Revetec Holdings Limited and its controlled entities
Income statements
For 4 August 2005 to 30 June 2006

	Note	Consolidated 2006 $	The Company 2006 $
Income	3	271,728	-
Employee expenses		27,705	27,705
Marketing expenses		(23,811)	(19,961)
Depreciation and amortisation expenses		(1,353)	(1,186)
Director fees		(68,727)	(55,841)
Management fees		(113,455)	(96,909)
Research and development expenses	4	(594,910)	(459,474)
Impairment of property, plant and equipment		(60,057)	(60,057)
Other expenses		(189,661)	(86,506)
Loss from operating activities		(752,541)	(752,229)
Financial income		16,777	16,465
Financial expenses		(28,368)	(28,368)
Net financing costs		(11,591)	(11,903)
Profit (loss) before tax		(764,132)	(764,132)
Income tax benefit / (expense)	6	248,648	248,648
Profit (loss) for the period		(515,484)	(515,484)
Earnings/ (loss) per share for profit/ (loss) attributable to the ordinary equity holders of the Company:			
Basic earnings/ (loss) per share from continuing operations	7	(0.003)	
Diluted earnings/ (loss) per share from continuing operations	7	(0.003)	

The income statements are to be read in conjunction with the notes of the financial statements.

Revetec Holdings Limited and its controlled entities
Statements of recognised income and expense
For 4 August 2005 to 30 June 2006

	Note	Consolidated 2006 $	The Company 2006 $
Net income recognised directly in equity		-	-
Loss for the period		(515,484)	(515,484)
Total recognised income and expense for the period	*12*	(515,484)	(515,484)

The statements of recognised income and expense are to be read in conjunction with the notes of the financial statements.

Revetec Holdings Limited and its controlled entities
Balance sheets
As at 30 June 2006

	Note	Consolidated 2006 $	The Company 2006 $
Assets			
Cash and cash equivalents	*8*	77,389	77,389
Trade and other receivables		5,141	5,141
Income tax receivable	*9*	248,648	248,648
Total current assets		331,178	331,178
Investments		-	2
Property, plant and equipment	*10*	75,477	75,477
Total non-current assets		75,477	75,479
Total assets		406,655	406,657
Liabilities			
Trade and other payables		60,767	60,769
Interest-bearing loans and borrowings	*11*	157,907	157,907
Total current liabilities		218,674	218,676
Interest-bearing loans and borrowings	*11*	215,948	215,948
Total non-current liabilities		215,948	215,948
Total liabilities		434,622	434,624
Net assets		(27,967)	(27,967)
Equity			
Issued capital	*12*	487,517	487,517
Retained earnings		(515,484)	(515,484)
Total equity	*12*	(27,967)	(27,967)

The balance sheets are to be read in conjunction with the notes to the financial statements.

Revetec Holdings Limited and its controlled entities
Statements of cash flows

For the year ended 30 June 2006

	Note	Consolidated 2,006 $	The Company 2,006 $
Cash flows from operating activities			
Cash receipts from customers		55,448	-
Cash paid to suppliers and employees		(714,036)	(517,187)
Cash generated from operations		(658,588)	(517,187)
Interest received		16,777	16,445
Interest paid		(28,368)	(28,368)
Net cash from operating activities	*17*	(670,179)	(529,110)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		165,362	165,362
Acquisition of subsidiary, net of cash acquired		(239,104)	(380,173)
Acquisition of property, plant and equipment		(40,062)	(40,062)
Net cash from investing activities		(113,804)	(254,873)
Cash flows from financing activities			
Proceeds from the issue of share capital		487,517	487,517
Loans from related parties		373,855	373,855
Net cash from financing activities		861,372	861,372
Net increase in cash and cash equivalents		77,389	77,389
Cash and cash equivalents at 30 June	*8*	77,389	77,389

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

1. Significant accounting policies

Revetec Holdings Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the period 4 August 2005 to 30 June 2006 comprise the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated financial report was not been authorised for issue by the directors.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP. The financial reports of the consolidated entity and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.
This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 21.

