Revetec Holdings Limited
and its controlled entities
A.C.N 115 621 317

Annual report
30 June 2009

Contents

Revetec Holdings Limited and its controlled entities
Directors' report
For the year ended 30 June 2009

The directors present their report together with the financial report of Revetec Holdings Limited ('the Company') and of the Group, being the Company and its controlled entities, for the financial year ended 30 June 2009 and the auditor's report thereon.

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Directors' report (continued)
For the year ended 30 June 2009

1. Directors
The directors of the Company at any time during or since the end of the financial year are:

Name and position	*Appointed*	*Experience, special responsibilities and other directorships*
Bradley David Howell-Smith Executive Director, Chairperson, and Company Secretary	4 August 2005	Inventor of the CCE concept, designer and builder of the first prototype engine 18 years experience in the automotive industry Automotive Mechanical Engineering certificate
Paul Rudolf Moitzi Executive Director	4 August 2005 Resigned 1 December 2008	20 years experience in the Toolmaking Industry Operated own business in design and manufacturing of Press Tools and special purpose machines for all types of industries Extensive experience in implementation of new technology in the toolmaking industry
Lan Wai Lee Director	7 September 2007	8 years experience in accountancy Associate member of CPA Australia
Steven Valtas Director	1 December 2008	27 years experience as a commercial property lawyer including over 16 years as a partner in a 7 partner practice employing more than 20 people

2. Company secretary
Bradley David Howell-Smith was appointed to the position of Company Secretary in September 2007. Over the years Bradley has acquired the necessary experience to act as Company Secretary. When appropriate, Bradley seeks the advice of the Company's solicitors and/or accountants.

3. Directors' meetings
The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings	
	A	**B**
Bradley David Howell-Smith	13	13
Paul Rudolf Moitzi	3	6
Lan Wai Lee	13	13
Steven Valtas	7	7

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

Revetec Holdings Limited and its controlled entities
Directors' report (continued)
For the year ended 30 June 2009

4. Remuneration report
4.1 Principles of compensation – audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel includes the five most highly remunerated S300A directors and executives for the Company and the Group.

Compensation levels for key management personnel of the Company, and relevant key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds. Fixed compensation and share-based payments are the only compensation provided to key management personnel of the Company and Group. Key management personnel do not receive compensation by means of bonuses or other performance-based compensation, nor other benefits.

Compensation levels are reviewed annually by the board through a process that considers individual, segment and overall performance of the Group. A senior executive's compensation is also reviewed on promotion. The review process is intended to assess whether the Company's long-term strategic objectives are being achieved and the achievement of individual performance objectives.

Consequences of performance on shareholders wealth

In considering the Group's performance and benefits for shareholder wealth, the directors have regard to the following indices in respect of the current financial year.

	2009	2008	2007
Loss attributable to equity holders of the parent	($310,685)	($420,138)	($765,231)
Dividends paid	-	-	-
Change in share price	($0.005)	($0.015)	($0.01)

Revetec Holdings Limited and its controlled entities
Directors' report (continued)
For the year ended 30 June 2009

4.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited

Details of the nature and amount of each major element of remuneration of each director of the company who receive the highest remuneration are set out below. There are no specified executives of the company who are not directors.

		Short-term				Post-employment	Other long term		Share-based payments			
		Salary & fees $	STI cash bonus $	Non-monetary benefits $	Total $	Super-annuation benefits $	$	Termination benefits $	Shares and units (1) $	Total $	S300A (1)(e)(i) Proportion of remuneration performance related %	S300A (1)(e)(vi) Value of options as proportion of remuneration %
Executives / Directors												
Bradley David Howell-Smith Chairperson and Company Secretary	*2009*	*159,536*	-	-	*159,536*	-	-	-	-	*159,536*	-	-
	2008	*159,536*	-	-	*159,536*	-	-	-	-	*159,536*	-	-
Lan Wai Lee Executive Director	*2009*	*55,605*	-	-	*55,605*	-	-	-	-	*55,605*	-	-
	2008	*44,028*	-	-	*44,028*	-	-	-	-	*44,028*	-	-
Steven Valtas Director (appointed 1 December 2008)	*2009*	-	-	-	-	-	-	-	*25,556*	*25,556*	-	-
	2008	-	-	-	-	-	-	-	-	-	-	-
Former												
Paul Rudolf Moitzi, Executive Director (resigned 1 December 2008)	*2009*	*5,236*	-	-	*5,236*	-	-	-	-	*5,236*	-	-
	2008	*136,136*	-	-	*136,136*	-	-	-	-	*136,136*	-	-
Charles Chok Kwong Chan, Managing Director (resigned 7 September 2007)	*2009*	-	-	-	-	-	-	-	-	-	-	-
	2008	*28,880*	-	-	*28,880*	-	-	-	-	*28,880*	-	-

(1) During the year, compensation by way of ordinary shares issued were provided to newly appointed director, Steven Valtas, in recognition of 9 months' directorship service for the period 1 December 2008 to 31 August 2009. The fair value of the share-based payment was measured by reference to the fair value of the services provided $20,000. The share-based payment was recognised as an expense of $15,556 over the period the services were provided, a prepayment of $4,444 and a corresponding increase in share capital of $20,000 at 30 June 2009.

In addition, during the year-ended 30 June 2009, the Company entered into an agreement with SNV Enterprises Pty Ltd to exchange the provision of services during the period 1 July 2008 to 31 December 2008 for shares in the Company. Steven Valtas is the sole director of SNV Enterprises. The fair value of the share-based payment was measured by reference to the fair value of the services provided $10,000 and was recognised as an expense, with a corresponding increase in issued share capital, over the period the services were provided. 1,000,000 shares were issued at 1 cent per share, which was the average quoted share price for the service period.

Revetec Holdings Limited and its controlled entities
Directors' report (continued)
For the year ended 30 June 2009

5. Principal activities

The Group's principal activities are the research, design and development of combustion engines, known as the CCE design technology.

The entity's focus since the directors report of the previous financial year, has been:

Verification Testing in Germany: In the first quarter we attracted interest from a Chinese Group, which had several manufacturers interested in the mass production and supply of our engine. We met with the Chinese group and they requested the engine be tested in a nominated German Institution, and the cost of the testing would be paid by the Group.

Engine sent to Germany for testing: The X4v2 engine was sent to Germany for testing. Bradley Howell-Smith travelled to Germany in early September 2008 to setup the engine on their dynamometer. The engine was run through an extensive battery of tests where data was collected for evaluation and software simulation. The software simulation of the engine was completed in October 2008. There were a few equipment failures during testing which delayed the finalisation of the testing, mainly due to the fuel measuring equipment which was determined to be not reading correctly. After the equipment was rectified, the engine experienced a problem which was caused by a previously modified part. Bradley Howell-Smith returned to Australia and organised parts to be sourced and made in Australia and Germany.

