

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 2011**

Previous corresponding period: **Half-year ended 31 December 2010**

2. Results for announcement to the market

		\$A'000
Revenue	down 10% to	3,754
Loss after tax attributable to members	(2010 profit of A\$ 653k)	(60)
Net loss for the period attributable to members	(2010 profit of A\$ 653k)	(60)

	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>0.50</u>	<u>0.60</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 cents	Franked amount per security at 30% tax cents	Amount per security of foreign source dividend 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 \$'000	Previous corresponding period \$'000
Ordinary securities	-	-
Preference securities	-	-
Other equity instruments	-	-
	<u>-</u>	<u>-</u>

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, the accounts are subject to audit dispute or qualification including a description of the dispute or qualification.

N/A

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

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



Sign here: Company secretary

Date: 27th February 2012

Print name: Clare Madelin



ADVANCED BRAKING TECHNOLOGY LTD AND CONTROLLED ENTITIES

ABN 66 099 107 623

HALF-YEAR REPORT

31 DECEMBER 2011

Interim Financial Report

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2011.

Directors

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

David Humann

David Slack

Malcolm Richmond

Kenneth Johnsen

REVIEW OF OPERATIONS

Business Overview

Advanced Braking Technology Ltd (ABT) is in the business of designing, developing, manufacturing and selling a range of products incorporating its internationally patented single rotor enclosed wet brake technology.

The Company's prime market is the sale of its Sealed Integrated Braking System (SIBS[®]) to mining customers across the globe. Its customers include some of the world's largest miners including BHP Billiton, Xstrata and Rio Tinto.

SIBS[®] offers customers:

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

SIBS[®] technology is also being developed for mainstream applications outside the mining industry where frequency of operation causes high wear, there is a fail to safe requirement, where braking temperatures may be an issue or where brake particle emissions are of concern. The key focus of current developments is the preparation for commercial release of a new brake design for Garbage Trucks. This product would also have application in other vehicles with frequent braking requirements such as commuter buses, delivery vehicles, etc

Advance Braking Technology Limited and Controlled Entities
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DIRECTORS' REPORT

Highlights

- \$671k profit (pre-tax) contribution from mining sales of \$3.264 million
- Increasing levels of export orders
- Solid prospects in open cut mining areas
- Truck brake project approaching production point
- Cash balance exceeds \$2 million

Financial Performance

In the 6 months ending 31 December 2011 a \$0.671 million pre-tax profit contribution on revenues of \$3.264 million demonstrates the significance to the business of the mining products division in an overall consolidated after tax trading loss of \$60,000 on revenue of \$3.754 million. The total revenue includes interest and other income of \$64k and grant income of \$426k.

In the prior corresponding period to 31 December 2010 the Company recorded an after tax profit of \$653k on total revenue of \$4.188 million.

This half's trading loss is largely attributable to an increase in the level of R&D that was undertaken by the Company in the period to further improve and expand its mining product range plus support the production preparation of its improved SIBS garbage truck brake. Past R&D expenditure has fuelled the growth in base sales we are currently experiencing.

The Company estimates that it now holds approximately 25% market share of the available light mining vehicle market in Australia and this is up from 10% two years ago. This growth is expected to continue as is the growth in offshore markets. The market share in Australia has been achieved with a much higher market penetration into underground mines. Strong interest and increasing sales in the open - cut regions, particularly the very wet mines in the Bowen and Hunter, will increase this overall market penetration.

