

REVETEC LIMITED A.C.N. 079 317 365

AND CONTROLLED ENTITY

**Financial Statements
For the year ended 30 June, 2002**

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**REVETEC LIMITED A.C.N. 079 317 365
AND CONTROLLED ENTITY**

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**REVETEC LIMITED A.C.N. 079 317 365
AND CONTROLLED ENTITY
Directors' Report**

Your directors present this report on the company and controlled entities for the financial year ended 30 June, 2002.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Charles Chok Kwong Chan
Bradley David Howell-Smith
Harold Roy Joseph Howell- Smith

Directors' Meetings

During the year seven Directors' meetings were held which were attended by all directors, except Charles Chok Kwong Chan who attended two meetings.

Directors' interests in shares of the company or related bodies corporate

The particulars of shares held by the directors of the company in the company or in related bodies corporate which are required to be declared in the register of directors' share holdings are as follows:

<i>Name of director</i>	<i>Shareholding in Revetec Limited</i>
Charles Chok Kwong Chan	334,209 ordinary shares
Bradley David Howell-Smith	67,317,500 ordinary shares
Harold Roy Joseph Howell-Smith	1 ordinary share and 6,825,000 ordinary shares held jointly with D.S. Howell-Smith

Principal Activities

The principal activities of the economic entity during the course of the year were securing patents, undertaking research and development, building and successfully running the CCE2001-0 1 prototype engine, and seeking joint venture partners, developing the company's business plan, seeking and negotiating a JV Agreement in China, planning and designing the CCE2003-01 prototype engine project.

Operating Result

The consolidated loss of the economic entity for the financial year after providing for income tax and eliminating outside equity interests amounted to:

	Year ended	Year ended
	30 June, 2002	30 June, 2001
	\$	\$
Operating profit (loss) after income tax	(892,854.68)	(1,056,768.28)

Dividends

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

**REVETEC LIMITED A.C.N. 079 317 365
AND CONTROLLED ENTITY
Directors' Report**

Review of Operations

During the course of the financial year the following activities have commenced/continued to facilitate the development of the Controlled Combustion Engine (CCE).

Business Plan

A thorough update of the Business Plan was undertaken to address events, opportunities and changes in the company over the last year.

Working capital

Additional capital of \$361 thousand was raised during the year from share issues by REVETEC Limited.

Prototype

The following development and design of prototypes took place during the year.

Development of the CCE2001-01 four-cylinder/four-stroke water-cooled prototype engine. This involved further project planning, research into materials and processes, research into ancillaries, the manufacture of an engine test bench, programming fuel and ignition maps of the Motec engine management system, modifications to the engine, servicing of the engine and retrieval and analysis of data.

Designing of the CCE2003-01 four-cylinder/four-stroke water-cooled prototype engine. Redesigning the concept to reduce costs of manufacture, reduce engine noise, decrease size, increase engine efficiency, and to fit in the proposed test vehicle.

Joint venture partners

REVETEC Limited found Export Action (EA) to perform poorly in the Middle East market. The company ceased dealings with EA during this period and searched to find a replacement. The company did so, and started a relationship with the consultancy company Vastglobe in Iran. Further details are provided below at "Matters subsequent to the end of the financial year."

REVETEC Limited signed a Joint Venture Agreement with Osman, who is one of China's largest state owned companies. The Agreement relates to the mass production of CCE engines for the next "peoples car" in China. REVETEC Limited negotiated the maximum foreign ownership amount of 20% in exchange for the CCE intellectual property the company holds in China. In approximately 24 months from the signing of the JV the companies are seeking to acquire two factories in Shenzhen with a capacity to produce 100,000 engines per year. This project is subject to Chinese Government approval, which both companies are working towards achieving.

As part of a medium term financial strategy REVETEC Limited holds a substantial shareholding in DataFX Online Pty Ltd and its wholly owned subsidiary Arumba Pty Ltd was made to provide a future income stream as part of a strategy to help minimise the cash flow drain of future patent costs.

