

# Appendix 4D

(Rule 4.2A.3)

## Half year report

Name of entity	ABN
Automotive Technology Group Ltd	38 106 337 599

### 1. Details of the Reporting Period and the Previous Corresponding Period

Financial period ended ("current period")	Financial period ended ("previous period")
31 December 2008	31 December 2007

### 2. Results for Announcement to the Market

					A\$'000
2.1	Revenues from ordinary activities	down	33%	to	208
2.2	Loss from ordinary activities after tax attributable to members	up	20%	to	2,944
2.3	Net loss for the period attributable to members	up	20%	to	2,944
2.4	Dividends	Amount per security		Franked amount per security	
	Interim dividend	A\$Nil		A\$Nil	
2.5	Record date for determining entitlements to the dividend			N/A	
2.6	Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable to figures to be understood				
	Please refer to the Directors' Report in the Half Year Report which has been subject to independent review by the Auditors, Ernst & Young for detailed explanation.				

### 3. NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	A\$0.0312	A\$(0.4868)
The NTA Backing for the previous corresponding period was based on the net tangible liabilities of A\$6,096,409 at 31 December 2007 on 12,523,325 ordinary shares in issue as of the same day prior to the capital restructuring in January 2008 as disclosed in the 2008 annual report in detail		

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4. Control Gained or Lost Over Entities

4.1	Name of entity (group of entities)	N/A
4.2	Date control gained or lost	N/A
4.3	Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	N/A

5. Dividends

The Company has not declared or paid any final dividends for 2007/08 year or interim dividend for current period.

6. Dividend Reinvestment Plans

The Company has no dividend reinvestment plan.

7. Details of Associates and Joint Venture Entities

The Company has no investments in associates or joint ventures.

8. Foreign Entities

Not Applicable.

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

Not Applicable.

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**AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
AND CONTROLLED ENTITIES**

**HALF-YEAR REPORT**

**FOR THE SIX MONTHS ENDED  
31 DECEMBER 2008**

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AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
AND CONTROLLED ENTITIES

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AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
AND CONTROLLED ENTITIES

**CORPORATE INFORMATION**

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The Group's functional and presentation currency is in AUD (\$).

**ASX Code: ATJ**  
**ABN 38 106 337 599**

**Directors**

Mr R Siemens (Non-Executive Chairman)  
Mr S Apedaile (Executive Director – Corporate)  
Mr A Hamilton (Executive Director – Operations)

**Company Secretary**

Mr J Stephenson

**Registered Office**

73 Resource Way  
Malaga WA 6090  
Phone: (08) 9262 7277

**Share Registrar**

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

**Bankers**

St George Bank Ltd  
Level 11, 152-158 St Georges Terrace  
Perth WA 6000

**Auditors**

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000

AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
AND CONTROLLED ENTITIES

**DIRECTORS' REPORT**

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Your directors present their report on the Consolidated Entity consisting of Automotive Technology Group Limited and the entities it controlled for the six months ended 31 December 2008.

**Directors**

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

Mr Richard John Siemens (Non-Executive Chairman)  
Mr Steven James Apedaile (Executive Director – Corporate)  
Mr Anthony Robert Hamilton (Executive Director – Operations)

**Principal Activities**

The principal activity of Automotive Technology Group Limited ("ATG") and the entities it controlled for the six months ended 31 December 2008 remained the same as last year, being the manufacture and distribution of the patented range of Sprintex® Superchargers and Vee Two aftermarket and performance motorcycle accessories.

**Review and Results of Operations**

During the six months ended 31 December 2008, ATG expanded its distribution network into China and United Arab Emirates (UAE) regions. On 28 December 2008, ATG appointed Huachuang Zhenxin Automotive Technology Development Co Ltd as the exclusive distributor of ATG's Sprintex® Superchargers products in Greater China Region. In the same month, ATG also signed a prototype evaluation agreement with Al Futtaim Motors with a view to securing exclusive distribution agreements for Sprintex® Supercharger Systems in the UAE.