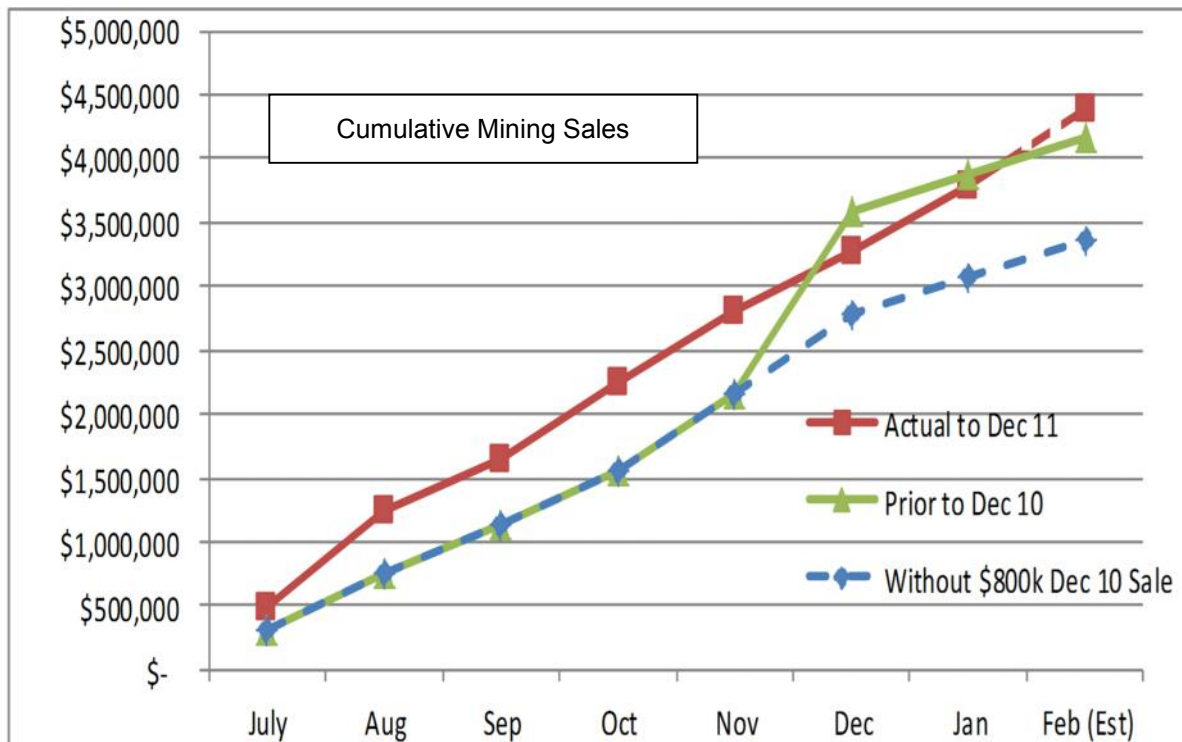
Affecting comparison with the prior period where total mining sales were \$3.580 million for 6 months to 31 December 2010, was a large sale in the month of December 2010 of \$800k which would normally be spread over three months or more. As is demonstrated in the graph below, current mining sales have tracked consistently above the prior period in all months, with the large sale in December being an exception.

When January 2012 sales and the estimated sales for February 2012 are added to the comparison it can be seen that if the increased monthly sales continue, the mining business is well on track to improve on its positive contribution to the business.

A 10% price rise on all mining products effective 1st February 2012, which was received with little resistance, will further assist this growth in revenue.

Advance Braking Technology Limited and Controlled Entities
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DIRECTORS' REPORT



Total expenses for the period were \$3.154 million, including the increased R&D expenditure on mining products referred to above. Of those expenses \$359k were capitalised as Pre-Production expenses relating to the garbage truck project. In the prior corresponding period total expenses were \$2.628 million, none of which were capitalised. The after tax result of \$60k includes a R&D Tax Credit for the half year of \$250k.

As noted above, the Company received \$426k in grant income. This is part of a \$2 million Commonwealth Commercialisation Australia Grant, matched on a 50:50 basis, awarded last year for the commercialisation of the garbage truck brake. The original grant was awarded on the basis that it would be repaid from sales arising from the garbage truck project. However, in December 2011 the Commonwealth announced changes to the grant program that meant grant funds to ABT were no longer repayable.

Sales Activity

Excluding the large sale of \$800k in December 2010, that ordinarily would have been spread over 3 to 4 months in the second half of the 2010/11 financial year, we are currently seeing a strong increase in base monthly sales. Current indications are that this selling rate will continue through the balance of the year.

Solid export orders are in hand and are being prepared for delivery to both Canada and South Africa and will support the expected increased sales level. Sales to long established customers in the underground mines in WA, SA and Qld remain strong.

DIRECTORS' REPORT

The Company is expanding its network of preferred service agents across Australia and has introduced a structured training program to award accreditation to these, other service providers and customers. The service agents in the Hunter Valley and Bowen Basin are supporting the evaluation and roll out of SIBS to the open cut coal mining industry.

As noted in earlier reports we are seeing interest amongst the iron ore miners in WA and efforts are being made to capitalise on this interest to grow sales in the region.