Significant Changes in the State of Affairs

No significant changes in the economic entity's state of affairs occurred during the financial year.

After Balance Date Events

Since the end of the financial year REVETEC Limited signed an Agreement with Vastglobe to seek a Joint Venture and Licensing Agreement in Iran to produce the CCE engine. Vastglobe introduced REVETEC Limited to large scale manufacturing project Joint Venture and Licensing opportunity. Representatives from REVETEC Limited travelled to Iran in late 2002. The company is currently working on signing a Contract in Iran by early to mid 2003. The Company is currently building five prototypes for dynamometer and in-car testing for this project. When testing is complete and passed by an Independent party, a Joint Venture and Licensing Contract for the manufacturing of the CCE engine in Iran will be signed. A Confidentiality Agreement is in place between all parties restricting further details to be released until the final contract is signed.

**REVETEC LIMITED A.C.N. 079 317 365
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Directors' Report**

Future Developments

The likely developments in the operations of the economic entity and the expected results of those operations in future financial years are discussed below.

The original goal of the economic entity was to remain engaged in the Research and Development of motor engines in return for royalty payments. However, with the signing of the JV Agreement with Shenzhen Osman Co. Ltd and the possible signing of a JV and Licensing Agreement in Iran, the company has now turned its focus on becoming a manufacturing partner in certain regions of the world. This is due to standard business practices and type of emerging markets in Asia and the Middle East. In the more established manufacturing economics and markets, the Company is still seeking higher licensing fees with lower or nil equity.

It is anticipated that the economic entity will become a producer and exporter of engine parts and be a joint-producer of engines within the next two years.

Environmental Issues

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Options

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Directors Benefits

Other than as explained below, no director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest. Charles Chan has provided legal advice at a cost of \$26,047 on normal commercial terms and conditions.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnifying Officer or Auditor

Every officer, auditor or agent of the economic entity will be indemnified by the company against any liability incurred by that person acting in that capacity to the extent permitted by the Corporation's Law. No premiums have been paid or been agreed to be paid to indemnify the officers or auditor.

**REVETEC LIMITED A.C.N. 079 317 365
AND CONTROLLED ENTITY
Directors' Report**

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Information on Directors

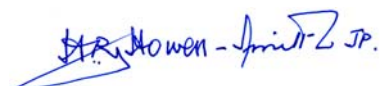
The qualifications and experience of the Directors in office as at June 30, 2002 is detailed below.

Charles C.K. Chan -Graduate, University of Canterbury, Christchurch, New Zealand - Principal, Chan Lawyers and solicitor of REVETEC Limited and controlled entity. - Practising law since 1976 with extensive commercial and litigation experience Practiced law in Malaysia, New Zealand and Australia specialising in Corporate, Business, Commercial, E-Commerce, Information Technology law and Business strategies. - Director of DataFX Online Pty Limited and Adcom Strategies Pty Limited - Director of REVETEC Limited since January 2000

Bradley D. Howell-Smith - Managing Director, REVETEC Limited and Controlled Entity. - Australian Institute of Management Member (AIMM). - Automotive Mechanical Engineer (Credit) - Inventor of CCE concept, designer and builder of the first prototype engine. - Concept and joint Designer of the CCE2001 -01 Prototype engine. -Concept and Designer of the CCE2003-01 Prototype engine. - Eighteen years experience in Automotive Industry.

Harold R. J. Howell-Smith - LP. and Associate Fellow of Australian Institute of Management (FAIM). - Holder of Production Engineering Certificate - Twenty-seven years experience in Industrial Engineering/Management -Principal, Management Consultancy business specialising in AS9000 and Quality Assurance Systems. - Director of REVETEC Limited and Controlled Entity.