ATG entered into initial feasibility studies with a party in China in respect of setting up volume production facilities and also entered into its first significant agreement with a Chinese Original Equipment Manufacturer (OEM).

ATG has built and commissioned a Society of Australian Engineers (SAE) compliant testing facility for automotive and industrial compressor applications.

ATG has received certification to ISO 9001/2008 and also achieved TUV certification ("Technischer Überwachungsverein" German safety and standards institution).

The Company continues to receive high levels of enquiry for its patented green Sprintex® Supercharging technology.

The financial results for the first half of 2009 financial year reflect tremendous research and development activities in the commercialisation and product testing of the new range of patented Sprintex® Superchargers.

The Consolidated Entity recorded a loss of \$2,944,391 for the six months ended 31 December 2008 (2007: \$2,459,915). Sales for the half year was \$208,478 (2007: \$311,518) representing a decrease of 33%. This was largely a result of continuous significant market testing and development of new product range during the second half of 2008 which continued to impact on sales revenues.

Gross loss for the six months ended 31 December 2008 was \$80,753, compared to \$154,709 for the same period in 2007. The gross loss was contributed by an inventory write down of \$140,031 during the current six months in anticipation of launch of new product range in the second half of financial year ending 30 June 2009.

AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
AND CONTROLLED ENTITIES

**DIRECTORS' REPORT (CONT'D)**

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Results for the six months ended 31 December 2008 were also affected by:

- Foreign exchange loss of \$14,577 during the period when compared to foreign exchange gain of \$129,450 in 2007
- Research and development expenses increased by \$171,312 during the period
- Recognition of share based payment of \$27,500
- Increased marketing costs incurred by marketing consultants in Europe, quality control costs relating to ISO 9001/2008 compliance and audit costs and product quality assurance costs incurred in Europe
- Increased cost in trade mark and patent management

The directors are currently investigating and undertaking discussions with various parties to secure funding to support the Company's working capital requirements and to fund the implementation of its business plan for 2009/2010. Please refer to the post balance sheet events below.

**Events after Balance Sheet Date**

On 20 January 2009, the Company entered into a convertible note deed and a convertible note in the principal amount of \$150,000 was issued to the noteholder maturing on 30 June 2010. The convertible note carries a coupon interest rate of 8.25% per annum, payable monthly in arrears, and has a conversion price of A\$0.20 per share.

On 11 February 2009, the Company announced its intention to issue up to 8,500,000 shares at an offer price of \$0.12 per share to related parties and other sophisticated investors for working capital. The proposed structure of the placement will be a subscription of one ordinary share of the Company for \$0.12 per share ("Placement Shares") and purchase of one ordinary share from CMIH Enterprises Pty Limited, a controlled entity of Mr Anthony Hamilton for \$0.05 per share. As of the date of this Report, \$775,200 has been received by the Company in respect of the subscription of 6,460,000 Placement Shares.

**Auditor's Independence Declaration**

The auditor's independence declaration for the six months ended 31 December 2008 has been received and is included at Page 4 and forms part of this Directors' Report.

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



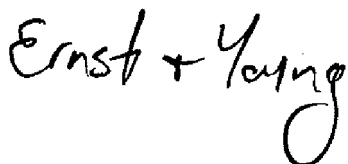
**Steven Apedaile**

Executive Director – Corporate

Dated at Perth this 26<sup>th</sup> day of February 2009.