(b) Basis of preparation

The financial report is presented in Australian dollars. The entity has elected to early adopt the following accounting standards and amendments:

- AASB 119 *Employee Benefits* (December 2004).
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures.*
- AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement.*
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (either July or December 2004).
- AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 132 *Financial Instruments: Disclosure and Presentation,* AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts.*
- AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), and AASB 139 *Financial Instruments: Recognition and Measurement.*
- AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations.*
- AASB 2006-1 *Amendments to Australian Accounting Standards* (January 2006) amending AASB 121 *The Effects of Changes in Foreign Exchange Rates* (July 2004).
- UIG 4 *Determining whether an Arrangement contains a Lease.*
- UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.*
- UIG 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies.*
- UIG 8 *Scope of AASB 2.*

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 *Financial instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006.
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.
- The consolidated entity plans to adopt AASB 7, AASB 2005-9 and AASB 2005-10 in the 2007 financial year.

Revetec Holdings Limited and its controlled entities
Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendment are concerned only with disclosures.

The initial application of AASB 2005-9 could have an impact on the financial results of the Company and the consolidated entity as the amendment could result in liabilities being recognised for financial guarantee contracts that have been provided by the Company and the consolidated entity. However, the quantification of the impact is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the Company and the consolidated entity to date.

The financial report is prepared on the historical cost basis.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(r).

The accounting policies have been applied consistently by all entities in the consolidated entity.

(c) Going concern

The financial information has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

At 30 June 2006, the consolidated entity had incurred an operating loss of $515,484 and had net assets of ($27,967) and had minimum cash reserves.

The company has prepared cash flow projections indicating that over the next 12 months the company can pay its debts as and when they fall due, after consideration of the following:

- On 19 January 2006 the Company raised net funds of approximately $487,514 as a result of a share issue under the Prospectus, as disclosed in note 12.
- A related party had incurred the costs to balance date in respect of the Prospectus and will be reimbursed the costs together with interest at 8% per annum, from the funds raised under the public offer.
- The Company's continuing arrangements with an external party are expected to provide assistance with reducing the research and development expenditure in relation to Revetec Holdings' technology.
- The Company is able to utilise funds available under a convertible loan facility, as disclosed in note 11, to enable the ongoing key operations to continue. If such funding is required to be drawn down, the Directors may curtail any operation as they see fit to reduce costs and expenditure.

Accordingly, the Directors are of the opinion that the going concern basis is appropriate for the preparation of the consolidated financial report. If the directors are unable utilise the funding facility, or arrangements with external parties change, there is no certainty as to whether the consolidated entity may realise its assets and extinguish its liabilities in the normal course of business.

1. Significant accounting policies (continued)

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, 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 or convertible 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.

Investments in subsidiaries are carried at their cost of acquisition in the company's financial statements.

All business combinations are accounted for by applying the purchase method.

(ii) Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

In the Company's financial statements, investments in associates are carried at fair value, with resulting revaluation gains and losses recognised in equity. The fair value of investments in listed shares of associates, is their current market value at the balance sheet date.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (g)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives in the current periods are as follows:

• leasehold improvements	15 years
• plant and equipment	4 years
• fixtures and fittings	4 years
• motor vehicles	5 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Revetec Holdings Limited and its controlled entities
Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(f) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (see accounting policy (g)).

(g) Impairment

The carrying amounts of the consolidated entity's assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

1. Significant accounting policies (continued)

(g) Impairment (continued)

(i) Calculation of recoverable amount

The recoverable amount of the consolidated receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Revetec Holdings Limited and its controlled entities
Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(h) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (g)).

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(j) Share capital

(i) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(ii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(k) Convertible notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest method.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(m) Trade and other payables

Trade and other payables are stated at their amortised cost.

(n) Revenue

(i) Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(ii) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the consolidated entity will comply with the conditions attaching to them. Grants that compensate the consolidated entity for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the consolidated entity for the cost of an asset are recognised in the income statement as other income on a systematic basis over the useful life of the asset.

1. Significant accounting policies (continued)

(o) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, dividends on redeemable preference shares, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement. Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is ex-dividend date. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Revetec Holdings Limited and its controlled entities
Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(q) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(r) Accounting estimates and judgements

Management discussed with the Board of Driectors the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key sources of estimation uncertainty

At 30 June 3006 the Company had entered into a loan agreement (convertible notes) which provides for the granting of options upon funding being provided. The expense in relation to the fair value of the options has not been recorded at balance date as no options have been granted until funds are provided under the loan agreement. Notes 13 and 20 contains further information in respect of the loan agreement.

