade receivables are non- interest bearing and are generally on 0-90 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Movements in the provision for impairment loss were as follows:

At 1 July	-	-
Charge for the year	25,999	-
At 31 December	25,999	-

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

Neither past due nor impaired	15,622	1,523
Less than 1 month past due	4,183	778
1 to 3 months past due	87,627	3,467
Over 3 months past due	67,966	22,100
	175,398	27,868

Trade receivables that were neither past due nor impaired relate to a range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Company does not hold any collateral over these balances.

(b) Other receivables

Other receivables mainly represent a research and development tax concession receivable and are considered fully recoverable.

Trade deposits represent payments to suppliers with no history of unsatisfactory product quality or delivery default and are considered fully recoverable.

(c) Fair value and credit risk

Due to the short-term nature of the receivables, their carrying value is assumed to approximate their fair value

(d) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure is disclosed in note 28.

	2011 $	2010 $
11. Inventories		
Work in progress – at net realisable value	146,277	79,237
Finished goods – at net realisable value	1,410,337	2,100,655
Total inventories at lower of cost and net realisable value	1,556,614	2,179,892

Work in progress and finished goods are net of a provision for losses of $768,431 (2010: $623,096) to write down inventory to net realisable value.

The cost of inventories recognised as an expense during the year was $1,558,926 (2010: $608,741). $760,318 (2010: $456,141) has been included in the cost of sales and $798,608 (2010: $152,600) has been included in the other expenses.

12. Receivables (non-current)

Loan to non-related entity	-	49,762

The loan is unsecured, interest free and has no fixed repayment terms, but it is not expected to be repaid within the next twelve months. The loan is considered fully recoverable.

13. Property, plant and equipment

The Company engaged Quantia Pty Limited, an accredited independent valuer that uses the International Valuation Standards Committee's International Valuation Standards as a reference, to determine the fair value of its land and buildings. Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Company, and to market based yields for comparable properties. The effective date of the revaluation was 30 June 2011.

If the Company's land and buildings were measured at cost the carrying amount at 30 June 2011 would be $403,078 (2010: $415,529), being cost of $498,090 (2010: $498,090) less accumulated depreciation of $95,012 (2010: $82,560), based on a depreciation rate of 2.5% on a straight line basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2011

13. Property, plant & equipment (cont'd)

	Leasehold Improvements	Land & Buildings	Building Improvements	Manufacturing plant & Equipment	Engineering Equipment & Software	Motor Vehicles	Office Furniture & Equipment	Total
At 1 July 2009	$	$	$	$	$	$	$	$
Cost or fair value	250,708	1,330,178	268,466	1,494,706	286,804	310,873	256,247	4,405,183
Accumulated depreciation	(138,632)	-	(55,572)	(541,385)	(110,478)	(112,094)	(159,100)	(1,324,462)
Net book amount	112,076	1,330,178	212,894	953,321	176,326	198,779	97,147	3,080,721
Year ended 30 June 2010								
Opening net book amount	112,076	1,330,178	212,894	953,321	176,326	198,779	97,147	3,080,721
Revaluation decrement	-	(79,934)	-	-	-	-	-	(79,934)
Additions	-	-	-	33,395	-	20,114	35,204	88,713
Disposals, net	-	-	-	-	-	(40,169)	(3,018)	(43,187)
Depreciation charge	(33,622)	-	(13,139)	(144,748)	(61,459)	(35,218)	(35,188)	(323,374)
Closing net book amount	78,454	1,250,244	199,755	841,968	114,867	143,506	94,145	2,722,939
At 30 June 2010								
Cost or fair value	250,708	1,250,244	268,466	1,528,101	286,804	256,313	270,822	4,318,658
Accumulated depreciation	(172,254)	-	(68,711)	(686,133)	(171,937)	(112,807)	(176,677)	(1,595,719)
Net book amount	78,454	1,250,244	199,755	841,968	114,867	143,506	94,145	2,722,939
Year ended 30 June 2011								
Opening net book amount	78,454	1,250,244	199,755	841,968	114,867	143,506	94,145	2,722,939
Revaluation increment	-	61,913	-	-	-	-	-	61,913
Additions	-		-	31,763	33,211	41,062	32,163	138,199
Disposals, net	-	-	-	(1,216)	(51)	(41,147)	(757)	(43,171)
Depreciation charge	(23,536)	-	(11,915)	(127,520)	(37,872)	(25,185)	(35,232)	(261,260)
Closing net book amount	54,918	1,312,157	187,840	744,995	110,155	118,236	90,319	2,618,620
At 30 June 2011								
Cost or fair value	250,708	1,312,157	268,466	1,556,651	319,885	194,480	300,876	4,410,424
Accumulated depreciation	(195,790)	-	(80,626)	(811,656)	(209,730)	(76,244)	(210,557)	(1,791,804)
Net book amount	54,918	1,312,157	187,840	744,995	110,155	118,236	90,319	2,618,620

	2011 $	2010 $
14. Goodwill & intellectual property		
Intellectual Property – Sprintex® Technology	53,370	12,071
Goodwill	479,136	479,136
	532,506	491,207

Intellectual property – Sprintex® Technology represents patents acquired through business combinations and purchased intellectual property. Intellectual property is carried at cost less accumulated amortisation and impairment losses. The patents have been granted terms up to January 2013 or January 2014 by the relevant government agencies with the option of renewal without significant cost at the end of this period.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The Company operates in one CGU and therefore goodwill was allocated to the Company as a whole. The recoverable amount of the Company has been determined based on the value in use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 14.75%. Cash flows beyond the five year period are extrapolated using a pricing growth rate of 3%.

