SAFE EFFECT TECHNOLOGIES LTD

AND CONTROLLED ENTITIES

ABN 66 099 107 623

APPENDIX 4E
PRELIMINARY FINAL REPORT
Financial Year Ended 30 JUNE 2004

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		Percentage Change %		Amount $'000
Revenues from ordinary activities	down	29.8%	to	314
Profit/(loss) from ordinary activities after tax attributable to members	down	78.8%	to	(13,986)
Net profit/(loss) for the period attributable to members	down	78.8%	to	(13,986)
No dividends have been paid or declared		n/a		n/a
Record date for determining entitlements to the dividend		n/a		n/a

The results include accelerated amortisation of intangibles totalling $6.18 million for a total intangibles amortisation of $8.52 million.

Results were also impacted by a provision for $1.6 million against receivables from Safe Effect Technologies International Ltd, the technology joint venture partner.

Statements of Financial Performance

For the year ended 30 June 2004

	Note	Consolidated 2004 $000	2003 $000
Revenues from trading activities		251	261
Revenues from other activities	1	63	186
Total revenue		314	447
Cost of sales		(167)	(152)
Inventories obsolescence provision		(96)	(23)
Employee expenses		(1,655)	(938)
Depreciation expense		(41)	(32)
Amortisation of intangibles		(2,339)	(2,339)
Borrowing costs		(90)	(30)
Expenses to joint venture partner		1,820	1,053
Provision against receivables		(1,567)	(2,157)
Legal fees		(391)	(261)
Patents		(411)	(466)
Marketing and advertising expenses		(64)	(58)
Travel and accommodation		(386)	(408)
Consulting fees		(1,250)	(1,370)
Telephone and other communication expenses		(120)	(23)
Rental expenses		(176)	(128)
Consumables and minor equipment		(191)	(156)
Computer related expenses		(215)	(2)
Intangibles accelerated amortisation		(6,065)	-
Other assets accelerated amortisation		(111)	-
Exchange loss		(13)	-
Other expenses from ordinary activities		(772)	(778)
Total expenses from ordinary activities		(14,300)	(8,268)
Loss from ordinary activities before related income tax benefit		(13,986)	(7,821)
Income tax benefit attributable to loss		-	-
Loss from ordinary activities after related income tax benefit		(13,986)	(7,821)

Earnings Per Share

Cents per share (loss)		(10.6)	(8.1)

Diluted earnings per share has not been shown as it would dilute the actual loss per share attributable to existing shareholders.

The statement of financial performance should be read in conjunction with the accompanying notes.

Statements of Financial Position

As at 30 June 2004

	Note	Consolidated 2004 $000	Consolidated 2003 $000
CURRENT ASSETS			
Cash assets	5	370	245
Receivables	6	780	3,510
Inventories	7	306	105
Total current assets		1,456	3,860
NON-CURRENT ASSETS			
Receivables	6	45	-
Property, plant & equipment	8	252	158
Intangibles	9	-	8,367
Other	10	-	148
Total non-current assets		297	8,673
TOTAL ASSETS		1,753	12,533
CURRENT LIABILITIES			
Payables	11	4,377	2,123
Interest bearing liabilities	12	1,113	93
Provisions	13	86	40
Total current liabilities		5,576	2,256
NON-CURRENT LIABILITIES			
Payables	11	229	362
Interest bearing liabilities		66	99
Total non-current liabilities		295	461
TOTAL LIABILITIES		5,871	2,717
NET ASSETS		(4,118)	9,816
EQUITY			
Contributed equity	14	19,253	19,201
Reserves	15	162	162
Accumulated losses	16	(23,533)	(9,547)
TOTAL EQUITY		(4,118)	9,816

The statement of financial position should be read in conjunction with the accompanying notes.