Development Activity

Mining Products

The development of the "SIBS II" product, an upgraded version of the Toyota Landcruiser brake upgrade kit, helped fuel the increase in sales over the 2011 calendar year. Further ongoing improvements to this design have been implemented and will continue. The SIBS II features, which include; easier installation and servicing and improved control, are now being incorporated in other product variants. The next model for release will be the SIBS II brake kits for Toyota Hilux.

Another achievement has been the full Australian Design Rule (ADR) Certification of the SIBS for application on Toyota Landcruisers and Hilux vehicles. Previously SIBS was an "approved modification" for licensed vehicles and complied with all ADR requirements. ABT has now been approved as a "Second Stage Manufacturer" by the Commonwealth Department of Infrastructure and Transport and as such can affix a "Compliance Plate" to new vehicles fitted with SIBS. This certification applies to all states of Australia and streamlines the installation process for customers and service agents.

Garbage Truck Brake Production Validation

The Company's efforts to prepare the SIBS garbage truck brake for production readiness continue with the aim of arriving at a go ahead for commercial production this financial year.

The development issues detailed in the 2011 Annual Report that arose after field testing in extreme conditions necessitated a detailed study to ensure the SIBS product meets the customers' requirements under all load conditions.

The very low wear rates seen in initial field testing under moderate (typical suburban) waste collection were not able to be maintained under extreme load condition. A material specification and heat treatment issue with the brake rotors was identified as the primary cause of this increased wear. Extensive dynamometer bench testing, that simulates the most extreme conditions, has now arrived at an improved material specification. Current round the clock truck testing of a fully laden truck on a simulated heavy duty garbage collection round is confirming after 500hrs of operation the minimal brake wear is being observed and this testing is ongoing. A conventional brake system would be approximately 75% worn under similar test conditions.

In other development activity an improved brake cooling solution has been designed and bench tested and is being further developed for incorporation into the production brake sets.

DIRECTORS' REPORT

The completion of the production validation phase will now involve test brake sets being put into service in real world conditions and by June 2012 it is expected that continued favourable test and in-field data will support a decision to commit to commercial production. This commitment will mean the release of "off tool sample" brake sets for verification testing and the commencement of final preparations for the production of brake set for commercial sale.

A revised commercialisation plan has now combined the development activity and validation of the ABS and non-ABS versions of the braking system to provide for an earlier market release of the ABS version. The ABS version is a pre-requisite to being able to sell the system as a factory fit option with original equipment manufacturers.

The Company is now also in the final stages of finalising supply contracts with various production suppliers. In depth quality assessments of chosen suppliers are being undertaken in preparedness for taking supply from them.

Along with the decision for commercial production, at the end of this financial year, the Company will be seeking to finalise discussions with known key commercial customers to establish conditions for the finalisation of supply arrangements. These key potential customers are being kept up to date with the production sign off process.

Conclusion

As is demonstrated by the growth in base monthly sales in the mining industry, the Company is playing a major role in improving mine safety and productivity. It is clear the SIBS product is well regarded and there is increasing demand in Australia and overseas.

The Company's ability to increase production volumes through the use of sub-contract suppliers thus avoiding any major capital investment demonstrates a viable business model. Equally, the Company is able to supply and support global customers most of which are running 24 hours operations and require a rapid response in remote locations.

This established business model forms a solid basis for expansion as the Company transitions into being a supplier to the global waste industry.

The cash being generated in the mining business is being used for the organic growth of that business as well as contributing to the finalisation of product development of the SIBS garbage truck brake which continues to show the promise of being a very attractive global business.

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.

Advance Braking Technology Limited and Controlled Entities
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DIRECTORS' REPORT

Auditor's Declaration

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 7 for the half-year ended 31 December 2011.

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

A handwritten signature in blue ink, appearing to read 'D Humann', is positioned above the printed name of the director.

Director: David Humann, Chairman

Dated this 27th day of February 2012

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

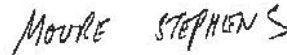
As lead auditor for the review of Advanced Braking Technology Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

- 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.

This declaration is in respect of Advanced Braking Technology Limited during the period.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 27th day of February 2012.