The calculation of value in use is most sensitive to the following key assumptions:

Revenue
Management determined the budgeted units to be sold based on its expectation for market development and best estimate of the demand for the Company's products from market data available for similar products and future production capacity.

Discount rates
Discount rates reflect management's estimate of the time value of money and the risks specific to the CGU. In determining an appropriate discount rate to apply to the forecast cash flows, regard has been given to the risk free investment rate, observed market cost of debt and equity and discount rates of comparable companies in the industry.

Pricing growth rate
This is the long term rate used to extrapolate the budget beyond the five year projection and is based on industry averages.

Production costs and gross margins
Production costs estimates are obtained from available quotations or best estimates of the component prices, and gross margins are determined based on its expectation for market development and industry data.

The directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

As the recoverable amount of CGU as determined by the value in use calculations is higher than the carrying values of the goodwill, no impairment loss for the goodwill is considered necessary.

	2011 $	2010 $
15. Trade and other payables		
Trade payables	112,616	192,905
Other payables and accruals	220,465	334,157
	333,081	527,062

Trade payables are non-interest bearing and are predominately settled on 30 day terms.

16. Interest bearing borrowings

	2011 $	2010 $
Current		
Insurance premium funding (unsecured) (note a)	68,627	64,467
Finance lease liabilities (note b)	50,545	152,869
Convertible notes (note c)	-	1,650,814
Loans from related parties (note d)	269,349	772,977
	388,521	2,641,127
Non-current		
Finance lease liabilities (note b)	49,962	76,448

(a) Insurance premium funding is unsecured and due for repayment over 10 equal instalments. The effective interest rate of the loan was 7.6% (2010: 5.1%) per annum.

(b) The average effective interest rate on finance lease liabilities approximated 11.2% (2010: 9.87%) per annum in the year. The carrying value of leased plant and equipment as at 30 June 2011 was $162,699 (2010: $505,554). Other details of finance lease liabilities are disclosed in note 26.

16. Interest bearing borrowings (cont'd)

(c) Convertible note

On 6 May 2010, the Company entered into a convertible note deed with Wilson's Pipes Fabrication Pty Limited ("WPF"), an entity controlled by Mr Michael John Wilson for the issuance of a convertible note in the principal amount of $1,700,000. The convertible note is secured by a mortgage over the Company's land and building and building improvement with a total carrying amount of $1,450,000 as at 30 June 2010. The issue of the convertible note and the mortgage was approved by shareholders at the shareholders' meeting on 10 June 2010. The convertible note carries a coupon interest rate of 10% per annum and entitles WPF to convert to ordinary shares of the Company at a price of $0.10 per share for the period to 30 June 2011.

The carrying amount of the convertible note in issue, net of issuing cost was split into the equity and liability components at the date of grant at $30,368 and $1,640,314 respectively. The fair value of the liability component was calculated using a market interest rate of 11% per annum at the date of grant. The residual amount of $30,368 representing the value of the equity conversion component, was included in equity as Convertible Note Equity.

During the year the Company settled a convertible note via a combination of repayment of $264,452, participation of $1,335,177 in an entitlement issue (see note 19(a)(vii) for further details) and converting the balance of $259,872 to a short term loan. As part of the settlement, the noteholder released the mortgage over the Company's land and building and building improvement with a total carrying amount of $1,500,000 as at 30 June 2011.

The movement of the convertible note for the years is set out below:

	Equity component $ (Note 20)	Liability component $	Total $
Issuance of convertible note	10,886	139,114	150,000
Imputed interest	-	7,979	7,979
Coupon interest paid	-	(5,083)	(5,083)
At 30 June 2009	10,886	142,010	152,896
Issuance of convertible note	30,368	1,640,314	1,670,682
Imputed interest	-	31,204	31,204
Coupon interest paid	-	(12,714)	(12,714)
Use of convertible note repayment to participate in a placement (see note 19)	-	(150,000)	(150,000)
At 30 June 2010	41,254	1,650,814	1,692,068
Repayment	-	(264,457)	(264,457)
Conversion to short-term loan	-	(259,872)	(259,872)
Use of convertible note repayment to participate in an entitlement issue (see note 19(a)(vii))	-	(1,335,177)	(1,335,177)
Imputed interest	-	208,692	208,692
At 30 June 2011	41,254	-	41,254

(d) Loans from related parties

Loans from related parties represented unsecured loans from three shareholders, $225,877 bear interest of 9% and the balance is interest free (2010: 9% per annum) and are repayable on demand.