2. Segment reporting

The consolidated entity comprises one main business segment being engine development. This incorporates the research, development and design of petrol and diesel application engines.

The consolidated entity's business segment operates in Australia.

3. Income

	Consolidated 2006 $	The Company 2006 $
Government grants	55,448	-
Gain on sale of property, plant and equipment	54,335	-
Gain on acquisition and disposition of Revetec Limited	161,945	-
	271,728	-

Revetec Holdings Limited and its controlled entities
Notes to the consolidated financial statements

4. Research and development expense

Director's fees	189,409	155,577
Depreciation	46,159	35,450
Lease payments	46,170	31,390
Employee benefits	111,947	64,349
Materials and supplies	66,465	61,102
Other	134,760	111,606
	594,910	459,474

5. Auditors' remuneration

Audit services		
Auditors of the Company – KPMG		
Audit and review of financial reports	18,000	18,000
Other services	5,000	5,000
	23,000	23,000
Other services		
Auditors of the Company – KPMG		
Transaction services	50,000	50,000
Taxation services	8,000	8,000
	58,000	58,000

6. Income tax expense/(benefit)

Recognised in the income statement

	Note	Consolidated 2006 $	The Company 2006 $
Current tax expense/ (benefit)			
Current year		(248,648)	(248,648)
Total income tax expense/(benefit) in income statement		(248,648)	(248,648)
Numerical reconciliation between tax expense and pre-tax net profit			
Profit/ (loss) before tax		(764,132)	(764,132)
Income tax using the domestic corporation tax rate of 30%		(229,240)	(229,240)
Increase in income tax expense due to:			
Effect of tax losses not recognised		229,240	229,240
Decrease in income tax expense due to:			
Tax incentives not recognised in the income statement		(248,648)	(248,648)
Income tax expense/ (benefit) on pre-tax net profit/loss		(248,648)	(248,648)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated 2006 $	The Company 2006 $
Deductible temporary differences	-	-
Tax losses	-	-
	-	-

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from.

Revetec Holdings Limited and its controlled entities
Notes to the consolidated financial statements

7. Earnings/ (loss) per share

Basic earnings/ (loss) per share

The calculation of basic earnings/(loss) per share at 30 June 2006 was based on the loss attributable to ordinary shareholders of $515,484 and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2006 of 150,962,444, calculated as follows:

Loss attributable to ordinary shareholders

	Consolidated 2006 $
Loss attributable to ordinary shareholders	(515,484)

Weighted average number of ordinary shares	**Consolidated 2006** $
Issued ordinary shares at 4 August	-
Effect of shares issued in September 2005	149,983,309
Effect of shares issued in January 2006	979,135
Weighted average number of ordinary shares at 30 June	150,962,444

Diluted earnings/ (loss) per share

The calculation of diluted earnings/ (loss) per share at 30 June 2006 was based on loss attributable to ordinary shareholders of $515,484 and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2006 of 150,962,444, calculated as follows:

Loss attributable to ordinary shareholders (diluted)

	2006 $
Loss attributable to ordinary shareholders (diluted)	(515,484)

Weighted average number of ordinary shares (diluted)

	2006 $
Issued ordinary shares at 4 August	-
Effect of shares issued in September 2005	149.983,309
Effect of shares issued in January 2006	979,135
Weighted average number of ordinary shares (diluted) at 30 June	150,962,444

8. Cash and cash equivalents

	Consolidated 2006 $	**The Company 2006 $**
Bank balances	77,389	77,389
Cash and cash equivalents in the statement of cash flows	77,389	77,389

9. Income tax receivables

Income tax receivables	248,648	248,648

Revetec Holdings Limited and its controlled entities
Notes to the consolidated financial statements