Advance Braking Technology Limited and Controlled Entities

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED
31 DECEMBER 2011**

	Notes	Consolidated Group	
		31.12.2011	31.12.2010
		\$'000	\$'000
Revenue			
Revenue from trading activities		3,264	4,080
Revenue from other activities		490	108
Total revenue	8	3,754	4,188
Cost of sales		(1,269)	(1,391)
Adjustment to prior period cost of sales		-	177
Amortisation of IP		(99)	(100)
Bad and doubtful debts		60	(2)
Borrowing costs		(18)	(25)
Computer related expenses		(21)	(18)
Consulting fees		(301)	(211)
Consumables and minor equipment		(116)	(161)
Depreciation expense		(104)	(68)
Directors' Fees		(106)	(75)
Employee expenses		(1,700)	(1,394)
Insurance		(50)	(49)
Legal fees		(74)	(37)
Motor Vehicle Expenses		(37)	(27)
Patents		(18)	(34)
Rental expenses		(160)	(166)
Share Option Cost		(11)	(18)
Travel and accommodation		(123)	(102)
Telephone and other communication expenses		(17)	(18)
Warranty Provision		(90)	-
Other expenses		(169)	(123)
Overheads capitalised as pre-production activities		359	-
Profit / (loss) before income tax		(310)	346
Income tax benefit (R&D tax rebate)		250	307
Profit / (loss) from continuing operations		(60)	653
Other comprehensive income			
Foreign exchange translation		32	75
Total comprehensive income / (loss) for the period		(28)	728
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)		(0.01)	0.07
Diluted earnings per share (cents)		(0.01)	0.07

The accompanying notes form part of this financial report.

Advance Braking Technology Limited and Controlled Entities
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Notes	Consolidated Group 31.12.2011 \$'000	30.06.2011 \$'000
CURRENT ASSETS			
Cash and cash equivalents		2,034	2,737
Trade and other receivables	3	1,188	1,194
Inventories		1,713	1,773
Other assets		402	56
Total current assets		5,337	5,760
NON-CURRENT ASSETS			
Trade and other receivables	3	31	30
Property, plant and equipment		1,079	734
Intangible assets		2,832	2,572
Total non-current assets		3,942	3,336
TOTAL ASSETS	8	9,279	9,096
CURRENT LIABILITIES			
Trade and other payables	4	818	985
Interest bearing liabilities		142	102
Provisions		240	179
Total current liabilities		1,200	1,266
NON-CURRENT LIABILITIES			
Interest bearing liabilities		343	133
Provisions		56	-
Total non-current liabilities		399	133
TOTAL LIABILITIES	8	1,599	1,399
NET ASSETS		7,680	7,697
EQUITY			
Issued capital	5	43,115	43,115
Foreign currency reserves	6	(220)	(252)
Other reserves		719	708
Accumulated losses	7	(35,934)	(35,874)
TOTAL EQUITY		7,680	7,697

The accompanying notes form part of this financial report.

Advance Braking Technology Limited and Controlled Entities
ABN 66 099 107 623
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Issued Capital Ordinary	Accumulated losses	Other reserves	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1.7.2011	43,115	(35,874)	456	7,697
Total net loss for the period		(60)		(60)
Subtotal	43,115	(35,934)	456	7,637
Foreign currency translation			32	32
Cost of share based payments			11	11
Balance at 31.12.2011	43,115	(35,934)	499	7,680

Balance at 1.7.2010	40,150	(36,424)	403	4,129
Total net profit for the period		653		653
Subtotal	40,150	(35,771)	403	4,782
Foreign currency translation			75	75
Cost of share based payments	78		18	96
Issue of ordinary shares	3,000			3,000
Cost of share issue	(113)			(113)
Balance at 31.12.2010	43,115	(35,771)	496	7,840

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 2011

	Consolidated Group	
	31.12.2011	31.12.2010
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,016	3,099
Payments to suppliers and employees	(4,204)	(3,534)
Interest received	59	33
Finance costs	(18)	(25)
Net cash used in operating activities	(147)	(427)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of non-current assets	-	27
Purchase of property, plant and equipment	(448)	(204)
Pre-production expenditure capitalised	(359)	
Net cash used in investing activities	(807)	(177)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	3,000
Proceeds from borrowings	360	79
Repayment of borrowings	(110)	(127)
Capital raising costs	-	(113)
Net cash used in/(provided by) financing activities	250	2,839
Net increase / (decrease) in cash held	(704)	2,235
Cash and cash equivalents at beginning of period	2,737	510
Net foreign exchange difference	1	(5)
Cash and cash equivalents at end of period	2,034	2,740

The accompanying notes form part of this financial report.