Financial Activities: During the testing the World Financial Crisis occurred, and also other financial situations were experienced by our private funders. Our development operations became limited due to lack of capital. There were more delays after promises of capital injection from the private investors did not come to fruition. It became evident that the required capital would not be received in the short term period, and that we would have to arrange alternative funding. Our capital shortfall made it impossible to return to Germany to complete the testing until additional funds were raised. We initiated alternative capital raising activities and prepared a share offer to our current shareholders. We released the offer, and within a short period had fully subscribed the required funds.

Engine Verification Testing Continuing: The outsourced parts in Germany and Australia are completed, and the test cell is available in the middle of September. Bradley Howell-Smith has travelled back to Munich in mid August to complete the modifications and rebuild the engine. We will then continue the first round of testing, which we hope to complete within two months.

Business development: During this period we continued to market our technology to companies overseas.

Germany: We are now in early talks with a German power generation company, who have already expressed interest for five prototypes to be supplied for evaluation. During the return stay in Germany, we will be conducting in depth meetings about their requirements, and funding arrangements for that project.

Brazil: We have been also approached by a Brazilian manufacturer who wishes to co-develop and potentially mass produce an ethanol fuelled engine for the Brazilian market. We are currently conversing and exchanging information with this manufacturer. They are currently talking to the Brazilian government, requesting federal funding for the project.

China: We also met with our Chinese project consultant who has disclosed four entities who they have approached to manufacture or be supplied our engines.

Government Grants: The Company has contracted a grants specialist to pursue Grants suitable to the company's needs. Grant submissions are being submitted in all areas suggested by the specialist.

Technology Promotions: We are currently pursuing introductions to several large engine and automotive companies through the Queensland Government. Invitations will be sent out to travel to Germany to view the engine while testing.

Revetec Holdings Limited and its controlled entities
Directors' report (continued)
For the year ended 30 June 2009

6. Operating and financial review

Overview of the Group

During the year ended 30 June 2009:

- The Group commenced verification testing in Germany (refer to section 5 for further details)
- Paul Moitzi resigned as a director on 1 December 2008 and on that date Steven Valtas was appointed as a director
- The Group obtained significant funding from the following sources:

	GST exclusive $
Commercial ready grant	101,524
Income tax research and development concession	104,160
Convertible note holder	65,000
Convertible note holder – pending share issue	15,000
Agreement for the issue of shares to Edwin Yu	152,500
Rights issue	210,302
Other share issues	32,000
Other share issues – pending share issue	5,500
Sale of property, plant and equipment	47,863
	733,849

- At 30 June 2009 the Group had trade and other payables of $262,689, net liabilities of $92,096 and had minimal cash reserves of $199,865. Included in the trade and other payables are statutory obligations which were overdue at 30 June 2009 in the amounts of $84,037 GST payable and $26,844 superannuation payable.

The directors have prepared the financial statements on the going concern basis, based on their current plans and the following key assumptions:

- Complete the verification testing in Germany to enable "proof of concept" to be determined;
- Commercialise and/or license the technology; and
- Raise additional funding prior to and upon the successful completion of the verification testing and "proof of concept".

The directors have prepared cash flow projections that support the Group's ability to meet its obligations, incorporating the key assumptions above. To continue as a going concern, in the Director's opinion it will be necessary for the Group to:

- Complete the verification testing in Germany to enable "proof of concept" to be determined;
- Raise additional funding from share issues, commercial agreements and/or loan funding, including raising approximately $260,000 in the months of September and October 2009;
- Receive $149,000 in respect of the research and development tax concession in September 2009 and continue to receive such concessions in the next financial year;
- Receive $45,000 funding remaining under the Commercial Ready Grant scheme, before the end of January 2010; and
- Defer trade and other payables as at 30 June 2009 of $262,689 over the 14-month period to October 2010.

In the event that the Group cannot continue as a going concern, they may not realise their assets or settle their liabilities in the normal course of operations and at the amounts stated in the financial report at 30 June 2009.

Significant changes in the state of affairs

In the opinion of the directors, other than outlined in sections 5 and 6 above, there were no significant changes in the state of affairs of the Group that occurred during the financial year.

7. Dividends

No dividends have been paid or declared by the Company since the start of the financial year. No recommendation for payment of dividends has been made.

Revetec Holdings Limited and its controlled entities
Directors' report (continued)
For the year ended 30 June 2009

8. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial 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 Group, the results of those operations, or the state of affairs of the Group, in future financial years.

9. Likely developments

Information about likely developments in the operations of the Company and the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company and the Group.

10. Directors' interests

The relevant interest of each director in the share capital of the Company as at the date of this report is as follows:

Directors	Ordinary shares
Bradley David Howell-Smith	32,380,987
Lan Wai Lee	30,000
Steven Valtas	3,906,276

11. Indemnification and insurance of officers and auditors

Indemnification

The Company has not indemnified or made a relevant agreement for indemnifying against a liability, any person who is or has been an officer of the Company.

The Company has entered into an agreement with its current auditors, KPMG, indemnifying them against claims by third parties arising in certain KPMG engagements, except where the liability arises out of conduct involving a lack of good faith.

Insurance premiums

During the financial period, the Company has not paid premiums in respect of directors or executive officers for professional indemnity or other liabilities.

12. Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the board to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	Consolidated	
	2009 $	**2008 $**
Audit services:		
Auditors of the Company – KPMG		
Audit and review of the financial reports	26,000	26,000
Other audit services	7,700	2,700
	33,700	28,700
Services other than statutory audit:		
Auditors of the Company – KPMG		
Taxation services	-	-
	-	-

13. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 45 and forms part of the directors' report for the financial year ended 30 June 2009.

This report is made with a resolution of the directors:

Bradley David Howell-Smith
Chairperson

Gold Coast
11 September 2009

Revetec Holdings Limited and its controlled entities
Income statements
For the year ended 30 June 2009

	Notes	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Revenue			-		-
Other income	*6*	262,607	364,880	262,607	364,880
Depreciation expenses		(11,988)	(39,666)	(11,988)	(39,666)
Directors fees		(69,628)	(92,452)	(69,628)	(92,452)
Management fees		(79,595)	(143,709)	(79,595)	(143,709)
Employee benefits		(137,894)	(266,972)	(137,894)	(266,972)
Materials and engine testing expenses		(176,602)	(116,881)	(176,602)	(116,881)
Impairment of property, plant and equipment		-	(10,629)	-	(10,629)
Other expenses	*7*	(205,158)	(205,653)	(205,158)	(205,653)
Loss from operating activities		(418,258)	(511,082)	(418,258)	(511,082)
Financial income		3,464	2,843	3,464	2,843
Financial expenses		(51)	(269)	(51)	(269)
Net finance income / (expense)		3,413	2,574	3,413	2,574
Loss before tax		(414,845)	(508,508)	(414,845)	(508,508)
Income tax benefit / (expense)	*9*	104,160	88,370	104,160	88,370
Loss for the period		(310,685)	(420,138)	(310,685)	(420,138)
Loss per share					
Basic loss per share	*10*	(0.0014)	(0.0021)		
Diluted loss per share	*10*	(0.0014)	(0.0021)		

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

Revetec Holdings Limited and its controlled entities
Statements of recognised income and expense
For the year ended 30 June 2009

		Consolidated		The Company	
	Notes	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Loss for the period		(310,685)	(420,138)	(310,685)	(420,138)
Total recognised income and expense for the period	*14*	(310,685)	(420,138)	(310,685)	(420,138)

Other movements in equity arising from transactions with owners as owners are set out in note 14.

