

Revetec Holdings Limited
and its controlled entities

A.C.N 115 621 317

Interim Financial Report

31 December 2007

**REVETEC HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES
A.C.N. 115 621 317**

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**REVETEC HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES
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DIRECTORS' REPORT

The Directors present their report together with the financial report of Revetec Holdings Limited (“the Company” or “Revetec Holdings”) and its controlled entities, for the half-year ended 31 December 2007 and the review report thereon.

Directors

The Directors of the Company in office at any time during or since the period end are:

- | | | |
|------------------------------|-----------------------------|----------------------------|
| • Charles Chok Kwong Chan | Appointed 4 August 2005 | Resigned 26 September 2007 |
| • Bradley David Howell-Smith | Appointed 4 August 2005 | |
| • Paul Rudolf Moitzi | Appointed 4 August 2005 | |
| • Lan Wai Lee | Appointed 26 September 2007 | |

Review of operations

For the half-year ended 31 December 2007, the company recorded a net operating loss after income tax of \$169,737 (\$465,891 for the half-year ended to 31 December 2006).

The entity's focus for the period has been on:

- Strengthening its intellectual property and its protection in international and domestic markets
- Building stronger relationships in commercial markets in India, China and the rest of the world
- Using a specialist team of engineers as needed to focus on refinement of the technology and prototypes engines
- The evaluation of strategies for continued expansion in the Company's product development plans including an increase in capital

The company is in the advance stages of building a prototype of an engine for the light aircraft, which is described as the X4 engine. This engine is planned to be adaptable for the trike and automobile industries.

**REVETEC HOLDINGS LIMITED
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DIRECTORS' REPORT (CONTINUED)

Events subsequent to period end

On 24th January 2008, the company received \$171,346 (GST exclusive) from the Commercial Ready Grant scheme. This grant instalment was paid in advance and represents 50% of the forecast eligible expenses for the quarter ending 31 March 2008 adjusted for any overpayments in the previous instalment.

Other than the matter discussed above, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the period ended 31 December 2007.

Dated at Gold Coast this 14th day of March 2008.

Signed in accordance with a resolution of the directors:



Bradley David Howell-Smith
Chairperson



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**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACTS 2001**

To: the directors of Revetec Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2007, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

P G Steer

Partner

Gold Coast

14th March 2008

**REVETEC HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES
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**CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007**

	31 December 2007 \$	31 December 2006 \$
Other income	196,706	137,608
Marketing expenses	270	530
Depreciation and expenses	18,031	16,576
Directors fees	5,988	18,083
Management fees	71,855	66,628
Research and development expenses	294,981	324,680
Other expenses	64,987	167,095
Loss from operating activities	(259,406)	(455,984)
Financial income	1,299	7,422
Financial expenses	-	(17,329)
Net financing costs	1,299	(9,907)
Loss before tax	(258,107)	(465,891)
Income tax (expense)/benefit	88,370	-
Loss for the period	(169,737)	(465,891)
Loss per share		
Basic loss per share	(0.0008)	(0.0023)
Diluted loss per share	(0.0008)	(0.0023)

*The consolidated interim income statement is to be read in conjunction with the notes
to and forming part of the financial statements.*

**REVETEC HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES
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**CONSOLIDATED INTERIM STATEMENT OF
RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007**

	31 December 2007 \$	31 December 2006 \$
Loss for the half-year	(169,737)	(465,891)
Total recognised income and expense for the half-year	(169,737)	(465,891)

The consolidated interim statement of recognised income and expense is to be read in conjunction with the notes to and forming part of the financial statements.

**REVETEC HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES
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CONSOLIDATED INTERIM BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	31 December 2007 \$	30 June 2007 \$
Assets			
Current assets			
Cash and cash equivalents		18,896	84,093
Trade and other receivables		10,176	23,760
Total current assets		<u>29,072</u>	<u>107,853</u>
Non-current assets			
Property, plant and equipment		95,271	115,623
Total non-current assets		<u>95,271</u>	<u>115,623</u>
Total assets		<u>124,343</u>	<u>223,476</u>
Liabilities			
Current liabilities			
Trade and other payables		179,946	165,473
Total current liabilities		<u>179,946</u>	<u>165,473</u>
Total liabilities		<u>179,946</u>	<u>165,473</u>
Net assets/(deficiency)		<u>(55,603)</u>	<u>58,003</u>
Equity			
Issued capital	6	14,265,629	14,209,498
Accumulated losses	6	<u>(14,321,232)</u>	<u>(14,151,495)</u>
Total equity/(deficiency)		<u>(55,603)</u>	<u>58,003</u>

*The consolidated interim balance sheet is to be read in conjunction with the notes to
and forming part of the financial statements.*

**REVETEC HOLDINGS LIMITED
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**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007**

	31 December 2007 \$	31 December 2006 \$
Cash flows from operating activities		
Cash receipts from customers	-	-
Cash paid to suppliers and employees	(416,399)	(461,503)
Cash generated from operations	(416,399)	(461,503)
Commercial Ready Grant funds received	205,403	168,543
R&D concession refund – income tax benefit	88,370	248,648
Deposits paid	-	(300)
Interest received	1,298	7,420
Net cash from operating activities	(121,328)	(37,192)
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	(78,800)
Net cash from investing activities	-	(78,800)
Cash flows from financing activities		
Proceeds from the issue of share capital	-	350,000
Shareholder Contribution	56,131	904
Net cash from financing activities	56,131	350,904
Net increase/(decrease) in cash and cash equivalents	(65,197)	234,912
Cash and cash equivalents at 1 July	84,093	77,389
Cash and cash equivalents at 31 December	18,896	312,301

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements.