10. Property, Plant and equipment

		Consolidated					The Company				
	Note	Leasehold improvements	Plant and equipment	Fixtures and fittings	Motor vehicles	Total	Leasehold improvements	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
Cost		$									
Balance at 4 August 2005		-	-	-	-	-	-	-	-	-	-
Acquisitions through business combinations		7,048	148,151	37,414	50,521	243,134	7,048	148,151	37,414	50,521	243,134
Other acquisitions		-	40,062	-	-	40,062	-	40,062	-	-	40,062
Disposals		-	(105,368)	-	(16,123)	(121,491)	-	(105,368)	-	(16,123)	(121,491)
Balance at 30 June 2006		7,048	82,845	37,414	34,398	161,705	7,048	82,845	37,414	34,398	161,705
Depreciation and impairment losses											
Balance at 4 August 2005		-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year		375	22,744	7,458	6,059	36,636	375	375	22,744	7,458	6,059
Impairment losses		6,673	16,515	29,956	6,913	60,057	6,673	16,515	29,956	6,913	60,057
Disposals		-	(9,890)	-	(574)	(10,464)	-	(9,890)	-	(574)	(10,464)
Balance at 30 June 2006		7,048	29,369	37,414	12,398	86,229	7,048	29,369	37,414	12,398	86,229
Carrying amounts											
At 4 August 2005		-	-	-	-	-	-	-	-	-	-
At 30 June 2006		-	53,476	-	22,000	75,476	-	53,476	-	22,000	75,476

Revetec Holdings Limited and its controlled entities
Notes to the consolidated financial statements

11. Interest-bearing loans and borrowings

	Consolidated 2006 $	The Company 2006 $
Current liabilities		
Loan from related party	157,907	157,907
	157,907	157,907
Non-current liabilities		
Loan from related party	215,948	215,948
	215,948	215,948
Financing Facilities		
Loan from related party	373,855	373,855
Convertible note	2,000,000	2,000,000
	2,373,855	2,373,855
Facilities utilised at reporting date		
Loan from related party	373,855	373,855
Convertible note	-	-
	373,855	373,855
Facilities not utilised at reporting date		
Loan from related party	-	-
Convertible note	2,000,000	2,000,000
	2,000,000	2,000,000

12. Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders of the parent

Consolidated

	Note	Share capital $	Retained earnings $	Total $
Balance at 4 August 2005		-	-	-
Total recognised income and expense		-	(515,484)	(515,484)
Shares issued		873,212	-	873,212
Share issue costs, net of tax		(385,695)	-	(385,695)
Balance at 30 June 2006		487,517	(515,484)	(27,967)

The Company

	Share capital $	Retained earnings $	Total $
Balance at 4 August 2005	-	-	-
Total recognised income and expense	-	(515,484)	(515,484)
Shares issued	873,212	-	873,212
Share issue costs, net of tax	(385,695)	-	(385,695)
Balance at 30 June 2006	487,517	(515,484)	(27,967)

Revetec Holdings Limited and its controlled entities
Notes to the consolidated financial statements

12. Capital and reserves (continued)

Share capital

	The Company Ordinary shares 2006 Number	$
Issued for cash	193,070,879	487,517
On issue at 30 June – fully paid	193,070,879	487,517

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In the event of winding up of the consolidated entity, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Dividends

No dividends were paid during the period 4 August 2005 to 30 June 2006 and no dividends are currently proposed.

13. Financial instruments

Exposure to credit and interest rate risks arises in the normal course of the consolidated entity's business.

Credit risk

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

Consolidated	2006						
	Effective interest rate	Total	6 months or less	6-12 months	1-2 Years	2-5 Years	More than 5 years
Cash and cash equivalents*		76,689	76,689	-	-	-	-
Loan from related party*	10%	157,907	-	157,907	-	-	-
Loan from related party*	8%	215,948	-	-	-	-	215,948
		450,544	76,689	157,907	-	-	215,948

* These assets / liabilities bear interest at a fixed rate.

The Company	2006						
	Effective interest rate	Total	6 months or less	6-12 months	1-2 Years	2-5 Years	More than 5 years
Cash and cash equivalents*		76,689	76,689	-	-	-	-
Loan from related party*	10%	157,907	-	157,907	-	-	-
Loan from related party*	8%	215,948	-	-	-	-	215,948
		450,544	76,689	157,907	-	-	215,948

* These assets / liabilities bear interest at a fixed rate.

Revetec Holdings Limited and its controlled entities
Notes to the consolidated financial statements

13. Financial instruments (continued)

Fair values

The net fair values of financial assets and liabilities of the consolidated entity are represented by the carrying amount of these items.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Trade and other receivables / payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

Convertible note

On 9 November 2005 the Company entered into a loan facility under a convertible note arrangement with Douglas John Lomas as Trustee for the Centre Management Trust. The facility is a maximum of $2.0m, with a term of 3 years from first draw down. There is no interest applicable during this term on amounts drawn down.

