

Appendix 4D

Half year report

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

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

ABN: **66 099 107 623**

1. Reporting period

Current period: **Half-year ended 31 December 2013**

Previous corresponding period: **Half-year ended 31 December 2012**

2. Results for announcement to the market

				\$A'000
Revenue	down	20%	to	2,753
Loss from ordinary activities after tax attributable to members	up	166%	to	(2,126)
Net loss for the period attributable to members	up	166%	to	(2,126)

	Amount per share cents	Franked amount per share cents
<i>Dividends</i>		
Final	Nil	n/a
Interim	Nil	n/a
Record date for determining entitlements to dividends	n/a	

3. Net tangible assets

	Current period cents	Previous corresponding period cents
Net tangible asset backing per ordinary share	<u>0.24</u>	<u>0.46</u>

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

Control gained over entities

N/A

Control lost over entities

N/A

5. Dividends

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

Total dividends on all securities for the year

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

6. Dividend reinvestment plans

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

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

7. Details of associates and joint venture:

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

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

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

8. Accounting Standards

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

AIFRS

9. Auditor's review report

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

N/A

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

The accounts have been Audited

The accounts are in the process being audited or subject to review

The accounts have been subject to review

The accounts have not yet been audited or reviewed



Sign here: Company secretary

Date: 27 February 2014

Print name: Clare Madelin



**ADVANCED BRAKING TECHNOLOGY LTD
AND CONTROLLED ENTITIES**

ABN 66 099 107 623

HALF-YEAR REPORT

31 DECEMBER 2013

Advanced Braking Technology Limited and Controlled Entities
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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2013.

Directors

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

Bruce Grey	David Slack
Adam Levine	Graeme Sumner
David Humann	Kenneth Johnsen

REVIEW OF OPERATIONS

Business Overview

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

SIBS® offers customers:

- Fail to safe functionality
- A sealed brake suitable for tough, wet and gritty environments
- Reduced vehicle brake maintenance costs
- Reduced vehicle downtime
- Reduced brake temperatures
- More reliable and consistent braking
- The elimination of airborne brake particle emissions

SIBS® technology is also suitable for mainstream applications outside the mining industry where high brake usage causes high wear, where there is a fail to safe requirement, where braking temperatures may be an issue or where brake particle emissions are of concern. The company has now released of a new brake design for waste collection trucks.

During the period under review Mr David Humann, Chairman, resigned from the Board on 13 September 2013.

On 16 September 2013 Mr Bruce Grey became Chairman of the company.

Subsequent to the completion of the half year, Mr Ken Johnsen resigned as Managing Director effective 23 January 2014.

On 28 January 2014 Mr Graeme Sumner was appointed Managing Director.

Mr Sumner was previously Managing Director of Service Stream Limited, an ASX listed company.

He also held positions with Transfield Services as Managing Director NZ and with Siemens NZ Ltd as Managing Director.

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Mr Sumner is an experienced Managing Director with a strong track record of turning around and growing companies in a broad range of industry sectors.

Highlights

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

- New Chairman and Managing Director
- The Board and new Managing Director are currently undertaking a strategic and operational review of the business, the results of which will be presented to shareholders during March.
- Seven truck brake sets now fitted to customer trucks. Two major fleet operators and three City Councils across Australia are now operating trucks fitted with SIBS®. These new truck brakes are all performing well and are confirming the benefits of the brake system.

Financial Performance

In the 6 months ending 31 December 2013 the Company recorded a \$2.126 million after-tax loss on revenues of \$2.753 million.

Sales in Australia were down 22% over the prior period reflecting restricted spending in the mining sector. International sales were down 56% compared with the prior period, from \$700K to \$306K, with sales to Canada and South Africa down 64%. This is merely a reflection of the volatile nature of international sales.