17. Provisions

	2011 $	2010 $
Provision for warranty	49,527	32,043
Provision for employee entitlements	61,804	107,023
	111,331	139,066

Movements in the provision for warranty for the Company during the financial year are set out below:

	$	$
At 1 July	32,043	22,484
Provision made during the year	47,034	40,005
Utilisation of provisions	(29,550)	(30,446)
At 30 June	49,527	32,043

Warranty provision
Under the terms of the Company's sales arrangements, the Company will rectify any product defects arising within one year of the date of sale. Provision is therefore made for the present value of the management's best estimate of the expected settlement under these agreements in respect of sales made within the year prior to the reporting date. The estimate has been made on the basis of the Company's historical warranty trends and industry averages for defective products and is only made where a warranty claim is probable.

18. Other liabilities

	2011 $	2010 $
Amounts due to directors	4,500	116,969

Amounts due to directors represented accrued management remuneration and expenses paid by the directors on the Company's behalf. The amounts were unsecured, interest free and repayable on demand.

19. Contributed equity

	2011 $	2010 $
Paid up capital – ordinary shares	31,264,356	27,240,821
Capital raising costs capitalised	(883,652)	(822,274)
	30,380,704	26,418,547
Subscription proceeds – shares to be issued	3,212,115	150,000
	33,592,819	26,568,547

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2011

19. Contributed equity (cont'd)

(a) Ordinary shares

Movements in ordinary share capital

	Date	Number of shares	$
Balance at 1 July 2010		212,461,866	26,418,547
Issue of Placement Shares at $0.04 each (note i)	July 2010	11,500,000	460,000
Issue of Placement Shares at $0.04 each (note ii)	July 2010	3,750,000	150,000
Entitlement Issue Shares at $0.03 each (note iii)	November 2010	104,228,585	3,126,860
Less value ascribed to the Options under the Entitlement Issue		-	(39,666)
Private placement at $0.03 each to a consultant for services (note iv)	November 2010	300,000	9,000
Placement of Shortfall Entitlement Issue Shares at $0.03 each (note iii)	March 2011	7,478,054	224,342
Issue of Placement Shares at $0.038 each (note v)	April 2011	394,758	15,001
Issue of Placement Shares at $0.03 each (note vi)	May 2011	2,600,000	78,000
Less capital raising costs capitalised		-	(61,380)
		130,251,397	3,962,157
Add: proceeds of a share issue received in advance (note vii)		-	3,212,115
Less: proceeds received in prior period		-	(150,000)
Contributions to equity net of transaction costs during the period		130,251,397	7,024,272
Balance as at 30 June 2011		342,240,451	33,592,819

Holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at shareholders meetings.

In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors, and are fully entitled to any surplus proceeds of liquidation.

(i) *Placement of 11,500,000 ordinary shares at $0.04 per share*
In July 2010, 11,500,000 ordinary shares at $0.04 were issued to non related parties

(ii) *Placement of 3,750,000 ordinary shares at $0.04 per share*
In July 2010, 3,750,000 ordinary shares at $0.04 were issued to the holder of a convertible note in full satisfaction for settlement of the convertible note.

(iii) *Entitlement Issue Shares at A$0.03 per share*
On 4 October 2010, the Company announced a one for one non-renounceable rights issue of fully paid shares in the Company at an issue price of $0.03 per share, with one free attaching option for every four shares subscribed for, exercisable at 8 cents and expiring on 30 June 2012 ("Entitlement Issue"). The Company issued 104,228,585 ordinary shares and 26,057,905 options, raising $3,126,860 via this Entitlement Issue and subsequently placed a further 7,478,054 ordinary shares and 1,869,514 options, raising $224,342 under this Entitlement Issue to sophisticated investors.

(iv) *Placement of 300,000 ordinary shares at $0.03 per share and 75,000 options*
In March 2011, 300,000 ordinary shares at $0.03 and 75,000 free attaching options, exercisable at 8 cents and expiring on 30 June 2012, to a key management person for business development services.

19. Contributed equity (cont'd)

(a) Ordinary Shares (cont'd)

(v) *Placement of 394,758 ordinary shares at $0.038 per share and 98,689 options*
In March 2011, 394,758 ordinary shares at $0.038 and 98,689 free attaching options, exercisable at 8 cents and expiring on 30 June 2012, were issued to non related parties

(vi) *Placement of 2,600,000 ordinary shares at $0.03 per share and 650,000 options*
In May 2011, 2,600,000 ordinary shares at $0.03 and 650,000 free attaching options, exercisable at 8 cents and expiring on 30 June 2012, were issued to non related parties

(vii) *Proceed of a share issue received in advance*
On 27 May 2011, the Company announced that it would offer up to 342,716,263 new fully paid ordinary shares at 2 cents to existing shareholders under a one for one non-renounceable entitlement issue. In advance of participating in this entitlement issue, the Directors advanced $3,212,115 to the Company, including $1,335,177 of a convertible note (see note 16 c).

(b) Share options

As at 30 June 2011, 28,751,108 options of the Company exercisable at $0.08 per share on or before 30 June 2012 were in issue.

20. Reserves

(a) Convertible note equity
The equity component of convertible note represents the value of the unexercised equity component of a convertible note issued by the Company.