Advance Braking Technology Limited and Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Advanced Braking Technology Ltd and its controlled entities (the 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 2011, together with any public announcements made during the half-year.

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.

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

For the half-year reporting period to 31 December 2011, a number of new and revised Accounting Standard requirements became mandatory for the first time, some of which are relevant to the Group. A discussion of these new and revised requirements that are relevant to the Group is provided below:

– **AASB 124: Related Party Disclosures (December 2009)**

AASB 124 (December 2009) introduces a number of changes to the accounting treatment of related parties compared to AASB 124 (December 2005, as amended), including the following:

- The definition of a “related party” is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition, including:
 - the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;
 - entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other;
 - the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other; and
 - the definition now clarifies that a post-employment benefit plan and an employer sponsor of such a plan are related parties of each other.
- A partial exemption is provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

Application of AASB 124 (December 2009) did not have a significant impact on the financial statements of the Group.

– **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]**

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements project. Key changes include:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events and transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

Application of the amendments in AASB 2010–4 did not have a significant impact on the financial statements of the Group.

- AASB 1054: Australian Additional Disclosures and 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 and Interpretations 2, 112 & 113]

AASB 1054 sets out the Australian-specific disclosures that are additional to IFRS disclosure requirements.

The disclosure requirements in AASB 1054 were previously located in other Australian Accounting Standards

Application of AASB 1054 did not have a significant impact on the financial statements of the Group.

NOTE 2: DIVIDENDS

No dividends were provided for or paid during the half year to 31 December 2011 and no dividends were provided for or paid during the preceding half year to 31 December 2010.

	CONSOLIDATED GROUP	
	31.12.2011	30.6.2011
	\$'000	\$'000
Note 3: RECEIVABLES		
Current		
Trade debtors	1,207	1,273
Less provision for doubtful debts	(19)	(79)
Total	<u>1,188</u>	<u>1,194</u>
Non-current		
Other receivables	<u>31</u>	<u>30</u>
Total	<u>31</u>	<u>30</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	CONSOLIDATED GROUP	
	31.12.2011	30.6.2011
	\$'000	\$'000
NOTE 4: PAYABLES		
Trade creditors	681	866
Accrued expenses	82	119
Amounts due to directors	55	-
	<u>818</u>	<u>985</u>

Amounts due to Directors comprises Directors' fees. As at 31 December 2011 the amount which the Directors may elect to have paid through the issue of shares in the Company is \$55,000, before withholding PAYG as appropriate (30 June 2011 \$nil).

NOTE 5: ISSUED CAPITAL

961,315,575 (June 2011: 961,315,575) ordinary shares, fully paid	43,115	43,115
Ordinary shares		
At the beginning of the financial period / year	43,115	40,150
4,361,111 shares issued on 26 July 2010 to Mr Humann, Professor Richmond and Mr Slack at 1.8 cents per share for directors' fees		78
116,000,000 shares issued on 23 August 2010 for cash		1,856
71,500,000 shares issued on 28 October 2010 for cash		1,144
	<u>43,115</u>	<u>43,228</u>
Transaction costs relating to share issues		(113)
Balance at end of financial period / year	<u>43,115</u>	<u>43,115</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

CONSOLIDATED GROUP

31.12.2011	30.6.2011
\$'000	\$'000

NOTE 6: RESERVES

Option premium reserve	719	708
Foreign currency translation reserve	(220)	(252)
	499	456

NOTE 7: ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial period / year	(35,874)	(36,424)
Net profit / (loss) attributable to members of the parent entity	(60)	550
Accumulated losses at the end of the financial period / year	(35,934)	(35,874)

NOTE 8: SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing the performance of the business and in determining the allocation of resources. The Group is managed primarily on the basis of product category and where the areas have inherently different resources requirements. Operating segments have been determined on the same basis.

Types of products by segment

i. Mining brakes

The mining brake sector manufactures and sells a variety of Sealed Integrated Braking Systems (SIBS®) for use in the mining sector. All models of brakes are similar in nature and are sold to similar types of customers. The manufacturing and sales process extends to installation of the brakes where required, support of the products and the sale and supply of replacement parts.

ii. Engineering and development

The engineering and development sector undertakes research and development of Sealed Integrated Braking Systems (SIBS®) for a variety of uses. This sector is also engaged in creating customized braking solutions for various customers.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 8: SEGMENT REPORTING (continued)

Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is assessed annually and if appropriate reset. The price is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

In the half year ended 31 December 2011 corporate charges are allocated in proportion to direct wages allocated to each segment. In the half year ended 31 December 2010 corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group.