Statements of Cash Flows
For the year ended 30 June 2004

	Note	Consolidated 2004 $000	2003 $000
Cash Flows from Operating Activities			
Receipts from customers		479	479
Payments to suppliers, consultants and employees		(4,981)	(3,324)
Borrowing costs		(33)	(17)
Interest received		2	10
Withholding tax paid		-	(5)
Net cash (used in) operating activities	18	(4,533)	(2,857)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(158)	(95)
Net cash provided by (used in) investing activities		(158)	(95)
Cash Flows from Financing Activities			
Advances to SETI, a JV partner		(102)	(67)
Loan provided by other entities		345	-
Repayment of loan provided by other entities		(100)	-
Proceeds from issue of convertible notes		1,000	-
Receipts for subscription of shares		1,115	1,818
Proceeds from Rights Issue		2,627	-
Proceeds from finance lease		-	181
Finance lease repayments		(70)	(54)
Net cash provided by financing activities		4,815	1,878
Net increase/(decrease) in cash held		124	(1,074)
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		1	-
Cash assets at the beginning of the financial year		245	1,319
Cash assets at the end of the financial year	5	370	245

The statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
For the year ended 30 June 2004

	Consolidated	
	2004	**2003**
	$000	**$000**
1. REVENUES FROM ORDINARY ACTIVITES		
-Revenues from trading activities	251	261
-R&D tax offset from Australian Taxation Office	61	176
-Interest received	2	10
-Billings to joint venture partner	1,820	1,053
2. EXPENSES AND OTHER GAINS/LOSSES		
Expenses		
Cost of sales	167	152
Borrowing costs:		
-other parties	90	30
Total borrowing costs	90	30
Depreciation of non-current assets:		
-plant and equipment	27	26
-motor vehicle	5	2
-office equipment and furniture	8	3
-leasehold improvements	1	1
Total depreciation	41	32
Amortisation of non-current assets:		
-goodwill	91	25
-patents	46	13
-research and development	148	37
-wet brake technology	8,230	2,264
Total amortisation	8,515	2,339
Bad and doubtful debts:		
-trade debtors	-	32
-Safe Effect Technologies International Ltd (SETI)	87	67
-Safe Effect Joint Venture Operations (SETI)	1,481	1,088
-other	(1)	970
Total bad and doubtful debts	1,567	2,157
Operating Lease:		
-rental expense	176	128
	176	128
Exchange loss		
-exchange loss in translating the foreign operations	13	-
	13	-

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated 2004 $000	Consolidated 2003 $000
3. AUDITORS' REMUNERATION		
Remuneration of the auditor of the parent entity for:		
- Auditing the financial statements	53	26
- Other services	-	2
	53	28
4. EARNINGS PER SHARE		
Net loss	(13,986)	(7,821)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	131,765	97,075
Loss per share (cents)	(10.6)	(8.1)
5. CASH ASSETS		
Cash at bank	370	245
	370	245
6. RECEIVABLES		
Current		
Trade debtors	50	105
Less: Provision for doubtful debts	-	(68)
	50	37
Other debtors	1,033	3,746
Less: Provision for doubtful debts	(994)	(1,010)
	39	2,736
GST receivable	643	385
Withholding tax refundable	-	8
Prepayments	14	-
R&D tax offset	-	344
Other	34	-
	780	3,510

Notes to the Financial Statements
For the year ended 30 June 2004

	Consolidated	
	2004	**2003**
	$000	**$000**
6. RECEIVABLES (cont.)		
Non - Current		
Loan: Safe Effect Technologies International Ltd (as JV Partner)	2,570	1,088
Less: Provision for doubtful debts	(2,570)	(1,088)
	-	-
Loan: Safe Effect Technologies International Ltd	153	67
Less: Provision for doubtful debts	(153)	(67)
	-	-
Deposits placed as securities	45	-
	45	-
7. INVENTORIES		
Current		
Inventory, at the lower of cost and net realisable value	306	105
	306	105
8. PROPERTY, PLANT AND EQUIPMENT		
Plant & Equipment at cost	234	160
Less: accumulated depreciation	(71)	(40)
	163	120
Motor Vehicles at cost	25	25
Less: accumulated depreciation	(8)	(3)
	17	22
Office Equipment and Furniture at cost	66	20
Less: accumulated depreciation	(12)	(4)
	54	16
Leasehold Improvements at cost	19	1
Less: accumulated depreciation	(1)	(1)
	18	-
Total property, plant and equipment, at net written down value	252	158

Notes to the Financial Statements
For the year ended 30 June 2004

	Consolidated 2004 $000	Consolidated 2003 $000
9. INTANGIBLES		
Goodwill on acquisition	-	125
Less: accumulated amortisation	-	(34)
	-	91
Patents	-	64
Less: accumulated amortisation	-	(18)
	-	46
Wet Brake technology	-	11,319
Less: accumulated amortisation	-	(3,089)
	-	8,230
	-	8,367

During the year amortisation on all intangibles was accelerated to achieve a nil balance. The directors still believe the company will reap significant return from the intellectual property but consider it difficult to identify the appropriate carrying value.