In the prior corresponding period to 31 December 2012 the Company recorded an after tax loss of \$0.800 million on revenues of \$3.423 million. This half's increased loss can be attributed two factors, firstly, reduced sales particularly in South Africa and Canada and secondly there was an increased level of development expenditure expensed against the prior period where \$0.566 million of development expenditure was capitalised.

The Board is now of the view that the truck brake is ready for a significant step up in marketing activity to realise on its commercial potential.

Total expenses for the period were 10% higher at \$4.165 million. In the prior corresponding period total expenses were \$3.785 million.

Included in total expenses were research and development related expenses totalling \$1.655 million. This compared to \$1.897 million for the prior comparable period.

Directors expect development related expenditure to decline significantly.

Other revenue of \$1.04 million included \$0.956 million of income relating to R&D Tax Incentives.

Cash at bank at 31 December 2013 was \$1.579 million which compares to \$1.197 million as at 30 June 2013.

In August 2013 the company made a convertible note offer. The total amount raised under this offer was \$2.295 million, an oversubscription from the \$2 million being sought from investors.

As previously advised, the convertible notes will attract a 12% per annum coupon rate, and are convertible into ordinary ABT shares at any time, up to and including a 3 year maturity date. The notes will convert at \$0.022 per share. They are redeemable for cash at maturity if no conversion has occurred. The placement was undertaken with advice and support from Phillip Capital.

SIBS® Truck Brakes

Commercial production of SIBS® Truck Brakes commenced in the 2012/13 year, and the seven truck brake sets currently in service on customer trucks are performing very well.

The Board however came to the view that the transition from the development phase to first production of saleable brake sets was not happening with an appropriate sense of urgency.

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However the initial production batch was necessary to confirm that the production design met the required performance and regulatory standards and this has been achieved. This testing was completed in January 2014 and confirmed that; all Australian Design Rule (ADR) requirements were met, the designed performance requirements including high heat loads were met and full compatibility with the original equipment ABS system, as fitted to the Company's latest model Iveco ACCO test truck, was achieved. Separately other testing was undertaken during the period including, fatigue testing of critical components, rough road testing over 5,000 kms on corrugated gravel roads and various other wear and extreme condition testing.

Furthermore, the ongoing in-service monitoring of the seven trucks fitted with SIBS® Truck Brakes continues to reinforce and promote the low wear and reliability of the product. Over 1,500 hours of in-service operation have now been completed on each of a City of Swan truck and a contractor truck, with only minor servicing and minimal wear being experienced. Based on the extremely low wear rates of the brakes being tested, a major service interval would not be expected until at least 2.5 years of operation. Standard brakes would need replacing at least four and up to six times in the same period.

The Company is confident that over the coming months the operators of waste collection fleets will realise the benefits of the product and begin to commit to its widespread use in their fleets. In preparation for this, the Company is also working with its vendors to ensure that it is in a position to support the likely demand.

Other applications for the SIBS® Truck Brake outside of the waste industry are also being explored by the Company in response to inquiries from customers.

Legal Matter

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

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

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

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

Costs were awarded in favour of ABT.

Subsequent to this on the 22 November 2012 the Plaintiffs in the matter lodged a Notice of Appeal in the NSW Supreme Court.

On 9 December 2013 the appeal court dismissed the appeal in a unanimous decision.

Conclusion

During the half year under review and for the period to this report the Board has been refreshed and a new Chairman and Managing Director have been appointed. The new Board is convinced as to the commercial viability of the new truck brake. However, an inadequate sense of urgency in ramping up sales has been experienced.

Sales of SIBS® brakes into the mining industry in Australia and internationally will remain an important part of the business as the Company commences sales into the global truck market. International distributors are being reviewed and changed as necessary.

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The Board and new Managing Director are currently undertaking a strategic and operational review of the business, the results of which will be presented to shareholders during March. This review will also address funding alternatives for development of the business for the financial benefit of shareholders as the company moves away from the research and development stage of its life and more to a licensing and distribution focus.