Segment assets

Where an asset is used across multiple segments, the asset is apportioned across segments according to the economic value derived from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Amortization of intangible assets, other than amortisation of pre-production costs capitalised which is allocated to the engineering division, to which it relates.
- Interest
- Income tax expense / benefit
- Cash
- Intangible assets, other than pre-production costs capitalised which are allocated to the engineering division to which they relate.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 8: SEGMENT REPORTING (continued)

	Brakes	Engineering services	Total
	\$'000	\$'000	\$'000
Six months ended			
31.12.2011			
Revenue			
External sales	3,264	-	3,264
Inter-segment sales	-	-	-
Other income	37	453	490
Total segment revenue and group revenue	<u>3,301</u>	<u>453</u>	<u>3,754</u>
Result			
Pre-tax segment result	<u>671</u>	<u>(864)</u>	<u>(193)</u>
<i>Reconciliation of segment revenue to group revenue</i>			
Amortisation			(99)
Interest			(18)
Net loss before tax			<u><u>(310)</u></u>
Six months ended			
31.12.2010			
Revenue			
External sales	3,580	500	4,080
Inter-segment sales	-	-	-
Other income	95	13	108
Total segment revenue and group revenue	<u>3,675</u>	<u>513</u>	<u>4,188</u>
Result			
Pre-tax segment result	<u>1,135</u>	<u>(664)</u>	<u>471</u>
<i>Reconciliation of segment revenue to group revenue</i>			
Amortisation			(100)
Interest			(25)
Net profit before tax			<u><u>346</u></u>

Advance Braking Technology Limited and Controlled Entities
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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 8: SEGMENT REPORTING (continued)

	Brakes	Engineering services	Total
	\$'000	\$'000	\$'000
31.12.2011			
Segment assets	3,011	2,094	5,105
<i>Reconciliation of segment assets to group assets</i>			
Inter-segment eliminations			-
Unallocated assets:			
-Cash			2,034
-Intangibles (other than pre-production costs capitalised)			1,890
-R&D tax incentive			250
Total group assets from continuing operations			<u>9,279</u>
30.6.2011			
Segment assets	3,079	1,291	4,370
<i>Reconciliation of segment assets to group assets</i>			
Inter-segment eliminations			-
Unallocated assets:			
-Cash			2,737
-Intangibles (other than pre-production costs capitalised)			1,989
Total group assets from continuing operations			<u>9,096</u>
31.12.2011			
Segment liabilities			
<i>Reconciliation of segment liabilities to group liabilities</i>			
Inter-segment eliminations	900	699	1,599
Total group liabilities from continuing operations			<u>1,599</u>
30.6.2011			
Segment liabilities	907	492	1,399
<i>Reconciliation of segment liabilities to group liabilities</i>			
Inter-segment eliminations			-
Total group liabilities from continuing operations			<u>1,399</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 8: SEGMENT REPORTING (continued)

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

	For the six months ended 31.12.2011	For the six months ended 31.12.2010
	\$'000	\$'000
Australia	2,763	3,483
Canada	199	330
New Zealand	27	36
Papua New Guinea	20	51
South Africa	158	131
USA	97	49
Total revenue from trading activities	3,264	4,080

Assets by geographical region

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

	Balance as at 31.12.2011	Balance as at 30.6.2011
	\$'000	\$'000
Australia	8,307	7,981
South Africa	81	82
Thailand	891	1,033
Total Assets	9,279	9,096

Advance Braking Technology Limited and Controlled Entities
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Interim Financial Report

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 19 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 2011 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

David Humann

Dated this 27th day of February 2012

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Advanced Braking Technology Limited and its controlled entities (the consolidated entity), which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity, the 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 of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

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 Financial Reports 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 2011 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 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.

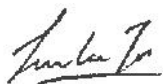
Independence

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 2001*, 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.

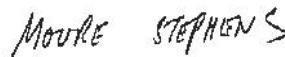
Conclusion

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 and its controlled entities 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 2011 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 27th day of February 2012.