No amounts were drawn down at 30 June 2006.

The Lender has the option to convert all or part of loan monies drawn down at any point in time into ordinary shares within 3 years from the date of the first draw down at the lower of 20 cents per share or at the 10% discount to the average price of the ordinary shares traded for a period of 5 consecutive trading days on NSX immediately prior to the date of the exercise of the option. Upon conversion of all or part of the loan, the company's liability to pay that portion of the loan will be discharged.

14. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	The Company
	2006	2006
	$	$
Less than one year	78,724	78,724
Between one and five years	45,922	45,922
More than five years	-	-
	124,646	124,646

15. Contingencies

The consolidated entity had no contingent liabilities as at 30 June 2006.

Revetec Holdings Limited and its controlled entities
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16. Consolidated entities

	Country of Incorporation	Ownership interest 2006
Parent entity		
Revetec Holdings Limited		
Subsidiaries		
Revetec International Pty Ltd	Australia	100%
Revolution Engine Technologies Pty Ltd	Australia	100%

17. Reconciliation of cash flows from operating activities

	Consolidated 2006 $	The Company 2006 $
Cash flows from operating activities		
Profit/(loss) for the period	(515,484)	(515,484)
Adjustments for:		
Depreciation	47,512	36,636
Interest expense	28,368	28,368
Gain on sale of property, plant and equipment	54,335	-
Impairment losses	60,057	60,057
Income tax expense/(benefit)	(248,648)	(248,648)
Operating profit before changes in working capital and provisions	(563,860)	
(Increase)/decrease in trade and other receivables	(5,141)	(5,141)
(Decrease)/increase in trade and other payables	60,767	60,767
	(508,234)	
Net gain on acquisition of controlled entity	161,945	
Net cash from operating activities	(346,289)	

	Consolidated 2006 $	The Company 2006 $
Cash flows from operating activities		
Profit/(loss) for the period	(515,484)	(515,484)
Adjustments for:		
Depreciation	47,512	36,636
Interest expense	28,368	28,368
Gain on sale of property, plant and equipment	54,335	54,335
Impairment losses	60,057	60,057
Income tax expense/(benefit)	(248,648)	(248,648)
Operating profit before changes in working capital and provisions	(563,860)	(584,736)
(Increase)/decrease in trade and other receivables	(5,141)	(5,141)
(Decrease)/increase in trade and other payables	60,767	60,767
	(508,234)	(529,110)
Net gain on acquisition of controlled entity	(161,945)	-
Net cash from operating activities	(670,179)	(529,110)

Revetec Holdings Limited and its controlled entities
Notes to the consolidated financial statements

18. Key management personnel disclosures

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Executive directors

Mr Bradley David Howell-Smith (Chairperson and Company Secretary)
Mr Charles Chok Kwong Chan (Managing Director)
Mr Paul Rudolf Moitzi

Key management personnel compensation

The key management personnel compensation included in 'directors fees' are as follows:

	Consolidated	The Company
	2006	2006
	$	$
Short-term employee benefits	258,137	211,418
	285,137	211,418

Individual directors and executives compensation disclosures

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Loans to key management personnel and their related parties (consolidated)

There were no loans outstanding at the reporting date to key management personnel and their related parties, where the individual's aggregate loan balance exceeded $100,000 at any time in the reporting period.

A loan totalling $2,350 was made to Mr BD Howell-Smith during the year. This loan was still outstanding at 30 June 2006.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the consolidated entity to key management personnel and their related parties, and the number of individuals in each group, are as follows:

	Opening Balance $	Closing Balance $	Interest paid and payable in the reporting period $	Number in group at 30 June
Total for key management personnel 2006	-	2,350	-	1
Total for other related parties 2006	-	-	-	-
Total for key management personnel and their related parties 2006	-	2,350	-	1

For all loans to key management persons and their related entities, interest is payable at prevailing market rates, currently 9% p.a. The principal and interest amounts are repayable at any time before 13 September 2006. Interest received on the loans totalled $0. No amounts have been written down or recorded as allowances, as the balances are considered fully collectable.