Acknowledgement

The Board extends its thanks to Mr Ken Johnsen for his years of service and in bringing the company to this point in its development.

Rounding of Amounts

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

Auditor's Declaration

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 5 for the half year ended 31 December 2013.

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

A handwritten signature in black ink, appearing to read 'Bruce Grey', enclosed within a large, loopy oval scribble.

Director: Bruce Grey, Chairman
Dated this 27th day of February 2014

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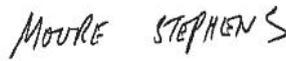
**AUDITOR'S INDEPENDENCE DECLARATION UNDER
S307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ADVANCED BRAKING TECHNOLOGY LIMITED**

As lead auditor for the review of Advanced Braking Technology Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

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



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 27th day of February 2014.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Notes	Consolidated Group	
		31.12.2013	31.12.2012
		\$'000	\$'000
Revenue			
Revenue from trading activities	8	1,713	2,515
Revenue from other activities			
R&D Tax Incentive		956	550
Other		84	358
Total revenue		2,753	3,423
Cost of sale		(714)	(1,006)
Amortisation of IP		(99)	(99)
Bad and doubtful debts		-	-
Borrowing costs		(155)	(27)
Computer related expenses		(32)	(39)
Consulting fees		(230)	(347)
Consumables and minor equipment		(255)	(181)
Depreciation expense		(194)	(134)
Employee expenses		(2,395)	(2,188)
Insurance		(94)	(78)
Legal fees		(76)	(98)
Marketing and advertising		(69)	(12)
Patents		(31)	(56)
Property expenses		(197)	(186)
Share Option Cost		(3)	(5)
Telephone and other communication		(22)	(24)
Travel and accommodation		(153)	(146)
Other expenses		(160)	(163)
Overheads capitalised as development and pre-production activities		-	566
Loss before income tax		(2,126)	(800)
Income tax		-	-
Loss from continuing operations		(2,126)	(800)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign Exchange translation		(1)	22
Items that may be reclassified subsequently to profit or loss			
		-	-
Total comprehensive loss for the period		(2,127)	(778)
Earnings per share			
From continuing operations:		cents	cents
Basic earnings / (loss) per share (cents)		(0.19)	(0.07)

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

The accompanying notes form part of this financial report.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Notes	Consolidated Group	
		31.12.2013	30.06.2013
		\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents		1,579	1,197
Trade and other receivables	3	562	838
Inventories		2,491	2,094
Other assets		1,251	1,424
Total current assets		5,883	5,553
NON-CURRENT ASSETS			
Trade and other receivables	3	32	32
Property, plant and equipment		895	974
Intangible assets		4,398	4,497
Total non-current assets		5,325	5,503
TOTAL ASSETS	8	11,208	11,056
CURRENT LIABILITIES			
Trade and other payables	4	1,003	891
Interest bearing liabilities		325	251
Provisions		267	252
Derivative financial instruments	9	1	-
Deferred Income		76	106
Total current liabilities		1,672	1,500
NON-CURRENT LIABILITIES			
Interest bearing liabilities		2,497	395
Provisions		34	58
Total non-current liabilities		2,531	453
TOTAL LIABILITIES		4,203	1,953
NET ASSETS		7,005	9,103
EQUITY			
Issued capital	5	45,472	45,447
Foreign currency reserves	6	(168)	(167)
Other reserves	6	744	740
Accumulated losses	7	(39,043)	(36,917)
TOTAL EQUITY		7,005	9,103

The accompanying notes form part of this financial report.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Issued Capital	Accumulated losses	Other reserves	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1.7.2013	45,447	(36,917)	573	9,103
Total net loss for the period		(2,126)		(2,126)
Subtotal	45,447	(39,043)	573	6,977
Foreign currency translation			(1)	(1)
Cost of share based payments			4	4
Issue of ordinary shares	25			25
Balance at 31.12.2013	45,472	(39,043)	576	7,005
Balance at 1.7.2012	45,153	(35,997)	492	9,648
Total net loss for the period		(800)		(800)
Subtotal	45,153	(36,797)	492	8,848
Foreign currency translation			22	22
Cost of share based payments			5	5
Issue of ordinary shares	294			294
Balance at 31.12.2012	45,447	(36,797)	519	9,169

The accompanying notes form part of this financial report.