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

Revetec Holdings Limited and its controlled entities
Balance sheets
As at 30 June 2009

	Notes	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Assets					
Cash and cash equivalents	11	199,865	16,883	199,865	16,883
Prepayments and deposits		10,964	7,989	10,964	7,989
Total current assets		210,829	24,872	210,829	24,872
Investments		-	-	2	2
Property, plant and equipment	12	4,677	60,624	4,677	60,624
Total non-current assets		4,677	60,624	4,679	60,626
Total assets		215,506	85,496	215,508	85,498
Liabilities					
Trade and other payables	13	262,689	154,616	262,691	154,618
Deferred income	6	44,913	202,093	44,913	202,093
Total current liabilities		307,602	356,709	307,604	356,711
Total liabilities		307,602	356,709	307,604	356,711
Net assets / (deficiency)		(92,096)	(271,213)	(92,096)	(271,213)
Equity					
Issued capital	14	14,790,222	14,300,420	1,919,442	1,429,640
Accumulated losses	14	(14,882,318)	(14,571,633)	(2,011,538)	(1,700,853)
Total equity / (deficiency)	14	(92,096)	(271,213)	(92,096)	(271,213)

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 2009

	Notes	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Cash flows from operating activities					
Commercial Ready Grant funds received		111,676	553,083	111,676	553,083
Cash paid to suppliers and employees		(569,269)	(807,974)	(569,269)	(807,974)
Income tax – R&D concession refund received		104,160	88,370	104,160	88,370
Interest received		3,464	2,843	3,464	2,843
Net cash used in operating activities	*18*	(349,969)	(163,678)	(349,969)	(163,678)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		52,649	5,546	52,649	5,546
Net cash from investing activities		52,649	5,546	52,649	5,546
Cash flows from financing activities					
Proceeds from the issue of share capital	*14*	459,802	-	459,802	-
Proceeds from unissued share capital	*13*	20,500	-	20,500	-
Shareholder contribution	*14*	-	90,922	-	90,922
Net cash from financing activities		480,302	90,922	480,302	90,922
Net increase in cash and cash equivalents		182,982	(67,210)	182,982	(67,210)
Cash and cash equivalents at 1 July		16,883	84,093	16,883	84.093
Cash and cash equivalents at 30 June	*11*	199,865	16,883	199,865	16,883

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

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

1. Reporting entity

Revetec Holdings Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 5, 2 Elliot Street Bundall, Queensland, Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group primarily is involved in the research, design and development of combustion engines for various fuel applications, known as the CCE design technology.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australia Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001.

The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial report was approved by the directors on 11 September 2009.

(b) Basis of measurement

The financial report is prepared on the historical cost basis.

(c) Going concern

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

For the year ended 30 June 2009, the Group:

- Commenced verification testing in Germany;
- Funded its operations through raising additional funding of $528,165 from share issues, $101,524 from the Commercial Ready Grant and $104,160 from the research and development tax concession; and
- Incurred an operating loss of $310,685 and had negative cash flows from operations of $349,969.
- At 30 June 2009 the Group had trade and other payables of $262,689, net liabilities of $92,096 and had minimal cash reserves of $199,865. Included in the trade and other payables are statutory obligations which were overdue at 30 June 2009 in the amounts of $84,037 GST payable and $26,844 superannuation payable.

The directors have prepared the financial statements on the going concern basis, based on their current plans and the following key assumptions:

- Complete the verification testing in Germany to enable "proof of concept" to be determined;
- Commercialise and/or license the technology; and
- Raise additional funding prior to and upon the successful completion of the verification testing and "proof of concept".

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

2. Basis of preparation (continued)

(c) Going concern (continued)

The directors have prepared cash flow projections that support the Group's ability to meet its obligations, incorporating the key assumptions above. To continue as a going concern, in the Director's opinion, it will be necessary for the Group to:

- Complete the verification testing in Germany to enable "proof of concept" to be determined;
- Raise additional funding from share issues, commercial agreements and/or loan funding, including raising approximately $260,000 in the months of September and October 2009;
- Receive $149,000 in respect of the research and development tax concession in September 2009 and continue to receive such concessions in the next financial year;
- Receive $45,000 funding remaining under the Commercial Ready Grant scheme, before the end of January 2010; and
- Defer trade and other payables as at 30 June 2009 of $262,689 over the 14-month period to October 2010.

In the event that the Group cannot continue as a going concern, they may not realise their assets or settle their liabilities in the normal course of operations and at the amounts stated in the financial report.

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

(e) Use of estimates and judgements

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 2(c) Going concern
- Note 12 Impairment of property, plant and equipment

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Reverse acquisition accounting

Under AIFRS the formation of the Revetec Holdings Limited Group has been accounted as a business combination.

In applying the requirements of AASB 3 “Business Combinations” to the Group:

- Revetec Holdings Limited is the legal parent entity of the Group; and
- Revetec Limited (“RL”), which is neither the legal parent nor legal acquirer, was deemed to be the accounting parent of the Group as a result of the restructure of the RL during the year ended 30 June 2006.

This reflects the requirements of AASB 3 that in situations where a number of existing entities are combined with a new entity, an existing entity shall be deemed to be the acquirer, subject to consideration of factors such as relative fair values of the entities involved in the transaction. This is commonly referred to as a reverse acquisition.

The opening balance consolidated financial information for the year ended 30 June 2007 incorporates the assets and liabilities of the entity, Revetec Holdings Limited, deemed to be acquired by RL, and the results of this entity for the period from which this entity is accounted for as being acquired by RL. The assets and liabilities of the entity acquired by RL were recorded at fair value while the assets and liabilities of RL were maintained at their book value. The impact of all transactions between entities in the Group is eliminated in full. RL was disposed of on 30 September 2006.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group 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.

(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.

(b) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss.

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

3. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(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 and prior 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 reviewed at each reporting date.

(c) 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.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product of process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overheads that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in profit or loss as incurred. 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 accumulated impairment losses (see accounting policy (d)).

(d) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

3. Significant accounting policies (continued)

(d) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purposes of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in 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 the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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, if no impairment loss had been recognised.