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

In relation to our review of the consolidated financial report of Automotive Technology Group Limited for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



P McIver  
Partner  
Perth

26 February 2009

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AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
AND CONTROLLED ENTITIES

**CONSOLIDATED INCOME STATEMENT**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

	NOTES	2008 \$	2007 \$ (Restated)
Revenue	3	208,478	311,518
Cost of goods sold		<u>(289,231)</u>	<u>(466,227)</u>
<b>Gross loss</b>		<b><u>(80,753)</u></b>	<b><u>(154,709)</u></b>
<b>Other revenue and gains/(losses)</b>	3	<b><u>45,654</u></b>	<b><u>331,186</u></b>
Distribution & marketing expenses		(165,037)	(136,983)
Occupancy expenses		(98,006)	(67,271)
Corporate expenses		(775,002)	(602,937)
Research & development expenses	3	(719,725)	(548,413)
Administration expenses		(1,378,046)	(1,133,588)
Other expenses	3	(68,342)	(60,011)
Finance costs		(85,225)	(87,189)
<b>Loss before income tax expense</b>		<b><u>(3,324,482)</u></b>	<b><u>(2,459,915)</u></b>
Income tax benefit	3	380,091	-
<b>Net loss for the period</b>		<b><u><u>(2,944,391)</u></u></b>	<b><u><u>(2,459,915)</u></u></b>
<b>Loss per share attributable to the ordinary equity holders of the Company</b>			
Basic loss per share		<u>(0.0286)</u>	<u>(0.2087)</u>
Diluted loss per share		<u>(0.0286)</u>	<u>(0.2087)</u>

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

AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
AND CONTROLLED ENTITIES

**CONSOLIDATED BALANCE SHEET**  
AS AT 31 DECEMBER 2008

	NOTES	31 December 2008 \$	30 June 2008 \$ (Restated)
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	224,761	3,211,415
Trade and other receivables	8	509,086	325,108
Inventories	5	1,989,803	1,941,550
<b>TOTAL CURRENT ASSETS</b>		<b>2,723,650</b>	<b>5,478,073</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		29,630	15,000
Property, plant and equipment		3,274,373	3,025,491
Goodwill & intellectual property		509,417	509,417
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,813,420</b>	<b>3,549,908</b>
<b>TOTAL ASSETS</b>		<b>6,537,070</b>	<b>9,027,981</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		730,846	873,956
Interest bearing liabilities	6	1,347,382	1,021,216
Provisions		63,617	105,154
Other liabilities	8	234,994	17,972
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,376,840</b>	<b>2,018,298</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	6	439,972	372,534
<b>TOTAL LIABILITIES</b>		<b>2,816,812</b>	<b>2,390,832</b>
<b>NET ASSETS</b>		<b>3,720,258</b>	<b>6,637,149</b>
<b>EQUITY</b>			
Contributed equity	7	20,615,323	20,615,323
Reserves		1,260,638	1,233,138
Accumulated losses		(18,155,703)	(15,211,312)
<b>TOTAL EQUITY</b>		<b>3,720,258</b>	<b>6,637,149</b>

The Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

<i>For the six months ended 31 December 2007</i>	Contributed equity		Reserves		Accumulated Losses (Restated) \$	Total (Restated) \$
	Ordinary shares \$	Convertible note equity \$	Asset revaluation reserve \$	Share option reserve \$		
<b>Balance at 1 July 2007</b>	<b>4,594,988</b>	<b>305,475</b>	<b>689,248</b>	-	<b>(9,754,153)</b>	<b>(4,164,442)</b>
<b>Net income recognised directly in equity - Revaluation increase of land and buildings, net of deferred tax</b>	-	-	142,840	-	-	142,840
Loss for the period	-	-	-	-	(2,459,915)	(2,459,915)
<b>Total recognised income and expenses for the period</b>	-	-	142,840	-	(2,459,915)	(2,317,075)
Conversion of convertible note	1,200,000	(305,475)	-	-	-	894,525
<b>Balance at 31 December 2007</b>	<b>5,794,988</b>	-	<b>832,088</b>	-	<b>(12,214,068)</b>	<b>(5,586,992)</b>
<i>For the six months ended 31 December 2008</i>						
<b>Balance at 1 July 2008</b>	<b>20,615,323</b>	-	<b>832,088</b>	<b>401,050</b>	<b>(15,211,312)</b>	<b>6,637,149</b>
<b>Total recognised income and expenses for the period - Loss for the period</b>	-	-	-	-	(2,944,391)	(2,944,391)
Recognition of share-based payments (note 9)	-	-	-	27,500	-	27,500
<b>Balance at 31 December 2008</b>	<b>20,615,323</b>	-	<b>832,088</b>	<b>428,550</b>	<b>(18,155,703)</b>	<b>3,720,258</b>