Signed in accordance with a resolution of the Board of Directors:



Harold Roy Joseph Howell-Smith
Director



Bradley David Howell-Smith
Director

Dated: 31-01-2003

REVETEC LIMITED A.C.N. 079 317 365
AND CONTROLLED ENTITY
Statement of Financial Performance
For the year ended 30 June, 2002

	Note	2002	2001
Classification of Expenses by Nature			
Revenues from ordinary activities	2	34,088.13	7,509.00
Depreciation and amortisation expenses (98,715.00)		(108,918.11)	
Other expenses from ordinary activities		(1,108,083.70)	(965,562.28)
Profit (loss) from ordinary activities before income tax	2	(1,182,913.68)	(1,056,768.28)
Income tax revenue relating to ordinary activities	3	290,059.00	
Net profit (loss) attributable to members of the company		<u>(892,854.68)</u>	<u>(1,056,768.28)</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>(892,854.68)</u>	<u>(1,056,768.28)</u>
Opening retained profits		(2,335,464.96)	(1,278,696.68)
Net profit (loss) attributable to members of the company		(892,854.68)	(1,056,768.28)
Closing retained profits		<u>(3,228,319.64)</u>	<u>(2,335,464.96)</u>

REVETEC LIMITED A.C.N. 079 317 365
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Statement of Financial Position
As At 30 June 2002

	Note	2002	2001
Current Assets			
Cash assets	4	30,022.06	73,483.27
Receivables	5	179.13	28,521.44
Current tax assets	7	297,420.43	15,174.22
Total Current Assets		<u>327,621.62</u>	<u>117,178.93</u>
Non-Current Assets			
Other financial assets	6	580,000.00	580,000.00
Property, plant and equipment	9	358,402.71	444,873.47
Intangible assets	10	6,168,978.78	6,553,767.80
Other	8	43,867.84	43,977.84
Total Non-Current Assets		<u>7,151,249.33</u>	<u>7,622,619.11</u>
Total Assets		<u>7,188,811.95</u>	<u>7,739,798.04</u>
Current Liabilities			
Payables	11	36,975.00	34,632.35
Borrowings	12	252,656.39	2,540.45
Total Current Liabilities		<u>289,631.39</u>	<u>37,172.80</u>
Non-Current Liabilities			
Borrowings	12	20,000.00	
Provisions	13	14,175.00	15,706.00
Total Non-Current Liabilities		<u>34,175.00</u>	<u>15,706.00</u>
Total Liabilities		<u>323,806.39</u>	<u>52,878.80</u>
Net Assets		<u>7,155,064.56</u>	<u>7,686,919.24</u>
Equity			
Contributed equity	15	10,338,384.20	9,977,384.20
Reserves		45,000.00	45,000.00
Retained profits / (Accumulated losses)		(3,228,319.64)	(2,335,464.96)
Total Equity		<u>7,155,064.56</u>	<u>7,686,919.24</u>

The accompanying notes form part of these financial statements.

**REVETEC LIMITED A.C.N. 079 317 365
AND CONTROLLED ENTITY
Statement of Cash Flows
For the year ended 30 June, 2002**

	2002	2001
Cash Flow From Operating Activities		
Receipts from customers	20,000.00	
Payments to Suppliers and employees	(703,545.48)	(541,061.87)
Interest received	2,120.96	7,509.00
Net cash provided by (used in) operating activities	<u>(681,424.52)</u>	<u>(533,552.87)</u>
Cash Flow From Investing Activities		
Payment for:		
Loans to directors		(27,792.61)
Loans to shareholders		(728.83)
Shares in other companies		(580,000.00)
Payments for property, plant and equipment	(21,494.24)	(369,790.05)
Proceeds from disposal of:		
Loans to shareholders	549.70	
Net cash provided by (used in) investing activities	<u>256,007.52</u>	<u>(978,311.49)</u>
Cash Flow From Financing Activities		
Proceeds of issue of shares	361,000.00	1,194,754.20
Loans from directors	276,952.76	
Proceeds of borrowings	20,955.79	690.45
Net cash provided by (used in) financing activities	<u>658,908.55</u>	<u>1,195,444.65</u>
Net increase (decrease) in cash held	(43,461.21)	(316,418.73)
Cash at the beginning of the year	73,483.27	389,902.00
Cash at the end of the year (note 4)	<u>30,022.06</u>	<u>73,483.27</u>

The accompanying notes form part of these financial statements.

