

Revetec Holdings Limited
and its controlled entities

A.C.N 115 621 317

Interim Financial Report

31 December 2009

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

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**REVETEC HOLDINGS LIMITED
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DIRECTORS' REPORT

The Directors present their report together with the financial report of Revetec Holdings Limited ("the Company" or "Revetec Holdings") and its controlled entities, for the half-year ended 31 December 2009 and the review report thereon.

Directors

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

- Bradley David Howell-Smith Appointed 4 August 2005
- Lan Wai Lee Appointed 7 September 2007
- Steven Valtas Appointed 1 December 2008

Review of operations

For the half-year ended 31 December 2009, the company recorded a net operating loss after income tax of \$83,593 (\$132,034 for the half-year ended to 31 December 2008).

During the course of the 2009 calendar year the Company has fielded several strong commercial enquiries. These enquiries have not been advanced as the results of the testing of the Revetec engine prototype need to be satisfactorily completed before any commercial agreements are finalised.

During the period the company continued with the testing of the Revetec prototype engine in Germany, although at a significantly slower pace than anticipated. The engine's testing at the University was unable to be satisfactorily completed due to technical issues during testing, which has required the engine to be dismantled and moved to a new testing facility in Germany.

The Managing Director of a division of a large German Corporation has expressed an interest in utilising the Revetec technology in a power generation project. The Corporation has offered to test the engine in their German facility. As a result we have now moved our test engine to their commercial facility for modification, testing and evaluation. The interested party has requested that Revetec enter into a development and licensing agreement which is in the process of being completed. The costs of these test and development will be borne by the German Corporation.

The engine is currently being reassembled and repaired. The engine is expected to be repaired, assembled and running by the end of April 2010, after which the engine will be tested by the new testing facility in Germany.

The company continues and plans to continue to operate on minimal funds. To enable the company to continue to operate it will be necessary to

- Satisfactorily complete the verification testing in Germany to enable "proof of concept" to be determined, which in turn will enable licence agreements to be completed and the commercialisation of the Revetec technology. The ability of the company to meet its debts is critically dependant upon satisfactorily completing the verification testing and execution of licence agreements;

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DIRECTORS' REPORT (CONTINUED)

- Receive approximately \$120,000 in respect of the research and development tax concession in September 2010;
- Receive \$51,005 funding remaining under the Commercial Ready Grant scheme,
- Reduce operating costs to the level of cash funds available and
- Defer trade and other payables as at 31 December 2009.

Events subsequent to period end

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

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

The lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the six months ended 31 December 2009.

Dated at Gold Coast this 16 day of March 2010.

Signed in accordance with a resolution of the directors:



Bradley David Howell-Smith
Chairperson



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

To: the directors of Revetec Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009, there have been:

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

KPMG

P G Steer
Partner

Gold Coast
16 March 2010

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**CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	31 December 2009 \$	Re-presented 31 December 2008 \$
Revenue	-	-
Other income	95,918	176,938
Depreciation expenses	(4,451)	(7,313)
Directors fees	(52,763)	(27,604)
Management fees	(18,000)	(40,391)
Employee benefits	(90,346)	(73,747)
Materials and supplies	(52,116)	(177,079)
Other expenses	(112,441)	(89,646)
Loss from operating activities	(234,199)	(238,842)
Financial income	1,375	2,651
Financial expenses	(1)	(3)
Net financing costs	1,374	2,648
Loss before income tax	(232,825)	(236,194)
Income tax (expense)/benefit	149,232	104,160
Loss for the period	(83,593)	(132,034)
Total comprehensive income for the period	(83,593)	(132,034)
Loss per share		
Basic loss per share	(0.0004)	(0.0010)
Diluted loss per share	(0.0004)	(0.0010)

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

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**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	Share capital \$	Accumulated losses \$	Total Equity/(Deficit) \$
Balance at 1 July 2008	14,300,420	(14,571,633)	(271,213)
Total comprehensive income for the period			
Profit or loss	-	(132,034)	(132,034)
Total comprehensive income for the period	-	(132,034)	(132,034)
Transactions with owners, recorded directly in equity			
Issue of ordinary shares	190,464	-	190,464
Other	-	(2,396)	(2,396)
Total contributions by and distributions to owners	190,464	(2,396)	188,068
Total transactions with owners	190,464	(2,396)	188,068
Balance at 31 December 2008	14,490,884	(14,706,063)	(215,179)
Balance at 1 July 2009	14,790,222	(14,882,318)	(92,096)
Total comprehensive income for the period			
Profit or loss	-	(83,593)	(83,593)
Total comprehensive income for the period	-	(83,593)	(83,593)
Transactions with owners, recorded directly in equity			
Shares issued to convertible note holder	15,000	-	15,000
Shares issued to shareholders - rights issue	8,750	-	8,750
Shares issues to shareholders – other	30,000	-	30,000
Shares issued to director as share based payments	25,000	-	25,000
Shares issued to consultants as share based payments	11,000	-	11,000
Total contributions by and distributions to owners	89,750	-	89,750
Total transactions with owners	89,750	-	89,750
Balance at 31 December 2009	14,879,972	(14,965,911)	(85,939)