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

AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
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**CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

	NOTES	2008 \$	2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		230,080	319,198
Payments to suppliers and employees		(3,248,367)	(2,333,597)
Interest and finance lease charges paid		(85,225)	(87,189)
Interest received		57,504	152
<b>Net cash flows used in operating activities</b>		<u>(3,046,008)</u>	<u>(2,101,436)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Advances to non-related parties		(14,630)	-
Placement of secured deposit		(60,000)	-
Proceeds from sale of property, plant and equipment		2,727	18,091
Payments for property, plant and equipment		(338,751)	(19,394)
<b>Net cash flows used in investing activities</b>		<u>(410,654)</u>	<u>(1,303)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings – related parties		226,722	1,684,143
Proceeds from borrowings – others		88,518	-
Repayment of borrowings – finance leases		(94,374)	(80,365)
Repayment of borrowings – insurance premium funding		(66,776)	(107,225)
<b>Net cash flows generated from financing activities</b>		<u>154,090</u>	<u>1,496,553</u>
<b>Net decrease in cash held</b>		(3,302,572)	(606,186)
Net foreign exchange differences		(17,820)	-
Cash at the beginning of the financial period	4	<u>2,348,073</u>	(69,856)
<b>Cash at the end of the financial period</b>	4	<u>(972,319)</u>	<u>(676,042)</u>

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

AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

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**1. Corporate information**

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

The principal activity of the Company and the entities it controlled (the “Group” or “Consolidated Entity”) for the six months ended 31 December 2008 remained the same, being the manufacture and distribution of the patented range of Sprintex® superchargers and Vee Two aftermarket and performance motorcycle accessories.

The general purpose condensed consolidated financial statements of Automotive Technology Group Limited for the six months ended 31 December 2008 were authorised for issue and approved by the Board of Directors on 26<sup>th</sup> February 2009.

**2. Significant accounting policies**

**(a) Basis of preparation**

These general purpose condensed consolidated financial statements for the six months ended 31 December 2008 have been prepared in accordance with AASB 134 Interim Financial Reporting as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The interim financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial statements.

It is recommended that the interim financial statements be read in conjunction with the annual report for the year ended 30 June 2008 and considered together with any public announcements made by the Company during the six months ended 31 December 2008 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report, and the condensed consolidated financial statements have been prepared on the historical cost basis except for land and buildings, which have been measured at fair value.

***Restatement of comparatives***

During the half year ended 31 December 2007, \$243,131 of goodwill was incorrectly amortised and expensed to the profit and loss account. Under the requirements of Australian Accounting Standards, after initial recognition, goodwill should be measured at cost less any accumulated impairment losses and tested for impairment annually or more frequently if circumstances indicate that it might be impaired. At the financial year ended 30 June 2008, the directors assessed that no impairment had occurred and therefore reversed the amortisation charged in the six months to 31 December 2007 to correctly reflect goodwill in the financial statements for the year ended 30 June 2008. Accordingly the comparative loss after tax for the six months ended 31 December 2007 and the carrying amount of goodwill as at 31 December 2007 have been restated.

The condensed consolidated financial statements are presented in Australian dollars, which is the functional currency and the presentational currency of the Company and its Australian subsidiaries. The functional currency of the overseas subsidiary Automotive Technology Group (BVI) is United States dollars (USD) which is translated to presentational currency.

AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

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**2. Significant accounting policies (continued)**

***Going concern***

The Consolidated Entity has net assets and net current assets of \$3,720,258 and \$346,810 respectively as at 31 December 2008 and incurred an operating loss of \$2,944,391 for the six months ended 31 December 2008. The Consolidated Entity's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including:

- the continued support of the bank to provide sufficient overdraft facilities to enable the business to operate on a day to day basis;
- the ability to raise sufficient working capital to ensure the continued implementation of the Company's long term business plan; and
- delivery of existing and new products through the Group's distribution network to generate sales revenues and positive cash flows.

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

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

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

**(b) Adoption of new or revised accounting standards and interpretations**

From 1 July 2008, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2008-10 Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)
- Interpretation 12 and AASB 2007-2 Service Concession Arrangements and consequential amendments to other Australian Accounting Standards
- Interpretation 129 Service Concession Arrangements: Disclosures
- Interpretation 4 (revised) Determining whether an arrangement contains a lease
- Interpretation 13 Customer Loyalty Programmes.
- Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The Group has not elected to early adopt any new standards or amendments.

AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

**2. Significant accounting policies (continued)**

**(c) Basis of consolidation**

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

The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

There is no minority interest in any subsidiary of the Group.

**(d) Segment reporting**

The Group is operating in one segment, being the manufacture and distribution of the patented range of Sprintex® superchargers and Vee Two aftermarket and performance motorcycle accessories.

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
		<b>(Restated)</b>
<b>3. Revenue and expenses</b>		
<b>Revenue</b>		
Sales of goods and services	208,478	311,518
<b>Other revenue and gains/(losses)</b>		
Interest income	57,504	152
Convertible note interest forgiven	-	194,924
Gain on disposal of property, plant and equipment	2,727	6,660
Net exchange (loss)/gain	(14,577)	129,450
	45,654	331,186

**Cost of goods sold**

Included in cost of goods sold for the six months ended 31 December 2008 was an inventory write down of \$140,031 (2007: \$170,066).

AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

3. Revenue and expenses (continued)	2008 \$	2007 \$ (Restated)
<b>Employee expenses including benefits</b>		
Salaries and wages	1,025,701	1,239,639
Superannuation expense	91,728	99,808
Annual leave	(20,633)	(6,473)
Long service leave expense	(666)	(2,100)
Other employment expense	145,375	23,523
	1,241,505	1,354,128
Less: Research and development staff costs	(330,282)	(370,567)
Total employee expenses	911,223	983,562
<b>Research and development expenses</b>		
Research and development staff costs	330,282	370,567
Consultant costs	217,928	66,000
Materials / services costs	149,334	77,134
Travel expenses	22,181	34,712
Total research and development expenses	719,725	548,413
<b>Depreciation and amortisation expenses</b>		
Depreciation of property, plant and equipment	162,290	113,248
Amortisation for leasehold improvements	20,081	23,793
Total depreciation and amortisation	182,371	137,041
<b>Other expenses</b>		
Capital raising expenses	40,842	60,011
Share based payments	27,500	-
Total other expenses	68,342	60,011
<b>Finance costs</b>		
Interest and finance charges paid	85,225	87,189



AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

	2008	2007
	\$	\$
<b>4. Cash and cash equivalents</b>		
Cash at bank	24,500	3,070,415
Cash held on security deposit	200,000	140,000
Cash on hand	261	1,000
	224,761	3,211,415

Cash held on security deposit are pledged against the bank facilities granted to the Company.

**Reconciliation to Cash Flow Statement**

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following amounts:

Cash assets	224,761	3,211,415
Cash held on security deposit	(200,000)	(140,000)
Bank overdrafts	(997,080)	(723,342)
	(972,319)	2,348,073

**5. Inventories**

Work in progress – at net realisable value	318,219	547,586
Finished goods – at net realisable value	1,671,584	1,393,964
Total inventories at the lower of costs and net realisable value	1,989,803	1,941,550

Cost of inventories recognised as an expense during the six months ended 31 December 2008 was \$289,231 (six months ended 31 December 2007: \$466,227). This expense has been included in the cost of sales line item.