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED
31 DECEMBER 2013

	Consolidated Group	
	31.12.2013	31.12.2012
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,497	4,053
Payments to suppliers and employees	(5,035)	(4,327)
Interest received	22	29
Finance costs	(132)	(27)
Net cash used in operating activities	(1,648)	(272)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of non-current assets	-	1
Purchase of property, plant and equipment	(116)	(339)
Payment for development and pre-production expenditure capitalised	-	(566)
Net cash used in investing activities	(116)	(904)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,359	234
Repayment of borrowings	(212)	(138)
Net cash provided by financing activities	2,147	96
Net decrease in cash held	383	(1,080)
Cash and cash equivalents at beginning of period	1,197	2,925
Net foreign exchange difference	(1)	1
Cash and cash equivalents at end of period	1,579	1,846

The accompanying notes form part of this financial report.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2013 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Advanced Braking Technology Limited and its controlled entities (referred to as the “consolidated group” or “group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2013, together with any public announcements made during the following half-year.

b. Accounting Policies

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

c. New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

(i) Consolidated financial statements, joint arrangements and disclosure of interests in other entities

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

- AASB 10: *Consolidated Financial Statements*;
- AASB 127: *Separate Financial Statements* (August 2011);
- AASB 2011–7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*; and
- AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*.

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

– **Consolidated financial statements:**

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, the assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: *Business Combinations*) from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012–2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition. However, the revised wording of accounting policy for consolidation is set out in Note 1(d).

(ii) *Fair value measurements and disclosures*

The Group has adopted AASB 13: *Fair Value Measurement* and AASB 2011-8: *Amendments to Australian Accounting Standards arising from AASB 13* from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. Although these Standards do not significantly impact the fair value amounts reported in the Group's financial statements, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as set out in Note 1(e), should be incorporated in these financial statements.

(iii) *Other*

Other new and amending Standards that became applicable to the Group for the first time during this half-year reporting period are as follows:

AASB 2012-2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*.

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011-10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*.

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations.

d. Principles of Consolidation

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

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

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

e. Fair Value of Assets and Liabilities

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

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

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

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

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

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

Valuation techniques

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

- *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fair value hierarchy

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

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

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

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

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

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

The critical estimates and judgments are consistent with those applied and disclosed in the June 2013 annual report.

g. Going Concern

The financial statements of the Group have been prepared on a going concern basis of accounting which assumes that the Group will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business. During the half year ended 31 December 2013, the Group reported a net loss after tax of \$2.126 million, net operating cash outflow of \$1.648 million and closing cash/bank balance of \$1.579 million.

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

- The ability to raise capital from shareholders or, if required, loans from external parties;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- The ability to draw down on existing and new finance facilities. As detailed in Note 10, the Group has recently secured loan funding with a facility level commencing at \$0.5 million and rising to \$1.36 million;

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

NOTE 2: DIVIDENDS

No dividends were provided for or paid during the half year to 31 December 2013 and no dividends were provided for or paid during the preceding half year to 31 December 2012.