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

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CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Note	31 December 2009 \$	30 June 2009 \$
Assets			
Current assets			
Cash and cash equivalents		42,730	199,865
Trade and other receivables		61,692	10,964
Total current assets		104,422	210,829
Non-current assets			
Property, plant and equipment		226	4,677
Total non-current assets		226	4,677
Total assets		104,648	215,506
Liabilities			
Current liabilities			
Trade and other payables		190,587	262,689
Deferred income		-	44,913
Total current liabilities		190,587	307,602
Total liabilities		190,587	307,602
Net assets/(deficiency)		(85,939)	(92,096)
Equity			
Issued capital	6	14,879,973	14,790,222
Accumulated losses		(14,965,912)	(14,882,318)
Total equity/(deficiency)		(85,939)	(92,096)

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

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**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	31 December 2009 \$	31 December 2008 \$
Cash flows from operating activities		
Cash receipts from customers	-	-
Cash paid to suppliers and employees	(340,991)	(337,930)
Cash generated from operations	(340,991)	(337,930)
Commercial Ready Grant funds received	-	69,862
R&D concession refund – income tax benefit	149,232	104,160
Interest received	1,375	2,651
Interest paid	(1)	(3)
Net cash from operating activities	<u>(190,385)</u>	<u>(161,260)</u>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	47,863
Net cash from investing activities	<u>-</u>	<u>47,863</u>
Cash flows from financing activities		
Proceeds from the issue of share capital	33,250	180,464
Net cash from financing activities	<u>33,250</u>	<u>180,464</u>
Net increase/(decrease) in cash and cash equivalents	(157,135)	67,067
Cash and cash equivalents at 1 July	199,865	16,883
Cash and cash equivalents at 31 December	<u>42,730</u>	<u>83,950</u>

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

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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTHS ENDED 31 DECEMBER 2009**

1. Reporting entity

Revetec Holdings Limited (the “Company” or “Revetec Holdings”) is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2009 is available upon request from the Company’s registered office at Unit 10, 507 Olsen Avenue, Ashmore, QLD 4214 or at www.revetec.com.

2. Statement of compliance

The consolidated interim financial statement is a general purpose financial report which has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial statements do not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2009.

These consolidated interim financial statements were approved by the Board of Directors on 16 March 2010.

3. 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 six-month period ended 31 December 2009, the Group:

- Continued verification testing in Germany;
- Funded its operations through raising additional funding of \$33,250 from share issues and \$149,232 from the research and development tax concession;
- Incurred an operating loss of \$83,593 and had negative cash flows from operations of \$190,385; and
- At 31 December 2009 the Group had trade and other payables of \$190,587, net liabilities of \$85,939 and had cash reserves of \$42,730. Included in the trade and other payables are statutory obligations which were overdue at 31 December 2009 in the amounts of \$88,540 GST payable and \$34,304 superannuation payable.

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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTHS ENDED 31 DECEMBER 2009**

3. Going concern (continued)

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

- Satisfactorily complete the verification testing in Germany to enable “proof of concept” to be determined, which in turn will enable licence agreements to be completed and the commercialisation of the Revetec technology;
- Receive approximately \$120,000 in respect of the research and development tax concession in September 2010;
- Receive \$51,005 funding remaining under the Commercial Ready Grant scheme;
- Reduce operating costs to the level of cash funds available; and
- Defer trade and other payables owing as at 31 December 2009.

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:

- Satisfactorily complete the verification testing in Germany to enable “proof of concept” to be determined and complete licence agreements for the commercialisation of the Revetec technology,
- Receive approximately \$120,000 in respect of the research and development tax concession in September 2010;
- Receive \$51,005 funding remaining under the Commercial Ready Grant scheme,
- Reduce operating costs to the level of cash funds available, and
- Defer trade and other payables as at 31 December.

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.

4. Significant accounting policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2009.

The Group applies revised IAASB1011 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statements of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on 31 December 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTHS ENDED 31 DECEMBER 2009**

5. Segment reporting

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

The consolidated entity's business segment operates in Australia with testing being undertaken in Germany of an engine prototype.