**6. Interest bearing liabilities**

*Current*

Bank overdraft (secured)	997,080	723,342
Loan from a related party (unsecured) (note 8)	100,000	-
Insurance premium funding (unsecured)	22,258	89,034
Finance lease liabilities (note 10)	228,044	208,840
	1,347,382	1,021,216

*Non-current*

Finance lease liabilities (note 10)	439,972	372,534
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AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

		31 December 2008 \$	30 June 2008 \$
<b>7. Contributed equity</b>			
	Paid up capital – ordinary shares	21,225,030	21,225,030
	Capital raising costs capitalised	(609,707)	(609,707)
		20,615,323	20,615,323

**Movements in Ordinary Share Capital**

	Date	Number of shares	\$
<b>Balance at 1 July 2007</b>		11,723,325	4,594,988
Conversion of convertible notes at \$1.50 each	18 Dec 2007	800,000	1,200,000
Issue of Shares at \$1.61 each	9 Jan 2008	4,576,175	7,381,643
Capital Restructuring (51,298,500 shares)	30 Jan 2008	51,298,500	4,399
Employee Shares	29 Mar 2008	370,000	-
Seed Capital	29 Mar 2008	10,000,000	2,000,000
Issuance of shares for initial public offering	27 May 2008	24,176,000	6,044,000
Less capital raising costs capitalised		-	(609,707)
Contributions to equity net of transaction costs during the year			16,020,335
<b>Balance as at 30 June 2008 and 31 December 2008</b>		102,944,000	20,615,323

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

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

**8. Related party disclosures**

Included in other receivables was an amount due from a director of \$15,299. The amount was unsecured, interest free and was repaid on 21 January 2009.

Other liabilities represented directors' current accounts resulting from expenses paid by the directors on the Group's behalf and accrued directors' fees. The amounts were unsecured, interest free and repaid on demand, except for a balance due to a director of \$125,000 which was interest bearing at 8.25% per annum. The principal and interest were repaid on 22 January 2009.

Included in interest bearing liabilities as at 31 December 2008 was an unsecured loan of \$100,000 from a related party, bearing interest at 8.25% per annum. In consideration of the related party granting the loan to the Company, 25,000 shares at \$0.16 per share will be issued to the related party. As of the date of this report, the shares have not yet been issued. The loan was subsequently settled on 20 January 2009.

AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

**9. Share based payment transactions**

On 11 September 2008, 1,000,000 options were granted to a non-related consulting company, with an exercise price of \$0.30, exercisable at any time on or prior to 3:00 pm (WST) on 31 December 2010 for the provision of corporate advisory services to the Group during the period 15 July 2008 to 30 June 2010. Each option entitles the holder to one ordinary share of the Company. The shares issued upon exercise of the options will rank pari passu in all respects with the issued ordinary shares of the Company.

The number and weighted average exercise prices of the share options granted during the six months ended 31 December 2008 and outstanding at the end of period are as follows:

	Options granted to directors	Options granted to consultants	Number of share options	Weighted average exercise price
Outstanding at beginning of period	4,500,000	2,000,000	6,500,000	\$0.30
Granted during the year	-	1,000,000	1,000,000	\$0.30
Outstanding at the end of period	<u>4,500,000</u>	<u>3,000,000</u>	<u>7,500,000</u>	
Exercisable at end of period			<u>7,500,000</u>	

The options granted during the period have a remaining contractual life of 2 years and an estimated fair value of \$0.005 per share per month, determined based on the amount of monthly service fee to be charged by the consultant.

Expected volatility was determined by calculating the historical volatility of the share prices of listed companies with profile similar to the Company. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural consideration. The Company has not forecasted any future dividend payments.

