ANAECO LIMITED

A.B.N. 36 087 244 228

ANNUAL FINANCIAL REPORT 2014

For the year ended 30 June 2014

Corporate Directory

Directors

Mr Shaun Scott (Chairman)
Mr Gianmario Alessio ("Les") Capelli (Non-executive Director)
Mr David Lymburn (Managing Director & CEO - appointed 30 May 2014)

Company Secretaries

Mr David Lymburn
Mr Tim Hinton (appointed 23 July 2013)

Registered office

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Technology Park
BENTLEY WA 6102

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Share registry

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Level 2, Reserve Bank Building
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PERTH WA 6000

Telephone: 1300 731 338 (enquiries within Australia)
+613 9415 4344 (enquiries outside Australia)

Auditor

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000

DIRECTORS' REPORT

The directors present their report together with the Financial Statements of AnaeCo Limited ("the Company" or "AnaeCo" and its controlled entities "the Group") for the year ended 30 June 2014.

DIRECTORS

The names and details of the Group's directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Shaun Scott – Chairman
B Bus (Accountancy), BA (Rec Admin), ACA
Mr Scott is a chartered accountant with over 25 years of upstream and downstream experience in the oil and gas and energy sector in Australia, Asia and the United States. He previously held the roles of Chief Executive Officer, Chief Commercial Officer and Chief Financial Officer with Arrow Energy Ltd. Prior to joining Arrow in 2004, his career spanned appointments as Group Finance Manager at Energy Developments Limited, Project Finance Director at NRG, and Manager of ARCO's international oil and gas M&A team.

During the past three years he has also served as a director of the following other listed companies:

- Dart Energy Limited – appointed 21 July 2010
- Titan Energy Services Limited – appointed 27 October 2011
- Acer Energy Limited – appointed 11 March 2012; resigned 7 December 2012
- Site Group International Limited – appointed 2 August 2012
- Buccaneer Energy Limited – appointed 2 July 2013; resigned 14 August 2013

Gianmario Alessio ("Les") Capelli – Non-executive Director
Mr Capelli is the owner and Managing Director of Vector Lifting a business involved in the design and supply of specialised and sophisticated lifting and railway maintenance equipment, which operates in Australia, Asia and the Middle East. His skills and experience are in the fields of engineering design, manufacture, project management and customer service delivery.

He has not served as a director of any other listed company in the past three years.

David Lymburn – Managing Director & CEO
B.Acc, ACA
Mr Lymburn was appointed as a director on 30 May 2014.
He is a Chartered Accountant with over 25 years experience in accounting and corporate management roles, both in the accounting profession and in the commercial sector. He has served as company secretary and CFO of a number of small to medium sized public listed companies. He was appointed as Chief Executive Officer on 29 November 2013.

He has not served as a director of any other listed company in the past three years.

Dr Ian Lindsay Campbell – Non-executive Director
BSc, B Eng (Hons), PhD (Electrical engineering)
Dr Campbell was a co-founder of the CPS group of companies, a business primarily engaged in 'build, own and operate' software based services, typically processing high transaction volumes and forging enduring relationships with large corporates.

Mr Campbell resigned as a director on 22 May 2014.

During the past three years he has also served as a director of the following other listed companies:

- Clarity OSS Limited – appointed 28 November 2005

Patrick Kedemos
MBA INSEAD, MSc (Management)
On 22 July 2013, Mr Kedemos resigned as Managing Director & CEO with immediate effect. He completed, pursuant to the terms of his employment contract, a six month notice period, during which he received full employment benefits under his contract.

He has not served as a director of any other listed company in the past three years.

DIRECTORS' REPORT

COMPANY SECRETARIES

David Lymburn – Managing Director & CEO
B.Acc, ACA
David Lymburn has been a company secretary of AnaeCo Limited since January 2004.

Tim Hinton – Financial Controller
B.Bus, CA
Tim Hinton was appointed joint company secretary on 23 July 2013. He is a Chartered Accountant with over 20 years experience in accounting and financial reporting roles.