(e) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

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

Accounting for finance income and expense is discussed in note 3(g)(ii).

Other financial instruments

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Ordinary shares comprise shareholder based transactions including the derecognition of liabilities relating to the restructure of the company. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

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

Convertible note

Convertible note arrangements that will be settled by the Company delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash is recognised as an equity instrument. The equity instrument is measured as the amount received under the arrangement. Changes in the fair value of an equity instrument are not recognised in the financial statements.

Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the Group obtains the goods or as the services are received. The Group recognises a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

(f) Revenue

(i) Goods sold and services rendered

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(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 Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised as other income in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group 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.

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3. Significant accounting policies (continued)

(g) 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) Finance income and expense

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(h) Income tax

Income tax expense 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.

The current income tax benefit in the form of research and development tax concessions are recognised on receipt and relate to research and development expenses incurred in the previous financial year. Income tax benefits are not recognised as a receivable at the end of each financial year, as they are not considered recoverable until assessed and paid by the Commissioner of Taxation. Rather they are disclosed as an unrecognised deferred tax asset.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and 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 is recognised.

The Company and its wholly owned Australian resident subsidiaries have not elected to form a tax Group.

(i) 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.

Revetec Holdings Limited and its controlled entities
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3. Significant accounting policies (continued)

(j) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(k) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(l) Capital management

The Group manages capital by:

- investing funds in interest-bearing accounts
- regularly reviewing expenditure commitments
- minimising debt

(m) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

(n) New standard and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report.

- Revised AASB 3 *Business Combinations* (2008) incorporates the following changes:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Revised AASB 3, which becomes mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statement.

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3. Significant accounting policies (continued)

(n) New standard and interpretations not yet adopted

- Amended AASB 127 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have a significant impact on the consolidated financial statements.
- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. The management approach requires that the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements is not expected to have a significant impact on the consolidated financial statements.
- Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.
- AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendments.
- AI 17 *Distributions of Non-Cash Assets to Owners* provides guidance in respect of measuring the value of distributions of non-cash assets to owners. AI 17 will become mandatory for the Group's 30 June 2010 consolidated financial statements. The Group has not yet determined the potential effect of the Interpretation.
- AI 18 Transfers of Assets from Customers provides guidance on the accounting for contributions from customers in the form of transfers of property, plant and equipment (or cash to acquire or construct it). AI 18 will become mandatory for the Group's 30 June 2010 consolidated financial statements. The Group has not yet determined the potential effect of the Interpretation.

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4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(iv) Share-based payments

The fair value of share based payments are measured by reference to the fair value of the services provided.

5. Segment reporting

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

The Group's business segment typically operates in Australia, however, during the year ended 30 June 2009 significant and lengthy testing of the prototype engine was undertaken in Munich, Germany. During the year ended 30 June 2009 there were no revenues, assets or significant capital expenditure in this geographical segment.

6. Other income

	Consolidated		The Company	
	2009 $	2008 $	2009 $	2008 $
Commercial Ready Grant income	258,704	364,038	258,704	364,038
Gain on sale of plant and equipment	3,903	842	3,903	842
	262,607	364,880	262,607	364,880

Total funds received under the Commonwealth Government Commercial Ready Grant during the year ended 30 June 2009 was $101,524 GST exclusive (2008: $502,803 GST exclusive) and total funds received since the inception of the Grant to this date was $969,102 GST exclusive (2008: $867,578 GST exclusive). As at 30 June 2009, eligible expenditure incurred under the Grant was less than the funds received. As such, the portion of total funds which exceeds the eligible expenditure at year-end was recognised as a deferred income liability of $44,913 GST exclusive (2008: $202,093 GST exclusive).

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7. Other expenses

	Consolidated		The Company	
	2009 $	2008 $	2009 $	2008 $
Lease payments	24,773	28,640	24,773	28,640
Fees and charges	33,082	24,927	33,082	24,927
Patents and trade marks	59,653	50,254	59,653	50,254
Repairs and maintenance	1,335	11,003	1,335	11,003
Consultants fees	11,500	1,570	11,500	1,570
Other	74,815	89,259	74,815	89,259
	205,158	205,653	205,158	205,653

8. Auditors' remuneration

Audit services				
Auditors of the Company – KPMG				
Audit and review of financial reports	26,000	26,000	26,000	26,000
Other services	7,700	2,700	7,700	2,700
	33,700	28,700	33,700	28,700
Other services				
Auditors of the Company – KPMG				
Taxation services	-	-	-	-
	-	-	-	-

9. Income tax expense/(benefit)

Recognised in the income statement				
Current tax expense/(benefit)				
Current year	(104,160)	(88,370)	(104,160)	(88,370)
Total income tax expense/(benefit) in income statement	(104,160)	(88,370)	(104,160)	(88,370)

Numerical reconciliation between tax expense and pre-tax net loss

Loss before tax	(414,845)	(508,508)	(414,845)	(508,508)
Income tax using the domestic corporation tax rate of 30% (2008: 30%)	(124,454)	(152,552)	(124,454)	(152,552)
Increase in income tax expense due to:				
Effect of tax losses and temporary differences not recognised	124,454	152,552	124,454	152,552
Decrease in income tax expense due to:				
Research and development tax concession received	(104,160)	(88,370)	(104,160)	(88,370)
Income tax expense/ (benefit) on pre-tax net loss	(104,160)	(88,370)	(104,160)	(88,370)

Unrecognised deferred tax assets

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

Tax losses	1,271,766	1,191,017	1,271,766	1,191,017
Deductible temporary differences	37,658	58,916	37,658	58,916
	1,309,424	1,249,933	1,309,424	1,249,933

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 Group can utilise the benefits from.

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10. Loss per share

Basic loss per share

The calculation of basic loss per share at 30 June 2009 was based on the loss attributable to ordinary shareholders of $310,685 (2008: $420,138) and a weighted average number of ordinary shares outstanding of 217,517,971 (2008: 203,598,657), calculated as follows:

Loss attributable to ordinary shareholders

	Consolidated	
	2009 $	2008 $
Loss attributable to ordinary shareholders	(310,685)	(420,138)

Weighted average number of ordinary shares

	Number	Number
Issued ordinary shares at 1 July	203,598,657	203,598,657
Effect of shares issued during the year	13,919,314	-
Weighted average number of ordinary shares at 30 June	217,517,971	203,598,657

Diluted earnings/ (loss) per share

The calculation of diluted earnings/ (loss) per share at 30 June 2009 was based on loss attributable to ordinary shareholders (diluted) of $310,685 (2008: $420,138) and a weighted average number of ordinary shares (diluted) outstanding during the financial year ended 30 June 2009 of 217,517,971 (2008: 203,598,657), calculated as follows:

Loss attributable to ordinary shareholders (diluted)

	$	$
Loss attributable to ordinary shareholders (diluted)	(310,685)	(420,138)

Weighted average number of ordinary shares (diluted)

	Number	Number
Weighted average number of ordinary shares at 30 June	217,517,971	203,598,657
Weighted average number of ordinary shares (diluted) at 30 June	217,517,971	203,598,657

11. Cash and cash equivalents

	Consolidated		The Company	
	2009 $	2008 $	2009 $	2008 $
Bank balances and cash on hand	199,865	16,883	199,865	16,883
Cash and cash equivalents in the statement of cash flows	199,865	16,883	199,865	16,883

The Group's exposure to interest rate risk is disclosed in Note 15.