(b) Asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another. The reserve can only be used to pay dividends in limited circumstances.

(c) Share option reserve
Share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to management and consultants of the Company recognised in accordance with the accounting policy adopted for share-based payments and the equity component of options attached to the October 2010 non-renounceable entitlement issue.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2011

	2011 $	2010 $
21. Cash flow statement reconciliation		
(a) Reconciliation of cash flows from operating activities to operating loss after income tax		
Operating loss after income tax	(4,238,296)	(4,322,826)
Add non-cash items:		
Share based payments	9,000	129,024
Net loss (gain) on the sale of assets	1,154	(9,308)
Convertible note imputed interest in excess of coupon interest	-	18,490
Depreciation and amortisation	273,260	341,584
Exchange difference	26,348	(16,267)
Changes in assets and liabilities		
Increase in trade and other receivables	(466,368)	(273,119)
Decrease / (increase) in inventories	623,278	(524,984)
Decrease in trade and other payables	(306,450)	(578,519)
Increase in provision for warranty	17,484	9,559
(Decrease) / increase in provision for employee entitlements	(45,220)	26,050
Net cash flows used in operating activities	(4,105,810)	(5,200,316)

(b) Non-cash financing and investing activities

During the year ended 30 June 2011,

(i) the Company issued 300,000 ordinary shares in total value of $9,000, inclusive of GST to a consultancy company for business development services (note 19(a)(iv)).

(ii) the Company acquired $25,749 of equipment under finance leases. This acquisition will be reflected in the cash flow statement over the terms of the finance leases via lease repayments.

(iii) $1,335,177 of a convertible note was used to participate in an entitlement issue announced subsequent to year end (see notes 16(c), 19(a)(vii) and 29)

	2011 $	2010 $
(c) Reconciliation of cash and cash equivalents to cash flow statement		
For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 30 June:		
Cash and cash equivalents	596,077	75,521
	596,077	75,521

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2011

22. Parent entity information

(a) Information relating to Automotive Technology Group Limited

Current assets	3,512,203	3,124,443
Total assets	6,663,329	6,389,052
Current liabilities	837,433	3,194,907
Total liabilities	887,395	3,500,672
Contributed equity	33,592,819	26,568,547
Convertible note equity	41,254	41,255
Asset revaluation reserve	814,067	752,154
Share option reserve	573,966	534,300
Accumulated losses	(29,246,172)	(25,007,876)
Total shareholders' equity	5,775,934	2,888,380
Loss for the parent entity	(4,238,296)	(4,322,826)
Total comprehensive income of the parent entity	(4,176,383)	(4,402,160)

(b) Guarantees

No guarantees have been entered into by the Company in relation to the debts of its subsidiaries.

(c) Commitments

Commitments of the Company as at reporting date are disclosed in note 26 to the financial statements.

(d) Tax consolidation

The Company and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2004. The Company is the head entity of the tax consolidated group. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Incomes Taxes. There is no tax funding agreement in place.

23. Related party disclosures

(a) Subsidiaries

The following were controlled entities at 30 June 2011 and are included in the consolidated financial statements. All of the controlled entities have the same financial year as the parent:

Name of Entity	Country of Incorporation	% Equity Interest 2011	% Equity Interest 2010	Investment 2011 $	Investment 2010 $
Sprintex Australasia Pty Limited	Australia	100	100	479,136	479,136
Vee Two Pty Limited	Australia	-	100	-	34,640
AAC Property Investments Pty Limited	Australia	100	100	-	-
Automotive Technology Group Limited	British Virgin Islands	-	100	-	699
				479,136	514,475

(b) Transactions with related parties

There are no transactions between the Company and its subsidiaries. Save as disclosed in notes 16, 18, 19(a), 25 and 26 to the financial statements, the Group does not have transactions with other related parties.

The compensation of key management personnel and other details are set out in note 24 to the financial statements.

24. Key management personnel disclosures

(a) Key management personnel compensation

The key management personnel compensation is as follows:

	2011 $	2010 $
Short-term employee benefits	781,213	992,823
Post employment benefits	13,503	31,820
Total	794,716	1,024,643

24. Key management personnel disclosures (cont'd)

(b) Option holdings of key management personnel

30 June 2011

Directors	Exercise price	Expiry Date	Balance at 1 July 2010 *(Note ii)*	Other changes *(Note i)*	Balance at 30 June 2011	Vested as of 30 June 2011 and exercisable
Mr R Siemens	A$0.30	31 Dec 2010	1,500,000	(1,500,000)	-	-
	A$0.10	30 Jun 2011	7,143,051	(7,143,051)	-	-
	A$0.08	30 Jun 2012	-	7,688,788	7,688,788	7,688,788
Mr S Apedaile	A$0.30	31 Dec 2010	1,500,000	(1,500,000)	-	-
	A$0.10	30 Jun 2011	4,598,369	(4,598,369)	-	-
	A$0.08	30 Jun 2012	-	6,438,122	6,438,122	6,438,122
Mr M Wilson	A$0.08	30 Jun 2012	-	4,962,716	4,962,716	4,962,716
Mr R O'Brien	A$0.08	30 Jun 2012	-	600,000	600,000	600,000
Mr J Williams	A$0.10	30 Jun 2011	85,960	(85,960)	-	-
Mr J Upton	A$0.10	30 Jun 2011	120,000	(120,000)	-	-
			14,947,380	(14,947,380)	19,689,626	19,689,626

Notes:

(i) No remuneration options have been granted to key management personnel in the years ended 30 June 2011 and 2010. Options granted in 2011 were entitlement options as part of a non-renounceable entitlement issue detailed in note 19(a)(iii).