	Consolidated 2004 $000	Consolidated 2003 $000
10. OTHER ASSETS		
Non-Current		
Research and Development	-	185
Less: accumulated amortisation	-	(37)
	-	148
11. PAYABLES		
Current (unsecured)		
Trade creditors	845	774
Accrued expenses	1,393	796
Amounts due to directors	714	553
Amounts due to a director-related entity	65	-
Amounts due to other entity	245	-
Non-refundable loan (unsecured)	1,115	-
	4,377	2,123
Non-current (unsecured)		
Accrued expenses	229	362
	229	362
12. INTEREST BEARING LIABILITIES		
Current (secured)		
Hire Purchase Agreements	65	106
Unexpired Interest Charges	(8)	(13)
	57	93
Convertible Note Payable Principal	1,000	-
Convertible Note Payable Accrued Interest	56	-
	1,056	-
	1,113	93

Notes to the Financial Statements
For the year ended 30 June 2004

	Consolidated 2004 $000	Consolidated 2003 $000
12. INTEREST BEARING LIABILITIES (cont.)		
Non-current (unsecured)		
Hire Purchase Agreements	72	113
Unexpired Interest Charges	(6)	(14)
	66	99
13. PROVISIONS		
Current		
Employee entitlements	86	40
	86	40

14. EQUITY

134,324,671 (2003: 127,727,462) fully paid ordinary shares

	Consolidated 2004 Number of Shares	2004 $000	2003 Number of Shares	2003 $000
a. Ordinary Shares				
At the beginning of the financial year	127,727,462	19,201	90,242,510	14,547
3,333,334 ordinary shares at $0.15 each on 14 February 2003	-	-	3,333,334	500
196,890 ordinary shares at $0.20 each on 21 February 2003	-	-	196,890	39
250,000 ordinary shares at $0.15 each on 21 February 2003	-	-	250,000	38
33,539,728 ordinary shares at $0.15 each on 2 May 2003 pursuant to 2003 prospectus	-	-	33,539,728	5,031
165,000 ordinary shares at $0.20 each on 6 June 2003	-	-	165,000	33
5,000,000 ordinary shares issued at $0.10 each as part of fundraising fee	5,000,000	500	-	-
200,000 ordinary shares issued at $0.10 and $0.15 each to consultants	200,000	25	-	-
81,209 options exercised at $0.20 each	81,209	16	-	-
1,316,000 ordinary shares issued at $0.10 each to consultants	1,316,000	132	-	-
	134,324,671	19,874	127,727,462	20,188
Transaction costs relating to share issues	-	(621)	-	(987)
Balance at end of financial year	134,324,671	19,253	127,727,462	19,201

Included in share capital and other debtors at 30 June 2004 are amounts totalling $943,859 remaining unrecovered pursuant to the February 2003 Prospectus. These shares have been fully sold to other parties at prices ranging from $0.15 to $0.10, recovering $2,751,996 of the Underwriter's shortfall.

Notes to the Financial Statements
For the year ended 30 June 2004

	Consolidated 2004 $000	Consolidated 2003 $000
15. RESERVES		
Option premium reserve	162	162
	162	162
16. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial year	(9,547)	(1,726)
Net loss attributable to members of the parent entity	(13,986)	(7,821)
Accumulated losses at the end of the financial year	(23,533)	(9,547)