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12. Property, plant and equipment

	Consolidated					The Company				
	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 1 July 2007	7,048	161,646	37,414	34,398	240,506	7,048	161,646	37,414	34,398	240,506
Disposals	-	(9,860)	-	-	(9,860)	-	(9,860)	-	-	(9,860)
Balance at 30 June 2008	7,048	151,786	37,414	34,398	230,646	7,048	151,786	37,414	34,398	230,646
Balance at 1 July 2008	7,048	151,786	37,414	34,398	230,646	7,048	151,786	37,414	34,398	230,646
Disposals	-	(92,209)	-	-	(92,209)	-	(92,209)	-	-	(92,209)
Balance at 30 June 2009	7,048	59,577	37,414	34,398	138,437	7,048	59,577	37,414	34,398	138,437
Depreciation and impairment losses										
Balance at 1 July 2007	7,048	62,788	37,414	17,633	124,883	7,048	62,788	37,414	17,633	124,883
Depreciation charge for the year	-	34,432	-	5,234	39,666	-	34,432	-	5,234	39,666
Impairment losses	-	6,663	-	3,966	10,629	-	6,663	-	3,966	10,629
Disposals	-	(5,156)	-	-	(5,156)	-	(5,156)	-	-	(5,156)
Balance at 30 June 2008	7,048	98,727	37,414	26,833	170,022	7,048	98,727	37,414	26,833	170,022
Depreciation and impairment losses										
Balance at 1 July 2008	7,048	98,727	37,414	26,833	170,022	7,048	98,727	37,414	26,833	170,022
Depreciation charge for the year	-	6,754	-	5,234	11,988	-	6,754	-	5,234	11,988
Impairment losses	-	-	-	-	-	-	-	-	-	-
Disposals	-	(48,250)	-	-	(48,250)	-	(48,250)	-	-	(48,250)
Balance at 30 June 2009	7,048	57,231	37,414	32,067	133,760	7,048	57,231	37,414	32,067	133,760
Carrying amounts										
At 1 July 2007	-	98,858	-	16,765	115,623	-	98,858	-	16,765	115,623
At 30 June 2008	-	53,059	-	7,565	60,624	-	53,059	-	7,565	60,624
At 1 July 2008	-	53,059	-	7,565	60,624	-	53,059	-	7,565	60,624
At 30 June 2009	-	2,346	-	2,331	4,677	-	2,346	-	2,331	4,677

Impairment of property, plant and equipment

During the year ended 30 June 2009, impairment testing of all property, plant and equipment held by the Group was undertaken. As the most substantial item of plant and equipment in the books of the Group was disposed of during the period, total written down value of fixed assets at year-end was $4,677. As a result, no impairment loss ($0, 2008: $10,629) was required to be recognised for the remaining plant and equipment and motor vehicle assets.

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13. Trade and other payables

		Consolidated		Company	
		$	$	$	$
	Notes	2009	2008	2009	2008
Trade payables		103,592	21,435	103,594	21,437
Other accruals		25,000	20,000	25,000	20,000
Share issues pending	14	20,500	-	20,500	-
Superannuation payable		26,844	15,457	26,844	15,457
PAYG payable		2,716	17,056	2,716	17,056
GST payable		84,037	80,668	84,037	80,668
		262,689	154,616	262,691	154,618

14. Capital and reserves

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

Consolidated	Share capital $	Accumulated losses $	Total $
Balance at 1 July 2007	14,209,498	(14,151,495)	58,003
Total recognised income and expense	-	(420,138)	(420,138)
Shareholder contribution	90,922	-	90,922
Balance at 30 June 2008	14,300,420	(14,571,633)	(271,213)
Balance at 1 July 2008	14,300,420	(14,571,633)	(271,213)
Total recognised income and expense	-	(310,685)	(310,685)
Shares issued to convertible note holder	65,000	-	65,000
Shares issued to Edwin Yu	152,500	-	152,500
Shares issued to director as share-based payments	30,000	-	30,000
Shares issued to shareholders - rights issue	210,302	-	210,302
Shares issued to shareholders - other	32,000	-	32,000
Balance at 30 June 2009	14,790,222	(14,882,318)	(92,096)
The Company			
Balance at 1 July 2007	1,338,718	(1,280,715)	58,003
Total recognised income and expense	-	(420,138)	(420,138)
Shareholder contribution	90,922	-	90,922
Balance at 30 June 2008	1,429,640	(1,700,853)	(271,213)
Balance at 1 July 2008	1,429,640	(1,700,853)	(271,213)
Total recognised income and expense	-	(310,685)	(310,685)
Shares issued to convertible note holder	65,000	-	65,000
Shares issued to Edwin Yu	152,500	-	152,500
Shares issued to director as share-based payments	30,000	-	30,000
Shares issued to shareholders - rights issue	210,302	-	210,302
Shares issued to shareholders - other	32,000	-	32,000
Balance at 30 June 2009	1,919,442	(2,011,538)	(92,096)

The Group reflects the business combinations reverse acquisition as outlined in note 3(a)(i).

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14. Capital and reserves (continued)

Share capital

	The Company	
	Ordinary shares	
	2009	2008
	Number	Number
On issue 1 July – fully paid	203,598,657	203,598,657
Shareholder contribution	-	-
Issued to convertible note holder	2,751,000	-
Issued to Edwin Yu	15,250,000	-
Issued to director as share-based payments	2,000,000	-
Issued to shareholders – rights issue	8,412,100	-
Issued to shareholders – other	2,100,000	-
On issue at 30 June – fully paid	234,111,757	203,598,657

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued 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 meetings of the Company. In the event of winding up of the Group, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Convertible notes

On 10 February 2009, the Group executed a deed of variation to the amended convertible loan facility dated 27 July 2006. The new terms of the loan facility provide that $122,036 of funds is able to be drawn down over 6 months, with specific terms of receipt including $32,036 in February 2009, and $15,000 per month February inclusive and for the 5 months thereafter. The deed of variation also provides that the note holder will be released from obligations under the convertible note instrument dated 9 November 2005, and all subsequent variations and addendums, upon the Company receiving all advances of funds within the periods stipulated above.