The Group recognised total expenses of \$27,500 (2007: Nil) related to equity-settled share based payment transactions during the six months ended 31 December 2008.

**10. Commitments**

The only changes to the commitments disclosed in the most recent annual financial report are specified below.

**(a) Operating lease commitments**

Since 30 June 2008, the property lease commitment has been increased upon the finalisation of market rental indexation process. The revised operating lease commitment of the Group are as follows:

	31 December 2008 \$	30 June 2008 \$
Within one year	164,000	127,786
After one year but not more than five years	656,000	511,144
After more than five years	410,000	383,358
Total minimum lease payments	<u>1,230,000</u>	<u>1,022,288</u>

AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

**10. Commitments (cont'd)**

**(b) Finance lease and hire purchase commitments**

Since 30 June 2008, the Group entered into two new leases in respect of certain plant and equipment under finance leases. The revised finance lease and hire purchase commitments for the Group are as follows:

	<b>31 December 2008</b>	<b>30 June 2008</b>
	\$	\$
Within one year	274,020	251,989
After one year but not more than five years	504,262	416,872
Total minimum lease payments	778,282	668,861
Less: amounts representing finance charges	(110,266)	(87,487)
Present value of minimum lease payments	668,016	581,374
Included in the financial statements as:		
Current interest-bearing liabilities	228,044	208,840
Non-current interest-bearing liabilities	439,972	372,534
	668,016	581,374

**(c) Capital commitments**

As at 31 December 2008, the Group had no outstanding capital commitments in respect of acquisition of property plant and equipment contracted for but not provided for in the financial statements (at 30 June 2008: \$193,500).

**11. Events after the balance sheet date**

No matter or circumstance has arisen since 31 December 2008 that has significantly affected or may significantly affected the operations, results or state of affairs of the Group in the following or future years except for the following:

On 20 January 2009, the Company entered into a convertible note deed and a convertible note in the principal amount of \$150,000 was issued to the noteholder maturing on 30 June 2010. The convertible note carries a coupon interest rate of 8.25% per annum, payable monthly in arrears, and has a conversion price of A\$0.20 per share.

On 11 February 2009, the Company announced its intention to issue up to 8,500,000 shares at an offer price of \$0.12 per share to related parties and other sophisticated investors for working capital. The proposed structure of the placement will be a subscription of one ordinary shares of the Company for \$0.12 per share ("Placement Shares") and purchase of one ordinary share from CMIH Enterprises Pty Limited, a controlled entity of Mr Anthony Hamilton for \$0.05 per share. As of the date of this report, \$775,200 has been received by the Company in respect of the subscription of 6,460,000 Placement Shares.

AUTOMOTIVE TECHNOLOGY GROUP LIMITED  
AND CONTROLLED ENTITIES

**DIRECTORS' DECLARATION**

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

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
  - (i) complying with the Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2008 and of the performance for the six months ended on that date; and
- (b) Subject to the matters referred to in note 1 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 26<sup>th</sup> day of February 2009.



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**Anthony Robert Hamilton**  
Director



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**Steven Apedaile**  
Director

To the members of Automotive Technology Group Limited and Controlled Entities

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Automotive Technology Group Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, the condensed statement of changes in equity and the condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period end or from time to time during the period.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *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 Interim and Other 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Automotive Technology Group Limited and the entities it controlled during the period, 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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

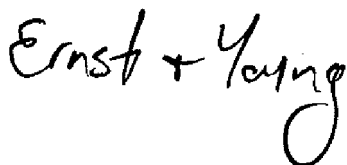
### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Automotive Technology Group 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 2008 and of its performance for the period ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### *Inherent Uncertainty Regarding Continuation as a Going Concern*

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2 Going Concern to the financial report, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.



Ernst & Young



Peter McIver  
Partner  
Perth

26 February 2009