(ii) There were no alterations of the terms and conditions of options granted as remuneration since the grant date.

30 June 2010

Directors	Exercise price	Expiry Date	Balance at 1 July 2009 *(Note ii)*	Other changes *(Note i)*	Balance at 30 June 2010	Vested as of 30 June 2010 and exercisable
Mr R Siemens	A$0.30	31 Dec 2010	1,500,000	-	1,500,000	1,500,000
	A$0.10	30 Jun 2011	-	7,143,051	7,143,051	7,143,051
Mr S Apedaile	A$0.30	31 Dec 2010	1,500,000		1,500,000	1,500,000
	A$0.10	30 Jun 2011	-	4,598,369	4,598,369	4,598,369
Mr J Williams	A$0.10	30 Jun 2011	-	85,960	85,960	85,960
Mr J Upton	A$0.10	30 Jun 2011	-	120,000	120,000	120,000
			3,000,000	11,947,380	14,947,380	14,947,380

24. Key management personnel disclosures (cont'd)

(c) Shareholdings of key management personnel

Ordinary shares

The following table shows the movement during the year in the number of ordinary shares in Automotive Technology Group Limited held directly, indirectly or beneficially, by each key management personnel, including their related parties:

Year ended 30 June 2011	Held at 1 July 2010	Received as remuneration	Other changes (*Note i*)	Held at 30 June 2011
Directors				
Mr R Siemens	35,715,255	-	30,755,212	66,470,467
Mr S Apedaile	24,107,486	-	30,893,983	55,001,469
Mr M Wilson	41,309,500	-	25,449,363	66,758,863
Mr R O'Brien	822,609	-	2,400,000	3,222,609
Other key management personnel				
Mr J Upton	600,000	300,000	-	900,000
Mr J Williams	429,800	-	-	429,800
	102,984,650	300,000	89,498,558	192,783,208

Notes:

(i) Shares were either acquired on market or via the entitlement issue detailed in note 19(a)(iii)

Year ended 30 June 2010	Held at 1 July 2009	Received as remuneration	Other changes	Held at 30 June 2010
Directors				
Mr R Siemens	19,830,170	-	15,885,085	35,715,255
Mr S Apedaile	14,996,930	-	9,110,556	24,107,486
Mr M Wilson	-	-	41,309,500	41,309,500
Mr R O'Brien	-	-	822,609	822,609
Other key management personnel				
Mr J Upton	400,000	-	200,000	600,000
Mr J Williams	212,400	-	217,400	429,800
	35,439,500	-	67,545,150	102,984,650

All equity transactions with key management personnel other than arising from the granting of employee shares have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

25. Share based payment transactions

The Company has established an employee share option plan ("ESOP") for all employees or consultants of the Company. The ESOP is designed to provide eligible participants with an ownership interest in the Company and to provide additional incentives for eligible participants to increase profitability and returns to shareholders. Options are issued for no consideration and the exercise price shall be as the directors in their absolute discretion determine, provided the exercise price shall not be less than the weighted average of the last sale price of the Company's Shares on ASX at the close of business on each of the 5 Business Days immediately preceding the date on which the directors resolve to grant the options.

The Options may not be exercised until the shares of the Company have been quoted on ASX throughout the 12 month period immediately preceding the exercise of the Options, without suspension during that period exceeding in total 2 trading days. If the options remain unexercised after a period of 5 years from the date of grant, the options expire. Options are forfeited immediately if the employee leaves the Company before the above condition is met or 60 days after the leave of the employee if the above condition is met.

As at 30 June 2010 and 2011, no options were granted in respect of the ESOP.

26. Commitments

(a) Operating lease commitments

The Company is the lessee in respect of certain property and items of plant and machinery and office equipment held under operating leases. The lease for the property has a term of 10 years from 1 July 2006 and lease payments are increased every year with indexation to reflect market rentals.

At the balance date, the Group and the Company had outstanding minimum commitments under non-cancellable operating leases, which fall due as follows:

	2011 $	2010 $
Within one year	199,058	166,000
After one year but not more than five years	796,234	664,000
After more than five years	-	166,000
Total minimum lease payments	995,292	996,000

(b) Finance lease and hire purchase commitments

The Company leases certain plant and equipment under finance leases expiring from 1 to 5 years. At the end of the lease terms the Company owns the equipment outright or has the option to purchase the equipment for the residual amount owing. The Group's and the Company's obligations under finance leases are secured by the lessors' title to the leased assets.