17. SEGMENT REPORTING

Geographical Segments	Australia		Thailand		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
REVENUE								
External segment revenue	313	1,500	1	-	-	-	314	1,500
Inter-segment sales	-	-	-	-	-	-	-	-
Total segment revenue	313	1,500	1	-	-	-	314	1,500
RESULT								
Segment result	(13,477)	(7,821)	(509)	-	-	-	(13,986)	(7,821)
Unallocated corporate expenses	-	-	-	-	-	-	-	-
Profit or (Loss) from ordinary activities before income tax expense	(13,477)	(7,821)	(509)	-	-	-	(13,986)	(7,821)
Income tax expense	-	-	-	-	-	-	-	-
Extraordinary items after income tax expense	-	-	-	-	-	-	-	-
Net profit/(Loss)	(13,477)	(7,821)	(509)	-	-	-	(13,986)	(7,821)
ASSETS								
Segment assets	1,699	12,533	445	-	(391)	-	1,753	12,533
Unallocated corporate assets	-	-	-	-	-	-	-	-
Consolidated total assets	1,699	12,533	445	-	(391)	-	1,864	12,533
LIABILITIES								
Segment liabilities	(5,612)	(2,717)	(375)	-	116	-	(5,871)	(2,717)
Unallocated corporate liabilities	-	-	-	-	-	-	-	-
Consolidated total liabilities	(5,612)	(2,717)	(375)	-	116	-	(5,871)	(2,717)
OTHER								
Acquisitions of property, plant and equipment and intangible assets	42	95	116	-	-	-	158	95
Depreciation and amortisation of segment assets	8,438	2,371	7	-	-	-	8,445	2,371
Other non cash segment expenses	328	1,698	-	-	-	-	328	1,698

The economic entity operates only in the brake industry in Australia and Thailand.

Notes to the Financial Statements
For the year ended 30 June 2004

	Consolidated	
	2004	**2003**
	$000	**$000**
18. CASH FLOW INFORMATION		
a. Reconciliation of Cash Flow from Operations with (Loss) from Ordinary Activities after Income Tax		
Loss from ordinary activities after income tax	(13,986)	(7,821)
Non-cash flows in loss from ordinary activities		
Amortisation	8,515	2,339
Depreciation	41	32
Write-off of obsolete stock	96	23
Bad and doubtful debts	1,567	2,157
Shares issued for professional services	177	151
Revenue allocated to SETI, a JV partner	300	420
Expenditure recoverable from SETI, a JV partner	(1,820)	(1,053)
Write off of withholding tax receivable	8	-
Changes in assets and liabilities		
(Increase) in trade and other receivables	(145)	(278)
(Increase)/Decrease in inventories	(237)	166
Increase in trade and other payables	951	1,007
Cash (outflows) from operations	(4,533)	(2,857)

b. Non-cash Financing and Investing Activities

2004
During the year, Safe Effect Technologies Ltd (SETL) issued 6,516,000 new shares at prices ranging from $0.15 to $0.10 totalling $656,600 to its suppliers in satisfaction of corporate and legal services rendered.

2003
On 26 February 2003, Safe Effect Technologies Ltd (SETL) issued a prospectus to raise $5,030,959 from the issue of 33,539,728 new shares at $0.15 per share. At 30 June 2003 SETL had received $1,325,103. The outstanding amount of $3,705,856 was included as a receivable. Since the 30 June 2003, the Company has received a total of $2,731,996 in cash from the disposal of the Underwriter's shares held in escrow. The Company further transferred 133,333 shares held in escrow to suppliers in satisfaction of corporate and legal services rendered.

19. EVENTS SUBSEQUENT TO BALANCE DATE

Other than the matters set out above, there has not arisen in the interval between the end of the 2004 financial year and the date of this Report any item, transaction or event of a material and unusual nature which, in the opinion of the Directors has significantly or may significantly affect the operations of the Company or its state of affairs.

Notes to the Financial Statements

For the year ended 30 June 2004

20. CONTINGENT LIABILITIES

Safe Effect Technologies International Ltd, a company associated with the Economic Entity, entered into an IPO management agreement with Genetic and Medical Capital Ltd prior to the Safe Effect Technologies Ltd's incorporation. Genetic and Medical Capital Ltd is making a claim under the terms of the agreement against both Safe Effect Technologies International Ltd (SETI) and Safe Effect Technologies Ltd (SETL). There has been little activity on this matter over the past year. A counterclaim for damages is being prepared.

The directors consider the likely exposure to the company is in the order of $50,000 to $100,000, most of which is legal fees, but at the same time may succeed in receiving a similar amount.

	Consolidated	
	2004	2003
	$000	$000
21. NTA BACKING		
Net tangible asset backing per ordinary security	$0.014	$0.046

22. AUDIT

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

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

Signed By (~~Director~~/Company Secretary)

Print Name Vincent Sweeney
Date 31 August 2004