

Appendix 4E

Preliminary final report

Rule 4.3A
Introduced 1/1/2003

Name of entity: Advanced Braking Technology Ltd
ABN: 66 099 107 623

1. Reporting period (“current period”): Year ended 30 June 2019
Previous corresponding period: Year ended 30 June 2018

2. Results for announcement to the market

					\$A'000
2.1	Revenue from ordinary activities	down	5.6%	to	7,430
2.2	(Loss) from ordinary activities after tax attributable to members	up	3.5%	to	(1,713)
2.3	(Loss) for the period attributable to members	up	3.5%	to	(1,713)
					Amount per share cents
					Franked amount per share cents
2.4	<i>Dividends</i>				
	Final		Nil		N/A
	Interim		Nil		N/A

Record date for determining entitlements to dividends: N/A

Summary

Advanced Braking Technology Limited (“ABT” or the “Company”) advises that for FY19, the Company has achieved revenues of \$7.43m, which represents a decrease of approximately 5.6% on the prior year result of \$7.87m. Revenue from trading activities for FY19 is \$6.847m, which is a slight decrease of 1.8% on the prior year result of \$6.974m. The decrease in revenue, from all activities, is primarily attributable to a decrease in the estimated Research and Development tax incentive refund of approximately \$600k for FY19, down from \$868k in FY18.

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During the 2H FY19 the Company observed improved performance of its core business product, its proven Failsafe and Failsafe Emergency brake range, with the six-month period to June 2019 achieving a 9% sales increase over 1H FY19. The updated Terra Dura product was only re-released to the market in late June 2019 and had little impact on the second half sales result, however it will contribute to an improved sales performance in FY20.

With both increased sales and improved product margins in the second half of the year, the Company was able to achieve a positive EBITDA for Q4 FY19 which has improved the financial position of the Company.

This improved financial performance, and the changes noted below, has set the Company up for a strong FY20 and will support the implementation of its aggressive growth strategy.

During FY19 the Company went through a period of transformational change. These changes included:

- an organisational review was undertaken resulting in a new leadership team being appointed;
- a number of cost saving initiatives were implemented which resulted in the operating cash outflows being significantly reduced in the second half of the year;
- diversification of our product portfolio, in addition to releasing the updated Terra Dura after an extensive design review;
- diversification of our customer base; and
- diversification of the industries to which we supply our innovative braking solutions.

The diversification strategy noted above results in a broader product offering to a number of new customers operating in a number of diverse industries across both national and international geographic regions. Due to this diversification, the Company is anticipating a strong sales improvement for FY20 as our product range is offered to an expanding customer base.

Revenue

Revenues of \$7.43m for FY19 were primarily derived from sales of the Company's core Failsafe product and associated spares and consumables into the mining industry.

The product margin for brake kits and consumable sales improved during the second half of the year when a 50% margin was achieved for 2H FY19 which was an improvement when compared to 1H FY19 when a product margin of 42% was achieved.

For FY20 and beyond, revenues will be derived from a broader product offering including the redesigned Terra Dura which was released to the market in late June 2019. Furthermore, the Company has recently diversified its customer base to include customers not only in our primary mining market, but also the defence, waste management and civil construction industries.

Expenses

Expenses for FY19 totalled \$5.137m and resulted in a loss for the period of \$1.713m.

During the twelve-month period to 30 June 2019, the Company incurred a number of one-off costs primarily relating to corporate activity, which included a capital raising and entitlement offer, the consolidation of its shares on a 1 for 10 basis and the maturity of convertible notes. Costs incurred for these activities totalled approximately \$270,000. Further one-off costs were incurred for employee related expenses, as a result of an organisational review and totalled approximately \$80,000. These costs included recruitment fees associated with the appointments of senior members of the current management team including the CEO and Engineering Manager.

A decision was made as at 31 December 2018 to write-off approximately \$137,000 of inventory which related to a historical research and development project for brakes used within the waste industry. As there was limited commercial opportunity to utilise the remaining inventory of this product within the next 12-month period, a decision was made to write its value down to nil.

Total costs of a one-off nature for FY19, referred to above, are approximately \$487,000.

During FY19, a number of cost saving initiatives were introduced by the Company which resulted in savings in excess of \$800k on an annualised basis. The full impact of these cost savings are materialising in the business, which when combined with the recently improved sales and margin performance, has resulted in an unaudited positive EBITDA position for Q4 FY19. The Company's recent performance has resulted in the cash burn of the Company significantly reducing during the second half of the financial year.

It is pleasing to advise shareholders that significant progress has therefore been made towards returning the Company to a cash neutral position at the earliest opportunity.

3. Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Current Period	Previous Correspond- ing period
	\$'000	\$'000
Revenue from trading activities	6,847	6,974
Cost of sales	(4,006)	(4,260)
Gross Profit	2,841	2,714
Revenue from other activities	583	896
Expenses		
Amortisation of Intellectual Property	(64)	(64)
Audit and accounting fee	(48)	(75)
Bad and doubtful debts	(4)	-
Computer related expenses	(62)	(97)
Consulting fees	(312)	(437)
Consumables and minor equipment	(170)	(249)
Depreciation expense	(159)	(195)
Employee expenses	(2,793)	(2,903)
Finance expenses	(361)	(216)
Insurance	(190)	(183)
Inventory obsolescence expense	(143)	(72)
Legal fees	(70)	(13)
Marketing and advertising expenses	(26)	(75)
Patents	(32)	(38)
Property expenses	(166)	(156)
Telephone and other communication	(38)	(38)
Travel and accommodation	(212)	(327)
Warranty expense	(54)	(42)
Other expenses	(233)	(86)
Total expenses	(5,137)	(5,266)
Loss from continuing operations	(1,713)	(1,656)
Loss before income tax	(1,713)	(1,656)
Income tax	-	-
Loss after income tax	(1,713)	(1,656)
Other comprehensive income/(loss)	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Total comprehensive (loss) for the period	(1,713)	(1,656)