	CONSOLIDATED GROUP	
	31.12.2013	30.6.2013
	\$'000	\$'000
NOTE 3: RECEIVABLES		
Current		
Trade debtors	705	981
Less provision for doubtful debts	(143)	(143)
Total	562	838
Non-current		
Other receivables	32	32
Total	32	32
NOTE 4: PAYABLES		
Trade creditors	772	705
Accrued expenses	231	186
	1,003	891

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	CONSOLIDATED GROUP	
	31.12.2013	30.6.2013
	\$'000	\$'000
NOTE 5: ISSUED CAPITAL		
1,107,067,389 (June 2013: 1,105,504,889) ordinary shares, fully paid	45,472	45,447
	<u>45,472</u>	<u>45,447</u>
Ordinary shares		
At the beginning of the financial period / year	45,447	45,153
17,300,000 shares issued to Directors on 26 July 2012, paid out of share application funds held in trust following a placement to sophisticated investors and issued following shareholder approval.		294
1,562,500 shares issued under an Employee share scheme 20 December 2013	25	
	<u>45,472</u>	<u>45,447</u>
Transaction costs relating to share issues	-	-
Balance at end of financial period / year	<u>45,472</u>	<u>45,447</u>
NOTE 6: RESERVES		
Option premium reserve	744	740
Foreign currency translation reserve	(168)	(167)
	<u>576</u>	<u>573</u>
NOTE 7: ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial period / year	(36,917)	(35,997)
Net loss attributable to members of the parent entity	(2,126)	(920)
Accumulated losses at the end of the financial period / year	<u>(39,043)</u>	<u>(36,917)</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 8: SEGMENT REPORTING

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

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

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

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

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

	For the six months ended 31.12.2013 \$'000	For the six months ended 31.12.2012 \$'000
Australia	1,407	1,815
Canada	71	286
New Zealand	20	4
Papua New Guinea	-	2
South Africa	152	326
Turkey	49	45
USA	14	37
Total revenue from trading activities	1,713	2,515

Assets by geographical region

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

	Balance as at 31.12.2013 \$'000	Balance as at 30.6.2013 \$'000
Australia	9,359	9,512
South Africa	17	22
Thailand	1,832	1,522
Total Assets	11,208	11,056

Intangible assets are treated as located in Australia.

Major customers

The Group has 1 external customer to which it provides products and services that generate 10% or more of the Group's revenues.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 9: FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following measurements hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2013 and 30 June 2013 on a recurring basis:

	Level 1	Level 2	Level 3
	\$'000	\$'000	
At 31 December 2013			
Assets			
Derivatives used for hedging	-	-	-
Total assets	-	-	-
Liabilities			
Derivatives used for hedging	-	1	-
Total liabilities	-	1	-
	Level 1	Level 2	Level 3
	\$'000	\$'000	
At 30 June 2013			
Assets			
Derivatives used for hedging	-	-	-
Total assets	-	-	-
Liabilities			
Derivatives used for hedging	-	-	-
Total liabilities	-	-	-

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2013.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

NOTE 9: FINANCIAL INSTRUMENTS

(b) Valuation techniques to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group calculates the fair value of forward foreign exchange contracts using forward exchange rates at the balance sheet date. The rate is obtained from external financial institutions and as such the financial instrument has been included as a level 2 financial instrument.

(c) Fair values of other financial instruments

The group has a number of financial instruments which are not required to be valued at fair value in the balance sheet however upon review of such instruments the carrying amounts are assumed to approximate their fair values.

NOTE 10: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 21 February 2014 the Group obtained loan funding with a facility level commencing at \$0.50m and rising to \$1.36 million. This loan is secured upon the Research and Development Tax Incentive accrued during FY2014 and is repayable on the earlier of 31 December 2014 and the date 3 business days after receipt of the R&D Tax Incentive for FY2014.

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

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 18 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.

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

This declaration is made in accordance with a resolution of the Board of Directors.



Director

Bruce Grey

Dated this 27th day of February 2014

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Advanced Braking Technology Limited which comprises the consolidated condensed statement of financial position as at 31 December 2013, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity, the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Advanced Braking Technology Limited's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Advanced Braking Technology Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

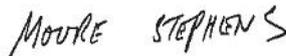
- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1(g) to the financial statements, which indicate that the consolidated entity is dependent upon various funding alternatives in order to fund working capital requirements. This condition, along with other matters set forth in Note 1(g), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 27th day of February 2014