6. Capital and reserves

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 totally \$15,000 were received under the terms of this agreement in the year ended 30 June 2009 and the issue of the related shares was pending at that date. Ordinary shares were subsequently issued in respect of these applications, during the six-month period ended 31 December 2009:

Date amount received	Date shares issued	\$	Number
14 May 2009	22 July 2009	15,000	750,000

Shares issued to other shareholders

On 17 December 2009, the Company agreed to issue 1,000,000 shares each at 3 cent per share to existing shareholders.

Amounts received and ordinary shares issued under this share issue arrangement, during the six month period ended 31 December 2009:

Date amount received	Date shares issued	\$	Number
8–15 December 2009	17 December 2009	30,000	1,000,000

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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTHS ENDED 31 DECEMBER 2009**

6. Capital and reserves (continued)

Share-based payments to director

During the six-month period ended 31 December 2009, compensation by way of ordinary shares issued were provided to director, Steven Valtas, in recognition of 6 months' directorship service for the period August 2009 to January 2010. The fair value of the share-based payment was measured by reference to the fair value of the services provided being \$25,000. The share-based payment was recognised as an expense of \$20,833 over the period the services were provided, a prepayment of \$4,167 and a corresponding increase in share capital of \$25,000 for the six-month period ended 31 December 2009.

Amounts recognised as share capital and ordinary shares issued, during the six-month period ended 31 December 2009:

Date shares issued	Fair value	
	\$	Number
22 September 2009	25,000	1,000,000

Share-based payments to consultants

During the six-month period ended 31 December 2009, compensation the Company entered into agreements with consultants to exchange the provision of consultancy services provided during the period 1 July 2009 to 31 December 2009 for shares in the Company. The fair value of the share-based payment was measured by reference to the fair value of the services provided being \$11,000 and recognised as an expense with a corresponding increase in share capital, over the period the services were provided.

Amounts recognised as share capital and ordinary shares issued, during the six-month period ended 31 December 2009:

Date shares issued	Fair value	
	\$	Number
22 July 2009	2,000	80,000
17 December 2009	9,000	300,000
Total	11,000	380,000

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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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6. Capital and reserves (continued)

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.

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 were received in respect of these applications in the year ended 30 June 2009 and the issue of the related shares was pending at that date. Ordinary shares were subsequently issued in respect of these applications. Additional applications and amounts were also received during the six-month period ended 31 December 2009:

Date amount received	Date shares issued	\$	Number
25 June 2009	22 July 2009	5,000	200,000
30 June 2009	22 July 2009	500	20,000
		5,500	220,000
1 – 15 July 2009	22 July 2009	3,250	130,000
Total		8,750	350,000

Dividends

No dividends were paid during the half-year to 31 December 2009 (31 December 2008: nil) and no dividends are currently proposed.

7. Related parties

During the six-month period ended 31 December 2009, compensation by way of ordinary shares issued was provided to director, Steven Valtas. Refer to note 6 for further details

Other arrangements with related parties continue to be in place. For details of these arrangements, refer to the 30 June 2009 annual financial report.

8. Contingent liabilities

The consolidated entity had no contingent liabilities as at 31 December 2009 (Nil: 30 June 2009).

9. Subsequent events

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

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DIRECTORS' DECLARATION

In the opinion of the directors of Revetec Holdings Limited:

1. the financial statements and notes, set out on pages 4 to 12, are in accordance with the Corporations Act 2001, including;
 - a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the six month period ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Gold Coast this 16 day of March 2010.

Signed in accordance with a resolution of the directors:



Bradley David Howell-Smith
Chairperson



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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
REVETEC HOLDINGS LIMITED**

We have reviewed the accompanying interim financial report of Revetec Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, a statement of accounting policies and other explanatory notes 1 to 9 and the directors' declaration set out on pages 4 to 13 of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting 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 interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2009 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Revetec Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Revetec Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2009 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 3 in the financial report which indicates that the Group incurred a net loss of \$83,593 during the period ended 31 December 2009 and, as of that date, the Group's liabilities exceeded its total assets by \$85,939. These conditions, along with other matters as set forth in Note 3 including satisfactory completion of the verification testing in Germany to enable "proof of concept" to be determined and compete licence agreements for the commercialisation of the Revetec technology, reduction of operating costs and deferment of trade and other payables, 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.

KPMG

A handwritten signature in black ink, appearing to read 'P G Steer'.

P G Steer
Partner

Gold Coast

16 March 2010