Amounts received and ordinary shares issued, under the terms of this 10 February 2009 variation to the amended convertible note facility, during the year ended 30 June 2009:

Date amount received	Date shares issued	Note	$	Number
23 February 2009	26 February 2009		32,036	1,601,800
11 March 2009	26 March 2009		15,000	750,000
			47,036	2,351,800
14 May 2009	22 July 2009	13	15,000	750,000
			62,036	3,101,800

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

14. Capital and reserves (continued)

Convertible notes (continued)

Prior to the 10 February 2009 amendment being enacted, the facility provided funding to a maximum $1.95 million with requirements to drawdown specified amounts and convert into ordinary shares as follows:

- The sum of $350,000 shall be drawn no later than 7 August 2006 and such amount shall be immediately converted into ordinary shares at 4.5 cents per share.
- A further sum of $950,000 shall be drawn down monthly to a maximum of $20,000 per month to match the Australian Government's dollar for dollar Commercial Ready Grant and as each sum is received the same shall be converted into shares at 4.5 cents per share.
- The balance of the sum of $650,000 shall be drawn down after the full draw down of the $950,000 and the Note holder shall have the option to convert the same into ordinary shares at 5 cents a share within two years from 27 July 2006.

Amounts received and ordinary shares issued under the terms of this original facility during the years ended 30 June 2008 and 30 June 2009:

		2009		2008	
Date amount received	**Date shares issued**	**$**	**Number**	**$**	**Number**
4 August 2006	8 August 2006	-	-	350,000	7,777,778
17 July 2008	21 August 2008	17,964	399,200	-	-

Agreement for issue of shares

On 12 June 2008, the Company entered into an agreement with Edwin Yu (the Applicant) to issue shares to the total value of $350,000 at the rate of one cent per share, being 35,000,000 ordinary shares, conditional upon the Applicant's assurance that two of China's largest car companies will enter into an agreement with the Company to undertake joint development for a production engine. The Applicant's ability to uphold assurance of the arrangements with China's car companies is contingent on the satisfactory testing of the Company's engine in accordance with a testing and development agreement with the University of Munich, (entered 27 August 2008). As a result, the Company agreed that funds obtained under this share issue agreement must only be utilised for expenses related to the Munich test.

Amounts received and ordinary shares issued under this agreement, during the year ended 30 June 2009:

Date amount received	Date shares issued	$	Number
1 August 2008	1 November 2008	10,000	1,000,000
5 August 2008	1 November 2008	10,000	1,000,000
6 October 2008	1 November 2008	20,000	2,000,000
8 October 2008	1 November 2008	112,500	11,250,000
		152,500	15,250,000

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

14. Capital and reserves (continued)

Share-based payments

During the year, compensation by way of ordinary shares issued were provided to newly appointed director, Steven Valtas, in recognition of 9 months' directorship service for the period 1 December 2008 to 31 August 2009. The fair value of the share-based payment was measured by reference to the fair value of the services provided $20,000. The share-based payment was recognised as an expense of $15,556 over the period the services were provided, a prepayment of $4,444 and a corresponding increase in share capital of $20,000 at 30 June 2009.

In addition, during the year-ended 30 June 2009, the Company entered into an agreement with SNV Enterprises Pty Ltd to exchange the provision of services during the period 1 July 2008 to 31 December 2008 for shares in the Company. Steven Valtas is the sole director of SNV Enterprises. The fair value of the share-based payment was measured by reference to the fair value of the services provided $10,000 and was recognised as an expense, with a corresponding increase in issued share capital, over the period the services were provided. 1,000,000 shares were issued at 1 cent per share, which was the average quoted share price for the service period.

Amounts recognised as share capital and ordinary shares issued under these agreements, during the year ended 30 June 2009:

	Fair value	
Date shares issued	**$**	**Number**
21 July 2008	10,000	1,000,000
27 March 2009	20,000	1,000,000
	30,000	2,000,000

Rights issue

On 29 May 2009, the company made a rights issue to shareholders of up to 7.0 million shares at an issue price of 2.5 cents per share.

Amounts received and ordinary shares issued under this issue, during the year ended 30 June 2009:

Date amount received	Date shares issued	$	Number
25 June 2009	30 June 2009	210,302	8,412,100

Subsequent to the cut-off date for the subscription to the rights issue, additional applications were received from shareholders wishing to subscribe for shares in accordance with the rights issue.

Amounts received and ordinary shares to be issued in respect of these applications, during the year ended 30 June 2009:

Date amount received	Date shares issued	Note	$	Number
25 June 2009	22 July 2009		5,000	200,000
30 June 2009	22 July 2009		500	20,000
		13	5,500	220,000

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

14. Capital and reserves (continued)

Shares issued to other shareholders

On 15 July 2008, the Company agreed to issue 500,000 shares each at 1 cent per share to two interested parties, The Used Car Factory and Mr/Mrs Tsolakis. The Company further agreed to issue 1,100,000 shares at 2 cents per share to Mr Sherrin & Mrs Heaton on 28 January 2009.

Amounts received and ordinary shares issued under these share issue arrangements, during the year ended 30 June 2009:

Date amount received	Date shares issued	$	Number
17 July 2008	21 July 2008	5,000	500,000
18 July 2008	21 July 2008	5,000	500,000
30 January 2009	26 February 2009	22,000	1,100,000
		32,000	2,100,000

Shareholder contribution

During the year ended 30 June 2008, Revetec Limited signed and executed an agreement for the sale of Revetec Limited's shares held in General Communications Business Pty Ltd (formerly Data FX) to KAM Management Group. Pursuant to the special resolution, the $90,922 cash received for the sale was paid to Revetec Holdings Limited by way of a shareholder contribution.

Dividends

No dividends were paid during the year to 30 June 2009 (2008: $0) and no dividends are currently proposed.

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

15. Financial Instruments

(i) Financial risk management

Overview

The Company and Group have exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, their objectives and policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training, management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company and Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk relates to holdings of cash and cash equivalents.

Liquidity risk

Liquidity risk is the risk that the Company and Group will not be able to meet its financial obligations as they fall due. The Company and Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company or Group's reputation.

Typically the Company and Group ensures that it has sufficient cash on demand to meet expected operational expenses as they fall due; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Refer to note 2 (c) Going Concern, for further discussion with respect to how the Company and Group are planning to manage liquidity risk over the next 12 months.

The Company and Group has access to bank credit card facilities of $4,000 and equity contributions of $122,036 and $350,000 from the deed of variation convertible note facility and the agreement for issue of shares, respectively. The amount of these facilities unused at balance date is $2,696, $60,000 and $197,500, respectively.

Market risk

The Company and Group's exposure to market risk relates to holdings of cash and cash equivalents.

Currency risk

During the year ended 30 June 2009 the Group was exposed to foreign currency risk. On 27 August 2008 the Group entered into a testing and development agreement with the University of Munich, Germany. The fees payable under the terms of the agreement and other costs associated with executive director-related travel are mostly paid or payable in euro's.