REVETEC LIMITED A.C.N. 079 317 365
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Notes to the Financial Statements
For the year ended 30 June, 2002

Note 1: Statement of Accounting Policies

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers REVETEC LIMITED as an individual parent entity and REVETEC LIMITED and controlled entities as an economic entity. REVETEC LIMITED is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Principals of consolidation

A controlled entity is any entity controlled by REVETEC LIMITED. Control exists where REVETEC LIMITED has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with REVETEC LIMITED to achieve the objectives of REVETEC LIMITED. Details of the controlled entity are contained in.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

Income tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

REVETEC LIMITED A.C.N. 079 317 365
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For the year ended 30 June, 2002

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

a) Property Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

It is a policy of REVETEC LIMITED to have an independent valuation every three years, with annual appraisals being made by the directors. The revaluation of freehold land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax. b) Plant and equipment Plant and equipment is measured on the cost basis. The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amounts. The cost of fixed assets constructed within REVETEC LIMITED includes the cost of materials,

direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. c) Depreciation The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to REVETEC LIMITED commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciable asset are:

Class of Asset	Depreciation Rate %
Leasehold improvements	2.5
Plant and equipment	20.0
Other plant and equipment	20.0
Motor vehicles	22.5

Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to REVETEC LIMITED are classified as finance

leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that ownership of the asset will be obtained or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

REVETEC LIMITED A.C.N. 079 317 365
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Notes to the Financial Statements
For the year ended 30 June, 2002

Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Research and Development Expenditure

Research and development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production is commenced.

Amortisation periods

Technology/intellectual property: 20 years

Formation expenses 20 years

Prospectus expenses 5 years

Intangibles

a) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at the date of acquisition. Purchased goodwill is amortised on a straight-line basis over the period of 20 years. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

b) Patents and Trademarks

Patents and Trademarks are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

Foreign Currency Transactions and Balances

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance date are converted to the rates of exchange ruling at that date.

Employee entitlements

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash out flows to be made for those entitlements.

Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

REVETEC LIMITED A.C.N. 079 317 365
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Notes to the Financial Statements
For the year ended 30 June, 2002

Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in all call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts.

Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**REVETEC LIMITED A.C.N. 079 317 365
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Notes to the Financial Statements
For the year ended 30 June, 2002**

	2002	2001
Note 2: Revenue		
Operating Activities:		
Interest revenue from non-related sources	2,120.96	7,509.00
Other operating revenue:		
- Other income	11,967.17	
- Profit on sale of assets	(1,101.00)	
- Rebates and refunds	20,000.00	
	32,987.13	7,509.00

Note 3: Income tax

Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 occur.

FITB attributable to tax losses not booked	349,958.00	323,881.00
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Note 4: Cash assets

Bank accounts:

- Cash At Bank	6,999.34	65,871.90
- Westpac - No. 2 Account	23.60	1,312.25

Other cash items:

- Cash on hand	248.12	48.12
- Security deposits	22,751.00	6,251.00
	30,022.06	73,483.27

Note 5: Receivables

Current

Director and director related entity loans 27,792.61

Amounts receivable from:

- Shareholders	179.13	728.83
	179.13	28,521.44

**REVETEC LIMITED A.C.N. 079 317 365
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Notes to the Financial Statements
For the year ended 30 June, 2002**

	2002	2001
Note 6: Other Financial Assets		
Non-Current		
Shares in other companies - at cost		
- Listed on a prescribed stock exchange		
- Unlisted	580,000.00	580,000.00
- Less: Provision for diminution		
	580,000.00	580,000.00
 Note 7: Tax Assets		
Current		
Research and development tax offset	290,059.00	
Input tax credit control account	7,361.43	15,174.22
	297,420.43	15,174.22
 Note 8: Other Assets		
Non Current		
Preliminary expenses	2,192.00	2,192.00
Less: accumulated amortisation	(562.00)	(452.00)
Research and development expenditure	42,237.84	42,237.84
Less: accumulated amortisation		
	43,867.84	43,977.84