Within one year	58,878	168,502
After one year but not more than five years	55,738	84,526
Total minimum lease payments	114,616	253,028
Less: amounts representing finance charges	(14,109)	(23,711)
Present value of minimum lease payments	100,507	229,317
Included in the financial statements as:		
Current interest-bearing liabilities (note 16)	50,545	152,869
Non-current interest-bearing liabilities (note 16)	49,962	76,448
	100,507	229,317

(c) Capital commitments

As at 30 June 2011, the Company had outstanding capital commitments in respect of acquisition of property plant and equipment contracted for but not provided for in the financial statements in the amount of US$50,000 (2010: US$50,000).

(d) Guarantees issued

As at 30 June 2011, the Company had an outstanding guarantee issued in favour of the landlord of leased premises in the amount of US$82,000 (2010: US$82,000). The guarantee is backed by a restricted bank deposit for the same amount (see note 9 and 26(a)) and expires on 30 June 2016.

27. Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2011 and 2010, no dividends have been paid. The Company does not yet have a dividend policy and payment of future dividends will be dependent upon the future profitability and financial position of the Company.

The capital structure of the Company consists of total debts, which includes the interest-bearing borrowings, convertible notes and finance lease liabilities as detailed in note 16, cash and cash equivalents and equity attributable to equity holders of the Company, comprising contributed equity, reserves and accumulated losses as disclosed in notes 19 and 20 respectively.

Management monitor capital through the gearing ratio (net debt/total capital). For this purpose the Company defines net debts as total debts as defined above, less cash and cash equivalents. The gearing ratios at 30 June 2011 and 2010 were as follows:

	2011 $	2010 $
Total debts	438,483	2,717,575
Less: cash and cash equivalents	(596,077)	(75,521)
Net debt	(157,594)	2,642,054
Total equity	5,775,934	2,888,379
Total capital	5,775,934	5,530,433
Gearing ratio - Net debt / total capital	**(3%)**	**48%**

28. Financial risk management

The Group's and the Company's principal financial instruments comprise receivables, payables, interest bearing borrowings and overdrafts, convertible notes, finance lease liabilities, cash and short-term deposits.

Exposure to credit risk, liquidity risk, interest rate risk and currency risk arises in the normal course of the Group's and the Company's business.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security. Debt borrowings are driven by balancing cash, short term borrowings and longer term capital financing of the business.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Trade receivables are due within 0 to 30 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

At 30 June 2011, the Group's level of concentration of credit risk has deteriorated as 48% of total trade receivables was due from the Group's largest customer, while in the year ended 30 June 2010, 79% of the total trade receivables was due from the Group's largest customer.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 10.

(b) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible notes, finance leases and committed available credit lines. The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis and monitoring compliance with lending covenants on an ongoing basis.

The following table details the remaining contractual maturities at the reporting date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

Year ended 30 June 2011	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but Less than 5 years
	$	$	$	$	$
Trade and other payables	333,081	333,081	333,081	-	-
Insurance premium funding	68,627	72,745	72,745	-	-
Finance lease liabilities	100,507	114,616	58,878	38,778	16,959
Loans from related entities	269,349	275,409	275,409	-	-
	771,564	795,851	740,113	38,778	16,959

28. Financial risk management (cont'd)

Year ended 30 June 2010	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but Less than 5 years
	$	$	$	$	$
Trade and other payables	527,062	527,062	527,062	-	-
Insurance premium funding	64,467	67,755	67,755	-	-
Finance lease liabilities	229,317	253,028	168,502	52,313	32,213
Convertible note	1,650,814	1,879,315	1,879,315	-	-
Loans from related entities	772,977	836,877	836,877	-	-
Other liabilities	116,969	116,969	116,969	-	-
	3,361,606	3,681,006	3,596,480	52,313	32,213

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest bearing financial assets and financial liabilities. Financial instruments issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Group's policy is to manage the borrowing structure to match the nature of funding needs and acknowledges that fair value exposure from the Group's fixed rate financial liability is a by product of the Group's attempt to manage its cash flow volatility arising from interest rate changes. At reporting date, the interest rate profile of the carrying value of the Group's interest bearing financial assets and liabilities are set out in the following tables:

Year ended 30 June 2011	Floating interest rate	Fixed interest rate	Total
	$	$	$
Financial assets			
Cash and cash equivalents	596,077	-	596,077
Pledged bank deposits	-	82,000	82,000
	596,077	82,000	678,077
Financial liabilities			
Insurance premium funding	-	68,627	68,627
Finance lease liabilities	-	100,507	100,507
Loans from related parties		259,877	259,877
	-	429,011	429,011
Net exposure	596,077	(347,011)	249,066

Year ended 30 June 2010	Floating interest rate	Fixed interest rate	Total
Financial assets			
Cash and cash equivalents	75,521	-	75,521
Pledged bank deposits	-	82,000	82,000
	75,521	82,000	157,521
Financial liabilities			
Insurance premium funding	-	64,467	64,467
Finance lease liabilities	-	229,317	229,317
Convertible note	-	1,650,814	1,650,814
Loans from related parties	-	772,977	772,977
	-	2,717,575	2,717,575
Net exposure	75,521	(2,635,575)	(2,560,054)

28. Financial risk management (cont'd)

(c) Interest rate risk (cont'd)

The interest rates and terms of repayment of the Group's borrowings are disclosed in notes 16 and 18 to the financial statements.