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

15. Financial Instruments (continued)

(ii) Financial instruments disclosures

Credit risk

Exposure to credit risk

The carrying amount of the Company's and Group's financial assets represents the maximum credit exposure. The Company's and Group's maximum exposure to credit risk at the reporting date was:

	Consolidated Carrying Amount		The Company Carrying Amount	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Cash and cash equivalents	199,865	16,883	199,865	16,883
	199,865	16,883	199,865	16,883

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

Consolidated

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	6 mths or less	6 to 12 mths	1 to 2 years	2 to 5 years	More than 5 years
30 June 2009	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Trade and other payables	(262,689)	(262,689)	(262,689)	-	-	-	-
	(262,689)	(262,689)	(262,689)	-	-	-	-
30 June 2008							
Trade and other payables	(154,616)	(154,616)	(154,616)	-	-	-	-
	(154,616)	(154,616)	(154,616)	-	-	-	-

Company

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	6 mths or less	6 to 12 mths	1 to 2 years	2 to 5 years	More than 5 years
30 June 2009	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Trade and other payables	(262,691)	(262,691)	(262,691)	-	-	-	-
	(262,691)	(262,691)	(262,691)	-	-	-	-
30 June 2008							
Trade and other payables	(154,618)	(154,618)	(154,618)	-	-	-	-
	(154,618)	(154,618)	(154,618)	-	-	-	-

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

15. Financial Instruments (continued)

(ii) Financial instruments disclosures (continued)

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	AUD	euro	AUD	euro
	30 June 2009		30 June 2008	
Trade payables	(33,417)	(40,000)	(154,616)	-
Gross balance sheet exposure	(33,417)	(40,000)	(154,616)	-

The Company's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	AUD	euro	AUD	euro
	30 June 2009		30 June 2008	
Trade payables	(33,417)	(40,000)	(154,618)	-
Gross balance sheet exposure	(33,417)	(40,000)	(154,618)	-

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	2009	2008	2009	2008
euro	0.54	0.61	0.58	0.61

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated		Company	
Effect in AUD	Equity	Profit or loss	Equity	Profit or loss
30 June 2009				
euro	-	6,380	-	6,380
30 June 2008				
euro	-	-	-	-

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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

15. Financial Instruments (continued)

(ii) Financial instruments disclosures (continued)

Interest rate risk

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount		The Company Carrying amount	
	2009 $	2008 $	2009 $	2008 $
Variable rate instruments				
Financial assets	199,865	16,883	199,865	16,883
	199,865	16,883	199,865	16,883

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

	Consolidated Profit or loss		The Company Profit or loss	
	150 bp increase $	150 bp decrease $	150 bp increase $	150 bp decrease $
30 June 2009				
Variable rate instruments	1,099	(1,099)	1,099	(1,099)
Cash flow sensitivity	1,099	(1,099)	1,099	(1,099)
	150 bp increase $	**150 bp decrease $**	**150 bp increase $**	**150 bp decrease $**
30 June 2008				
Variable rate instruments	669	(669)	669	(669)
Cash flow sensitivity	669	(669)	669	(669)

Fair values

Fair values versus carrying amounts

The Directors consider that the fair value of financial assets and liabilities of the Group are represented by their carrying amount.

16. Commitments

(i) Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Less than one year	37,375	-	37,375	-
Between one and five years	42,250	-	42,250	-
More than five years	-	-	-	-
	79,625	-	79,625	-

The Group leases business premises under an operating lease. On 4 August 2008, the Group (the lease is under the personal name of Bradley Howell-Smith) signed and entered a lease agreement for new business premises. The lease is for a period of 3 years, with an option to renew the lease after that date. Lease payments are increased every year by the CPI rate or 4%, whichever is greater, to reflect market rentals.

As at 30 June 2008 no lease agreement was in place for continuing rental of the previous business premises. Accordingly, no operating lease rental commitments were disclosed. Rent was paid on a monthly basis.

During the year ended 30 June 2009, $24,773 was recognised as an expense in the income statement in respect of operating leases (2008: $28,640).

(ii) Commitments – research and development contract

The Group and Company at 30 June 2009 had entered into contractual commitments with the University of Munich, Germany, for services to be provided in respect of analysing the performance of the Revetec Holdings Limited engine. At 30 June 2009 the contracted commitments of the Group and Company, for further expenditure in respect of this contract was euros 56,000 (AUD $98,245).

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

17. Group entities

	Country of Incorporation	Ownership interest 2009	Ownership interest 2008
Parent entity			
Revetec Holdings Limited	Australia		
Subsidiaries			
Revetec International Pty Ltd	Australia	100%	100%
Revolution Engine Technologies Pty Ltd	Australia	100%	100%

18. Reconciliation of cash flows from operating activities

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Cash flows from operating activities				
Profit/(loss) for the period after tax	(310,685)	(420,138)	(310,685)	(420,138)
Adjustments for:				
Depreciation	11,988	39,666	11,988	39,666
Impairment of property, plant and equipment	-	10,629	-	10,629
Share based payment to director	25,556	-	25,556	-
Interest expense	51	269	51	269
Interest income	(3,464)	(2,843)	(3,464)	(2,843)
Gain on sale of property, plant and equipment	(3,903)	-	(3,903)	-
Income tax expense/(benefit)	(104,160)	(88,370)	(104,160)	(88,370)
Operating profit before changes in working capital	(384,617)	(460,787)	(384,617)	(460,787)
Change in prepayments and deposits	1,469	15,771	1,469	15,771
Change in trade and other payables	82,786	51,361	82,786	51,361
Change in deferred income	(157,180)	138,764	(157,180)	138,764
	(457,542)	(254,891)	(457,542)	(254,891)
Interest paid	(51)	-	(51)	-
Interest received	3,464	2,843	3,464	2,843
Income tax refund – R&D concessions received	104,160	88,370	104,160	88,370
Net cash from operating activities	(349,969)	(163,678)	(349,969)	(163,678)

19. Key management personnel disclosures

Key management personnel compensation

The key management personnel compensation included in 'directors fees', 'employee benefits' and 'management fees' are as follows:

	Consolidated		The Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Short-term employee benefits	245,933	368,580	245,933	368,580
	245,933	368,580	245,933	368,580

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the directors' report.

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

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

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group 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 $	Highest balance in period $	Number in group at 30 June
2009					
Total for key management personnel	-	-	-	-	-
Total for key management personnel and their related parties	-	-	-	-	-
2008					
Total for key management personnel	-	-	269	(10,000)	-
Total for key management personnel and their related parties	-	-	269	(10,000)	-

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

19. Key management personnel disclosures (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	2009 $	2008 $	2009 $	2008 $
Key management persons	**Transaction**					
Mr CCK Chan (resigned 7 September 2007)	Legal fees	(i)	-	1,570	-	1,570
	Bookkeeping and administration services	(i)	-	143,709	-	143,709

(i) Transactions between the Company or its controlled entities and entities related to Mr CCK Chan have not been disclosed for the year ended 30 June 2009 because Mr CCK Chan resigned as a director of Revetec Holdings Limited on 7 September 2007.