REVETEC LIMITED A.C.N. 079 317 365
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Notes to the Financial Statements
For the year ended 30 June, 2002

2002

2001

Note 9: Property, Plant and Equipment

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Leasehold improvements:

- At cost	4,305.46	2,880.00
- Less: Accumulated depreciation	(70.23)	(649.23)
	4,235.23	2,230.77

Fixtures and fittings

- At cost	85,514.37	72,978.16
- Less: Accumulated depreciation	(37,510.06)	(23,988.06)
	48,004.31	48,990.10

Plant and equipment:

- At cost	478,817.80	471,285.23
- Less: Accumulated depreciation	(180,400.25)	(87,626.25)
	298,417.55	383,658.98

Motor vehicles:

- At cost	13,213.64	13,213.64
- Less: Accumulated depreciation	(5,468.02)	(3,220.02)
	7,745.62	9,993.62
	358,402.71	444,873.47

Note 10: Intangible Assets

Patents and trademarks:

- At cost	85,240.60	77,728.80
- Less: Accumulated amortisation	(13,770.00)	
	71,470.60	77,728.80

Other intangibles:

- At cost	7,881,584.18	7,861,044.00
- Less: Accumulated amortisation	(1,784,076.00)	(1,385,005.00)
	6,097,508.18	6,476,039.00
	6,168,978.78	6,553,767.80

**REVETEC LIMITED A.C.N. 079 317 365
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Notes to the Financial Statements
For the year ended 30 June, 2002**

	2002	2001
Note 11: Payables		
Unsecured:		
- PAYG withholding	20,282.00	19,280.00
- Trade creditors	16,693.00	15,352.35
	36,975.00	34,632.35
Note 12: Borrowings		
Current		
Unsecured:		
- Loans from directors	251,010.15	1,850.00
- Other loans	1,646.24	690.45
	252,656.39	2,540.45
Non-Current		
Unsecured:		
- Loans from other persons	20,000.00	
	20,000.00	
	20,000.00	
Note 13: Provisions		
Non Current		
Employee entitlements	14,175.00	15,706.00
	14,175.00	15,706.00

There were 6 employees at the end of the year

**REVETEC LIMITED A.C.N. 079 317 365
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Notes to the Financial Statements
For the year ended 30 June, 2002**

2002

2001

Note 14: Directors remuneration

Income paid or payable to all directors of each entity in the economic entity by the entities of which they are directors.

169,612.82

116,687.65

Number of parent entity directors whose income from the parent entity and any related parties was within the following band:

Between \$100,000 and \$109,999

1

The names of directors of the parent entity who have held office during the financial year are:

Charles Chok Kwong Chan

Bradley David Howell-Smith

Harold Roy Joseph Howell-Smith

Note 15: Contributed Capital

Ordinary shares fully paid

10,338,384.20

9,977,384.20

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 16: Auditors' Remuneration

Remuneration of the auditor of the company for:

Auditing or reviewing the financial report

5,452.73

7,250.00

Other services

5,452.73

7,250.00

Note 17: Contingent Liabilities

There were no contingent liabilities not provided for in the accounts.

**REVETEC LIMITED A.C.N. 079 317 365
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Notes to the Financial Statements
For the year ended 30 June, 2002**

2002

2001

Note 18: Capital and Leasing Commitments

Operating lease expenditure contracted for at balance date that is not cancellable and is not provided for in the accounts:

Payable:

No later than one year	77,590.60	
Later than one year but not later than two years	78,606.05	19,575.00
Later than two years but not later than 5 years	306,749.52	22,837.00
	462,946.17	42,412.00

Note 19: Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The Parent Entity uses the legal firm Chan Lawyers within for whom Mr. Charles Chan is the principal and Director of both Revetec Limited and its wholly owned subsidiary Revolution Engine Technologies Pty Limited.