Cash flow sensitivity analysis for floating rate instruments
An increase of 100 basis points in interest rates at the reporting date would have increased net loss and accumulated losses by $5,961 (2010: $755). A decrease of 100 basis points in interest rates will have the same amount but opposite financial effect on net loss and accumulated losses.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date based on historical market trend. The analysis is performed on the same basis for 2010. There would be no impact on equity.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euros, United States dollars, Swedish Kroner and Malaysian Ringit. Currently, the Group does not have a policy to manage the currency risk arising from sales and purchases.

All the Group's borrowings are denominated in the functional currency of the entity taking out the loan. Given this, management does not expect that there will be any currency risk associated with the Group's borrowings.

The following table details the Group's exposure at the reporting date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2011			
	Euros	**US dollars**	**Swedish Kroner**	**Malaysian Ringit**
Trade and other receivables	129	104,227	221,041	-
Cash and cash equivalents	-	-	-	-
Trade and other payables	-	(63,046)	-	(15,944)
Overall net exposure	129	41,182	221,041	(15,944)

	2010				
	Euros	**US dollars**	**Swedish Kroner**	**British Pounds**	**Hong Kong dollars**
Trade and other receivables	32,886	114,856	160,000	64	-
Cash and cash equivalents	-	320	-	-	1,943
Trade and other payables	(6,028)	(24,363)	-	(48,316)	(10,749)
Overall net exposure	26,858	90,813	160,000	(48,252)	(8,806)

28. Financial risk management (cont'd)

(d) Currency risk (cont'd)

The following table indicates the approximate change in the Group's loss after taxation and accumulated losses in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the statement of financial position date. A positive number below indicates a decrease in net loss for the year and accumulated losses where the AUD weakens against the relevant currency. For a strengthening of the AUD against the relevant currency, there would be an equal and opposite impact on the net loss and accumulated losses, and the balances below would be negative.

	2011		2010	
	Increase in foreign exchange rates	Effect on loss for the year and accumulated losses $	Increase in foreign exchange rates	Effect on loss for the year and accumulated losses $
United States dollars	10%	(4,118)	1%	6,668
Swedish Kroner	15%	(33,156)	16%	3,534
Malaysian Ringit	10%	1,594	-	-

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting date and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' net loss for the year and accumulated losses measured in the respective functional currencies, translated into AUD at the exchange rate ruling at the statement of financial position date for presentation purposes. The analysis is performed on the same basis for 2010. There would be no impact on equity.

(e) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2011 and 2010.

The carrying value of trade and other receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, as detailed in notes 16. The directors consider that the change in interest rates will not cause a significant impact on the fair values of the financial liabilities.

No financial instruments are carried at fair value.

29. Events subsequent to reporting period

Subsequent to the reporting period, the Company raised share capital by way of a one for one non-renounceable entitlement issue at $0.02 per share. 204,825,364 ordinary shares were issued for total gross proceeds of $4,096,507 plus a further 30,390,123 shares were issued from the shortfall for gross proceeds of $607,802. The directors have until 10 November 2011 to place the remaining 107,500,776 shares that were not subscribed to be the existing shareholders and the Company has engaged Patterson Securities Limited to be the lead manager for this placement. At the date of this report 92,365,776 were available to be placed and at 30 June 2011, $3,212,115 of funds had been received (see note 19(a)(vii)).

On 5 July 2011, the Company announced that it had signed a binding agreement with Proreka (M) Sdn. Bhd, a tier 1 automotive component manufacturer and supplier to various Asian car manufacturers, to form a joint venture manufacturing facility in Malaysia. Under the agreement, the Company will invest an estimated US$1.25 million to establish a low cost manufacturing facility in Malaysia.

On 14 September 2011, 20 million options with an expiry date of 30 June 2012 and an exercise price of $0.08 were issued to consultants for providing business development services.

On 16 September 2011, the Company was granted a $750,000 bank overdraft secured against the Company's property at 73 Resource Way, Malaga.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Automotive Technology Group Limited, I state that:

1. In the opinion of the directors:

a. The financial statements and notes of the consolidated entity are 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 2011 and of its performance for the year ended on that date; and

   (ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a); and

c. subject to note 2(b) to the financial statements, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

d. this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

Dated at Perth this 28th day of September 2011.

Steven Apedaile
Managing Director

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Independent audit report to members of Automotive Technology Group Ltd

Report on the Financial Report

We have audited the accompanying financial report of Automotive Technology Group Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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. These Auditing 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 our 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, we consider internal controls 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 controls. 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 met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Automotive Technology Group Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position at 30 June 2011 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 16 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Automotive Technology Group Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(b) of the financial report. There is significant uncertainty as to whether the consolidated entity will be able to continue as a going concern, and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish is liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst + Young

Ernst & Young

P McIver

P McIver
Partner
Perth
29 September 2011

PM:MB-ATG:024

ASX ADDITIONAL INFORMATION

The following additional information is provided in accordance with the listing rules and is current as at 19 September 2011.