**REVETEC HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES
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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

1. Reporting entity

Revetec Holdings Limited (the “Company” or “Revetec Holdings”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007 is available upon request from the Company’s registered office at Suite 5, 2 Elliot Street Bundall QLD or at www.revetec.com.au.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reports and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007.

This consolidated interim financial report was approved by the Board of Directors on 14th March 2008.

**REVETEC HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES
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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

3. Going concern

The financial report 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.

For the six months ended 31 December 2007, the Group had incurred an operating loss of \$169,737 and had negative cash flows from operations of \$121,328. At 31 December 2007 the Group had trade and other payables of \$179,946, net liabilities of \$55,603 and had minimal cash reserves.

The Group is continuing its research and development for the refinement of its technology and prototype engines. The Group's current activities are in the testing phase to enable future commercialisation of the technology.

The Group has prepared cash flow projections indicating that over the next 12 months the Group can pay its debts as and when they fall due, taking into account the following assumptions:

- Deferral of trade creditors as at 31 December 2007 of \$103,458 over the period to 30 June 2008.
- The Group continues to receive the funding under the Commercial Ready Grant scheme; and
- The Group continues to receive the funding available under the convertible loan facility to enable the ongoing key operations to continue. As at 31 December 2007 \$350,000 had been drawn down using this facility and subsequently converted to equity. The Group has received confirmation from the convertible note holder that \$800,000 of funds is able to be drawn down over the next 18 months, with specific term of receipt including \$175,000 in April 2008; \$150,000 in June 2008; \$150,000 in August 2008 and \$200,000 in December 2008.

Accordingly, the Directors are of the opinion that the going concern basis is appropriate for the preparation of the consolidated financial report. If the Group does not receive the funding from the Commercial Ready Grant scheme and from the convertible loan facility, there is no certainty as to whether the Group may realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in this financial report.

**REVETEC HOLDINGS LIMITED
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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

4. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2007.

5. Segment reporting

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

The consolidated entity's business segment operates in Australia.

**REVETEC HOLDINGS LIMITED
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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

6. Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders of the parent	Share capital \$	Retained earnings/ (accumulated losses) \$	Total \$
Balance at 1 July 2006	13,358,297	(13,386,264)	(27,967)
Total recognised income and expense	-	(765,231)	(765,231)
Shareholder contribution	393,490	-	393,490
Shares issued	457,711	-	457,711
Balance at 30 June 2007	14,209,498	(14,151,495)	58,003
Balance at 1 July 2007	14,209,498	(14,151,495)	58,003
Total recognised income and expense	-	(169,737)	(169,737)
Shareholder contribution	56,131	-	56,131
Balance at 31 December 2007	14,265,629	(14,321,232)	(55,603)

Ordinary shares

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 shareholders' meetings. 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.

Shareholder Contribution

On 30 November 2006 a special resolution was passed by the members of Revetec Limited resolving that: Revetec Limited realise all assets, settle all liabilities, write-off the existing loan to Revetec Holdings Limited and all surplus monies be paid to Revetec Holdings Limited leading to the winding up of Revetec Limited as soon as practicable. During the six months ending 31 December 2007, Revetec Limited received \$55,000 in cash as part-proceeds from the sale of shares held in General Communications Business Pty Ltd. This cash was immediately remitted to Revetec Holdings Limited.

**REVETEC HOLDINGS LIMITED
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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

7. Related parties

On 26 September 2007, Charles Chan resigned as a director of Revetec Holdings Limited. Accordingly, Charles Chan is no longer a related party of Revetec Holdings Limited and transactions from 27 September 2007 between Revetec Holdings Limited and entities related to Charles Chan are not required to be disclosed.

With the exception of the above matter, arrangements with related parties continue to be in place. For details of these arrangements, refer to the 30 June 2007 annual financial report.

8. Contingent liabilities

The consolidated entity had no contingent liabilities as at 31 December 2007 (Nil: 30 June 2007).

9. Subsequent events

On 24th January 2008, the company received \$171,346 (GST exclusive) from the Commercial Ready Grant scheme. This grant instalment was paid in advance and represents 50% of the forecast eligible expenses for the quarter ending 31 March 2008 adjusted for any overpayments in the previous instalment.

Other than the matter discussed above, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

**REVETEC HOLDINGS LIMITED
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DIRECTORS' DECLARATION

In the opinion of the directors of Revetec Holdings Limited:

1. the financial statements and notes, set out on pages 4 to 10, are in accordance with the Corporations Act 2001, including;
 - a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance for the half year ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. 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 Gold Coast this 14th day of March 2008.

Signed in accordance with a resolution of the directors:



Bradley David Howell-Smith
Chairperson



**REVETEC HOLDINGS LIMITED
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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF REVETEC HOLDINGS
LIMITED AND ITS CONTROLLED ENTITIES**

We have reviewed the accompanying interim financial report of Revetec Holdings Limited, which comprises the interim consolidated balance sheet as at 31 December 2007, income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes 1 to 9 and the directors' declaration set out on pages 4 to 11 of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim 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 interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Revetec Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.



**REVETEC HOLDINGS LIMITED
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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 Revetec Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 3 in the financial report which indicates that the Group incurred a net loss of \$169,737 during the year ended 30 June 2007 and, as of that date, the Group's current liabilities exceeded its total assets by \$55,603. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

A handwritten signature of 'KPMG' in black ink.

KPMG

A handwritten signature of 'P G Steer' in black ink.

P G Steer
Partner

Gold Coast

14th March 2008