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4. Consolidated Statement of Financial Position

	Current Period	Previous Correspond- ing period
	\$'000	\$'000
CURRENT ASSETS		
Cash and Cash equivalents	716	627
Trade and other Receivables	1,295	1,344
Inventories	1,836	1,529
Other current assets	677	905
Total current assets	4,524	4,405
NON-CURRENT ASSETS		
Property, plant and equipment	463	490
Intangibles	735	799
Total non-current assets	1,198	1,289
TOTAL ASSETS	5,722	5,694
CURRENT LIABILITIES		
Trade and other Payables	1,295	1,211
Interest bearing liabilities	2,129	1,818
Provisions	201	195
Total current liabilities	3,625	3,224
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	59	76
Provisions	4	42
Total non-current liabilities	63	118
TOTAL LIABILITIES	3,688	3,342
NET ASSETS	2,034	2,352
EQUITY		
Issued Capital	54,200	52,805
Accumulated losses	(52,166)	(50,453)
TOTAL EQUITY	2,034	2,352

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5. Consolidated Statement of Cash Flows

	Current Period	Previous corresponding period
	\$ '000	\$ '000
Net cash flows from operating activities		
Receipts from customers	7,391	8,203
Payments to suppliers, consultants and employees	(9,526)	(10,478)
Borrowing costs	(155)	(134)
Interest received	1	10
Other – Grants and R&D tax incentive	838	844
Net cash (used in) operating activities	(1,451)	(1,555)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	-	-
Purchase of property, plant and equipment	(133)	(224)
Net cash (used in) investing activities	(133)	(224)
Cash flows from financing activities		
Proceeds from borrowings	1,154	600
Repayment of borrowings	(866)	(77)
Proceeds from issue of shares	1,483	150
Costs of issuing shares	(98)	-
Net cash (used in) financing activities	1,673	673
Net increase / (decrease) in cash and cash equivalents held	89	(1,106)
Cash and Cash equivalents at the beginning of the year	627	1,733
Cash and Cash equivalents at the end of the month	716	627

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6. Dividends

Amount per security

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

Total dividends on all securities for the year

	Current period	Previous corresponding period
	\$'000	\$'000
Ordinary securities	-	-
Preference securities	-	-
Other equity instruments	-	-
	<hr/>	<hr/>
Total	-	-
	<hr/> <hr/>	<hr/> <hr/>

7. Dividend reinvestment plans

The dividend reinvestment plans shown below are in operation:

None

Last date for receipt of election notices
for the dividend reinvestment plan: N/A

8. Retained earnings

	Current period	Previous correspond- ing period
	\$ '000	\$ '000
(Accumulated losses) at the beginning of the financial period	(50,453)	(48,797)
Net (loss) attributable to members of the parent entity	(1,713)	(1,656)
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(Accumulated losses) at the end of the financial period	(52,166)	(50,453)
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9. Net tangible assets

	Current period	Previous corresponding period
	cents	cents
Net tangible asset backing per ordinary share	0.44	0.70*

*The net tangible asset backing cents per share for the year ended 30 June 2018 has been adjusted by the share consolidation ratio of 10:1 to reflect the share consolidation that occurred during December 2018.

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

Control gained over entities	N/A
Control lost over entities	N/A

11. Details of associates and joint venture entities

N/A

12. Any other significant information

Details of any other significant information needed by an investor to make an informed assessment of the entity's financial performance and position:

Issue of Convertible Notes

On 30 July 2019, 10,700,000 unsecured convertible notes were issued at a face value of \$0.02.

The convertible notes may be converted to shares at any time prior to the maturity date of 31 December 2019, at the request of the noteholder or may be redeemed by noteholders at maturity, with payment required within 5 business days.

If the note holders convert the maximum number of 10,700,000 convertible notes, then the same number of ordinary shares would be issued.

Funds received from the issue were used to refinance \$0.214m of Convertible Notes, which were redeemed and paid out in July 2019.

13. Accounting standards

The set of accounting standards used in compiling report:
International Financial Reporting Standards

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14. Results for the period

14.1 Earnings per security

	Current period cents	Previous corresponding period cents
Basic (loss) per share	(0.61)	(0.75)
	Number	Number
Weighted average number of ordinary shares during the period used in the calculation of basic EPS*	282,473,854	221,743,648

Diluted EPS are not shown for either the current period or the previous corresponding period as it would dilute the actual loss per share attributable to existing shareholders.

*The weighted average number of ordinary shares for the year ended 30 June 2018 have been adjusted by the share consolidation ratio of 10:1 to reflect the share consolidation that occurred during December 2018.

14.2 Returns to shareholders

N/A

14.3 Significant features of operating performance

Business restructuring costs are now complete and the focus going forward is to increase the effectiveness of ABT's supply chain and continue the expansion of customers within Australia and internationally as a result of being able to supply broader product variants.

Market demand for ABT products remains strong and will drive operating revenue growth during FY20 and beyond.

14.4 Segment results

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

Management has identified a single operating segment, which is the design, manufacture and distribution of improved vehicle braking systems based on the Failsafe Braking System and Terra Dura Braking System to customers worldwide.

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

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

14.5 Trends in performance

N/A

14.6 Any other factors which have affected the results in the period or which are likely to affect the results in the future, including those where the effect could not be quantified:

N/A

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

- | | | | |
|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |

16. Description of any likely audit dispute or qualification.

Nil

Sign here:



Date: 30 August 2019

Print name: Kaitlin Smith
Company Secretary

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