Note 20: Controlled Entities

Revolution Engine Technologies Pty Limited which is incorporated in Australia is wholly owned by the parent entity Revetec Limited. During the financial year ending June 30, 2002 Revolution Engine Technologies contribution to the loss of the economic entity was \$391,709.00 (2001: \$391,919)

Note 21: Economic Dependency

The development of the internal combustion engine, which is owned by subsidiary, Revolution Engine Technologies Pty Limited, is carried out by the parent company. Accordingly, all expenditure incurred in relation to the subsidiary is borne by and recognised in the financial report of the parent entity.

**REVETEC LIMITED A.C.N. 079 317 365
AND CONTROLLED ENTITY**

Directors' Declaration

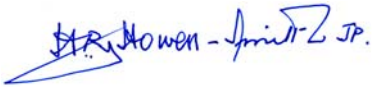
The directors of the company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 200 1:
 - (a) Comply with Accounting Standards and the Corporations Regulations; and
 - (b) Give a true and fair view of the financial position as at 30 June 2002 and of the performance for the year ended on that date of the company and economic entity.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The company and all wholly owned subsidiaries, disclosed in the notes to the financial statements, have entered into a deed of cross guarantee under which the company and its subsidiaries guarantee the debts of each other.

In the directors' opinion, at the date of this declaration there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.



Harold Roy Joseph Howell-Smith
Director



Bradley David Howell-Smith
Director

Dated: 31 -01- 2003

**REVETEC LIMITED A.C.N. 079 317 365
AND CONTROLLED ENTITY**

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
REVETEC LIMITED

Scope

We have audited the financial report of REVETEC Limited and controlled entity comprising the Directors Declaration, Profit and Loss Statement, Balance Sheet, Statement of Cash Flows and notes to and forming part of the financial statements for the year ended 30th June 2002. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures include examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with accounting standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and consolidated entity's financial position, and performance as represented by the results of their operations and cash flows. The audit opinion expressed in this report has been formed on the above basis.

Qualifications

As disclosed in Note 10, 'Intangibles' includes amounts relating to technology and intellectual property of \$6,168,978 (WDV) at cost. In accordance with Accounting Standard AASB 1010, "Accounting for Revaluation of Non-Current Assets," non-current assets must be booked at their recoverable amount. Further, as disclosed in Note, 7 'Other' non-current assets, amounting to \$42,237 (WDV), comprise research and development costs deferred to the future financial years. In accordance with Accounting Standard AASB 10 11, "Accounting for Research and Development Costs," costs incurred on a research and development project must be deferred to future financial years to the extent that such costs are expected beyond any reasonable doubt to be recoverable.

**REVETEC LIMITED A.C.N. 079 317 365
AND CONTROLLED ENTITY**

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
REVETEC LIMITED**

The recoverability of these aforementioned assets is dependent on future operating revenue and net operating cash inflow. In the absence of a history of past operating revenue or committed future operating revenue and net operating cash inflow, we are unable to conclude on the recoverability of the aforementioned assets or on compliance with AASB 1010 and AASB 1011.

The Investments disclosed in the Balance Sheet relate to 20% shareholding in a private company, DATA FX Online Pty. Limited, which is not, considered an associate under Accounting Standard AASB 1016 as REVETEC Limited does not have significant influence over the investee. The value of this investment is contingent on the marketability of the non-listed investment and/or future profitable trading by the investee. The unaudited loss for the investee for the financial year ended June 30th 2002 was \$27,368 and the profit of a wholly owned subsidiary of the investee was \$36,016 on a non-consolidated basis.

Qualified Audit Option

In our opinion, except for our inability to conclude on the recoverability of intangibles and research and development costs, the financial report of REVETEC Limited and controlled entity is in accordance with:

- (a) Corporations Law, including:
 - (i) Giving a true and fair view of the company's and consolidated entity's financial position as at 30th June 2002 and their performance for the year ended on the date; and
 - (ii) Complying with Accounting Standards and Corporations Regulations; and
- (b) Other mandatory professional reporting requirements.

William Tomiczek & Associates



William Tomiczek

Registered Company Auditor (No. 1425)

Date this 23 day of January 2002

66 Emu Plains Rd

Mt Riverview 2774