Revetec Holdings Limited and its controlled entities

Notes to the consolidated financial statements

18. Key management personnel disclosures for disclosing entities (continued)

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

			Consolidated	The Company
		Note	2006 $	2006 $
Key management persons	**Transaction**			
Mr CCK Chan	Legal fees	(i)	47,000	47,000
	Bookkeeping and administration services	(ii)	96,909	96,909
	Professional services	(iii)	39,137	39,137
	Equipment and professional services	(iv)	7,184	7,184

(i) Chan Lawyers received fees of $51,700 for the period for consulting fees in respect of the prospectus. Mr. Charles Chan, a director, is the principal of Chan Lawyers.

(ii) During the period, amounts totalling $96,909 were paid to Wincof Pty Ltd, a director-related entity, for the provision of bookkeeping and administration services of Revetec Holdings Limited. Mr Charles Chan is a director and shareholder of Wincof Pty Ltd.

(iii) Professional services totalling $39,137 were paid to Adcom Advertising Pty Ltd during the year. Mr. Charles Chan is a director of Adcom Advertising Pty Ltd.

(iv) Equipment and professional services totalling $7,184 were paid to DataFX Online Pty Ltd during the year. The Company has an investment in DataFX Online Pty Ltd at a cost of $0 as at 30 June 2006.

There were no amounts receivable from and payable to other key management personnel at reporting date.

The movement during the reporting period in the number of ordinary shares in Example Public Company Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 4 August 2005	Purchases (b)	Received on exercise of options	Sales	Held at 30 June 2006
Directors					
Mr BD Howell-Smith	-	32,380,987	-	-	32,380,987
Mr CCK Chan (a)	-	6,006,399	-	-	6,006,399
Mr PR Moitzi	-	5,879,969	-	-	5,879,969

No shares were granted to key management personnel during the reporting period as compensation.

(a) Held indirectly through Wincof Pty Ltd

(b) Issued through deed of company arrangement

Revetec Holdings Limited and its controlled entities
Notes to the consolidated financial statements

19. Non-key management personnel disclosures

Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see note 16) and with its key management personnel (see note 18 and note 19).

Other related party transactions

Acquisition of assets and certain liabilities of related parties

On 13 September 2005, the Company entered into a contract for Revetec Holdings Limited to acquire the CCE design and all associated patents, copyright and other intellectual property rights ('the technology') from Revetec Limited. The directors of the Company were directors of Revetec Limited at the date of the agreement.

The consideration paid to acquire the technology was $203,000 which was satisfied by a vendor loan of $203,000. The consideration represented fair market value of the acquired assets and liabilities as determined by the Directors based on an independent valuation. The vendor loan is subject to a commercial interest rate of 8% per annum and is repayable within 10 years.

The acquisition included plant and equipment, intangible assets and certain liabilities of Revetec Limited as summarised below:

	$
Investment – Revetec International Pty Ltd	1
Investment – Revolution Engine Technologies Pty Ltd	1
Property, plant and equipment	243,135
Provision for employee entitlements	(40,137)
Purchase consideration	203,000

At balance date the amount of the loan including interest was $215,948 which is disclosed as an interest bearing non-current liability.

Settlement of liabilities by related party on behalf of Revetec Holdings Limited

During the period Revetec Limited settled amounts payable to creditors of Revetec Holdings Limited totalling $302,297. At 30 June 2006 the balance of this related party loan to Revetec Limited was $157,907. Interest has been charged monthly at 10% per annum on amounts payable to related parties.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

20. Subsequent events

Subsequent to the balance sheet date, the Company amended the convertible note arrangement with Douglas John Lomas as Trustee for the Centre Management Trust. The amended facility provides funding to a maximum of $1.95 million with requirements to draw down specified amounts and convert into ordinary shares upon meeting certain conditions.

The fair value of the share options to be granted are estimated to be $85,556. At 30 June 2006, there were no options granted as the Company had not drawn any funds against the loan facility. Accordingly no cost or expense had been recorded in the financial statements to 30 June 2006.

21. Explanation of transition to AIFRSs

As stated in significant accounting policies note 1(a), these are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRSs.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006.

There is no AIFRS transition impact on Revetec Holdings Limited as there were no adjustments required to transitional balances at 1 July 2004 or 30 June 2005.