(a) Distribution of equity securities

(i) *Ordinary share capital*

586,152,720 fully paid ordinary shares are held by 530 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) *Options*

48,751,108 listed options expiring 30 June 2012, exercise price at $0.08 per share are held by 122 individual option holders. Options do not carry a right to vote.

The number of shareholders, by size of holding, in each class is:

	Fully Paid Ordinary Shares	Options exp 30/06/12 @ $0.08
1 – 1,000	16	7
1,001 - 5,000	16	26
5,001 - 10,000	51	5
10,001 - 100,000	248	54
100,001 and over	199	30
	530	122
Holding less than a marketable parcel	148	71

(b) Substantial shareholders

Ordinary shareholders	Fully paid Number	Fully paid Percentage
Mr Michael John Wilson and Mrs Megan Joy Wilson	133,517,726	22.78%
Mr Richard John Siemens and his controlled entities	132,940,734	22.68%
Mr Steven James Apedaile and his controlled entities	85,104,469	14.52%
Euro Mark Limited and related entities	39,002,404	6.81%
	390,565,333	67.89%

ASX ADDITIONAL INFORMATION (CONT'D)

(c) Largest twenty shareholders

Rank	Name	Units	Percentage
1.	CHINA AUTOMOTIVE HOLDINGS LIMITED	132,940,734	22.68%
2.	MR MICHAEL JOHN WILSON + MRS MEGAN JOY WILSON	130,147,726	22.20%
3.	MR STEVEN JAMES APEDAILE + MRS MICHELLE LYNDA APEDAILE <THE APEDAILE S/F A/C>	66,682,020	11.38%
4.	EURO MARK LIMITED	37,340,256	6.37%
5.	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 A/C>	18,791,200	3.21%
6.	YARRUMUP PTY LTD <CAPULET SUPER FUND A/C>	14,000,000	2.39%
7.	MR STEVEN JAMES APEDAILE + MRS MICHELLE LYNDA APEDAILE <APEDAILE FAMILY A/C>	13,643,452	2.33%
8.	DAILY POWER PTY LIMITED	11,670,000	1.99%
9.	I-BIZ LIMITED	6,600,000	1.13%
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,534,000	1.11%
11.	MR RICHARD JOHN O'BRIEN	6,445,218	1.10%
12.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	5,842,932	1.00%
13.	FALMAC PTY LTD	5,000,000	0.85%
14.	DR MANSOUR ALMASI <ALMASI SUPER FUND A/C>	4,750,000	0.81%
15.	MR STEVEN JAMES APEDAILE + MRS MICHELLE LYNDA APEDAILE <APEDAILE SUPER FUND A/C>	4,731,709	0.81%
16.	MR EUAN ALEXANDER BARTY + MS PATRICIA ANN MALONE	4,400,000	0.75%
17.	MR LESTER RAYMOND HEWETT	3,760,000	0.64%
18.	MR JOHN BRYAN CLEMESHA	3,750,000	0.64%
19.	MR MICHAEL JOHN WILSON + MRS MEGAN JOY WILSON <THE WILSON S/F A/C>	3,370,000	0.57%
20.	FALMAC PTY LTD	3,317,728	0.57%
		483,716,975	**82.52%**

ASX ADDITIONAL INFORMATION (CONT'D)

(c) Largest twenty option holders

Rank	Name	Units	Percentage
1.	MR ROBERT G BAKER	8,000,000	16.41%
2.	CHINA AUTOMOTIVE HOLDINGS LIMITED	7,688,778	15.77%
3.	ANNROB PTY LTD <THE CONTINENTAL A/C>	6,000,000	12.31%
4.	MR MICHAEL JOHN WILSON + MRS MEGAN JOY WILSON	4,962,716	10.18%
5.	MR STEVEN JAMES APEDAILE + MRS MICHELLE LYNDA APEDAILE <APEDAILE FAMILY A/C>	3,711,682	7.61%
6.	GUSFAM PTY LTD <GUSFAM A/C>	2,450,000	5.03%
7.	MR STEVEN JAMES APEDAILE + MRS MICHELLE LYNDA APEDAILE <THE APEDAILE S/F A/C>	2,396,440	4.92%
8.	DR YIN KHEONG CHEE	1,975,000	4.05%
9.	MR TIMOTHY R BAKER	1,000,000	2.05%
10.	YARRUMUP PTY LTD <CAPULET SUPER FUND A/C>	875,000	1.79%
11.	DAILY POWER PTY LIMITED	833,750	1.71%
12.	I-BIZ LIMITED	825,000	1.69%
13.	MR RICHARD JOHN O'BRIEN	600,000	1.23%
14.	MR JASON C PRICE	575,000	1.18%
15.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	548,200	1.12%
16.	MR PAUL BRYCE WILLIAM CZISLOWSKI	500,000	1.03%
17.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	464,000	0.95%
18.	MR STEVEN JAMES APEDAILE + MRS MICHELLE LYNDA APEDAILE <APEDAILE SUPER FUND A/C>	330,000	0.68%
19.	MR EUAN ALEXANDER BARTY + MS PATRICIA ANN MALONE	330,000	0.68%
20.	MR JASON NORVAL	312,500	0.64%
		44,378,066	**91.03%**