There were no amounts receivable from and payable to other key management personnel at reporting date (2008: nil).

Movements in shares

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

	2009 Number			
	Held at 1 July 2008	**Purchases**	**Sales**	**Held at 30 June 2009**
Directors				
Mr BD Howell-Smith	32,380,987	-	-	32,380,987
Mr LW Lee	30,000	-	-	30,000
Mr SN Valtas (appointed 1 December 2008)	1,906,276	2,000,000	-	3,906,276

	2008 Number			
	Held at 1 July 2007	**Purchases**	**Sales**	**Held at 30 June 2008**
Mr BD Howell-Smith	32,380,987	-	-	32,380,987
Mr PR Moitzi (a)	5,879,969	-	-	5,879,969
Mr LW Lee	30,000	-	-	30,000

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

(a) On 1 December 2008, Paul Moitzi resigned as a director and from that date was no longer a key management person.

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

20. Non-key management personnel disclosures

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 17) and with its key management personnel (see note 19).

Other related party transactions

Prior to his appointment as a director of Revetec Holdings Limited, Steven Valtas entered an agreement with the Company on behalf of SNV Enterprises Pty Ltd (trading as Butlers Law Group), to provide services to the value of $10,000 in exchange for the allotment of 1,000,000 shares. Steven Valtas is the sole director of SNV Enterprises Pty Ltd. This share issue has been accounted as a share based payment, refer to note 14.

Loans from related party

During 2006 Revetec Limited (a related entity) provided two loans to Revetec Holdings Limited. At 30 June 2006 these loans including interest and principal amounted to $157,907 and $215,948. Interest was payable at rates of 10% and 8%, respectively.

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. Consequently, at 30 November 2006 Revetec Holdings Limited derecognised its liability to Revetec Limited of $393,490 and recognised a corresponding increase in shareholder contributions.

During the year ended 30 June 2008, Revetec Limited signed and executed an agreement for the sale of Revetec Limited's shares held in General Communications Business Pty Ltd (formerly Data FX) to KAM Management Group. Pursuant to the special resolution, the $90,922 cash received for the sale was paid to Revetec Holdings Limited by way of a shareholder contribution.

21. Subsequent events

There has not arisen in the interval between the end of the financial 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 Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' declaration

1 In the opinion of the directors of Revetec Holdings Limited (the Company):

(a) the financial statements and notes set out on pages 11 to 41, and the Remuneration report in the Directors' report, set out on pages 5 to 6, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

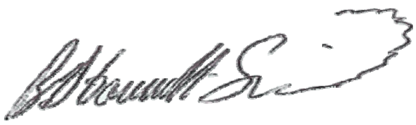
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors:



Bradley David Howell-Smith
Chairperson

Gold Coast
11 September 2009

Independent auditor's report to the members of Revetec Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Revetec Holdings Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 21 and the directors' declaration set out on pages 11 to 42 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the 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 control relevant to the preparation and fair presentation of the 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. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Company and Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australia Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

Whilst we draw attention to the significant uncertainty discussed below, in our opinion:

(a) the financial report of Revetec Holdings Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2(a).

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(c) in the financial report which indicates that the Group incurred a net loss of $310,685 during the year ended 30 June 2009 and, as of that date, the Group's total liabilities exceeded its total assets by $92,096. These conditions, along with other matters as set forth in Note 2(c), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in pages 5 to 6 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Revetec Holdings Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

P Steer

Paul G Steer
Partner

Gold Coast

11 September 2009

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

To: the directors of Revetec Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

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

KPMG

KPMG

P Steer

Paul G Steer
Partner

Gold Coast

11 September 2009

NSX Additional information

Additional information required by the National Stock Exchange of Australia Limited ("NSX") Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 30 June 2009)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number	%
Bradley David Howell-Smith	32,380,987	13.83

Voting rights

Ordinary shares

Every ordinary share ranks equally on voting. Every shareholder present in person or by proxy has one vote on a show of hands and on a poll has one vote for each share held.

Distribution of equity security holders

Number of equity security holders	
Category	**Ordinary Shares**
1-1,000	25
1,001- 5,000	304
5,001 - 10,000	283
10,001 - 100,000	721
100,001 and over	253
	1,586

Securities Exchange

The Company is listed on the National Stock Exchange of Australia.

Other information

Revetec Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

NSX Additional information (continued)

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of capital held
BRADLEY DAVID HOWELL-SMITH	32,380,987	13.83%
MR EDWIN YU	15,250,000	6.51%
MR DOUGLAS JOHN LOMAS ATF <THE CENTRE MANAGEMENT A/C>	9,528,778	4.07%
WINCOF PTY LTD	6,006,399	2.57%
PAUL RUDOLF MOITZI ATF <MOITZI FAMILY A/C>	5,879,969	2.51%
PETER KOCH	4,517,000	1.93%
PAN ENTERPRISES PTY LTD ATF <PAN DISCRETIONARY FAMILY A/C>	3,736,577	1.60%
BRIAN DOUGLAS ANDREWS	3,093,000	1.32%
CHRISTOPHER LEO DRENKHAHN	3,010,001	1.29%
MURRY ANDREW	3,000,000	1.28%
GRAHAM MARK DREVER & ALISON LOUISE DREVER	2,953,570	1.26%
STUART RICHARD LEE MARTIN	2,900,000	1.24%
MR GRAHAM MARK DREVER ATF <M & A J DREVER A/C>	2,870,530	1.23%
MICHAEL ANTHONY O'MARA & LYNETTE O'MARA	2,608,850	1.11%
EVADON CORPORATE PTY LTD	2,500,000	1.07%
REGINALD AINSWORTH HOWELL-SMITH & PATRICIA HOWELL-SMITH	2,404,000	1.03%
HARTAZ PTY LTD	2,123,888	0.91%
STEPHEN SHERRIN & SUTCHADA HEATON	2,100,000	0.90%
KINGSWOOD PTY LTD ATF <TUALLY FAMILY A/C>	2,000,003	0.85%
SNV ENTERPRISES PTY LTD	2,000,000	0.85%

Offices and officers

Company Secretary

Bradley David Howell-Smith	Inventor of the CCE concept, designer and builder of the CCE prototype engines

Principal Registered Office

Unit 5, 2 Elliott Street
Bundall QLD 4217
Telephone: (07) 5531 6059
Facsimile: (07) 5531 6997
Email: admin@revetec.com
Website: www.revetec.com

Share Registry

Computershare Investor Services Pty Ltd
Level 27 Central Plaza One
345 Queen Street
Brisbane QLD 4000
Telephone: (07) 3237 2127
Facsimile: (07) 3229 9860