MEETINGS OF DIRECTORS

The number of meetings of the Board of Directors of the Company held during year ended 30 June 2014 and the number of meetings attended by each director is as follows:

	Meetings held during the year	Meetings attended
Shaun Scott	8	8
Les Capelli	8	8
David Lymburn	-	-
Ian Campbell	8	7
Patrick Kedemos	1	1

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY AND RELATED BODIES CORPORATE

The relevant interest of each Director in Shares of the Company at the date of this report is as follows:

	Fully Paid Ordinary Shares	In-substance Options Issued under LTI scheme	Total
Shaun Scott	19,501,824	750,000	20,251,824
Les Capelli	123,467,762	750,000	124,217,762
David Lymburn	10,558,607	8,750,000	19,308,607

PRINCIPAL ACTIVITIES

The principal activity of the Group is the development and commercialisation of a process for the treatment of organic municipal solid waste (the AnaeCo™ System). To better identify the Group's core product in the marketplace with the Company name, it was re-branded the AnaeCo™ System (formerly the DiCOM™ System).

OPERATING AND FINANCIAL REVIEW

The net loss after income tax of the Group for the financial year was $5,643,155 (2013: loss $3,979,403).

Review of Operations

Commercialisation of AnaeCo™ System
The principal focus of the Group during this financial year has again been the commercialisation of the AnaeCo™ System by way of its application at the Western Metropolitan Regional Council (WMRC) Project in Perth, Western Australia.

The WMRC Project involves the construction of a plant to process 55,000 tpa of municipal solid waste (MSW) for the WMRC and the City of Stirling. This project is being developed in conjunction with Palisade Investment Partners Limited's (Palisade) Regional Infrastructure Fund (PRIF). Design and construction of the second stage or 'expansion project' commenced in December 2010. This involves increasing the capacity of the plant to 55,000 tpa and bringing it to full commercial operations. The Design & Construct services are being delivered jointly by AnaeCo Ltd and Monadelphous Group Limited, with AnaeCo responsible for design and commissioning and Monadelphous responsible for construction and procurement.

Construction completion was achieved in September 2013 and in October 2013 wet commissioning commenced with the introduction of MSW to the Material Recovery Facility (MRF). Wet commissioning of the Bioconversion Facility (BCF) commenced with aerobic activity in March 2014 and by June 2014 anaerobic activity was underway. Biological ramp-up commenced in June 2014. Biological Ramp-up is the phase in commissioning operations whereby the stock of anaerobic process water containing the bacterial inoculum that performs anaerobic digestion is expanded to a full facility level of 1,500m^3.

The AnaeCo™ System core technology performance objectives which have been confirmed to date in commissioning include:

- the Wet Density Separation System (WDS) removing up to 99% of the glass and grit present in the post-trommelled fraction of MSW,
- production of organic feedstock in the MRF for input to bioconversion,
- management of the bioconversion transition phases from aerobic to anaerobic activity, and vice-versa, all controlled by the Distributed Control System,
- production of biogas and compost from bioconversion activity, and
- management of anaerobic process water.

There have been some setbacks in achieving these objectives which have caused delays, most notably caused by defects in supplied and installed equipment. None of these defects signify a deficiency in AnaeCo's technology.

The one area where we have made some modifications as a consequence of commissioning trials is in the WDS system where the size of a drainage screen was increased and the capacity of water filtration equipment more than doubled. These changes were required to improve the rate of cleaning of the water recirculating in the WDS as the original equipment selection was not removing sufficient small fine particles of solids transported in the water, resulting in a net accumulation.

At the date of this report Biological Ramp-up is still in progress and is forecast to be completed before the end of the calendar year.

Whilst the WMRC Project has been underway, the Group has been preparing to expand its commercialisation activities. We have active project leads in Australia and a selection of interesting potential alliance opportunities under development with international parties. Included in the Australian opportunities is the Shoalhaven City Council tender where we have been selected as one of three tenderers. At the date of this report we are awaiting the imminent issue of tender documents by the Council.

Achieving meaningful progress with all of these commercialisation opportunities is highly dependent on completing the remainder of commissioning of the WMRC Project successfully.

A substantial body of intellectual property has been created over a number of years in developing the AnaeCo™ System and it has been part of the Company's long term strategy to protect this intellectual property using patent registration.

The first two patent families, covering the bioconversion process and pressure aeration system, were registered in 1999 and 2000 respectively. AnaeCo holds nine granted national patents and has two patents pending for these two inventions. Through 2012 and 2013 a further ten patentable inventions were recorded and progressed through the PCT (Patent Co-operation Treaty) process. Since then another two inventions have been recorded as provisional patents.

In 2014 we filed registrations for national patents for the ten recent PCT's across a range of fourteen jurisdictions. In total we have filed, or are in the process of filing, sixty five registered patents for these ten inventions. This represents a substantial body of patent protection for the AnaeCo System intellectual property, which underpins the longer term goal of developing a business based on licensing and technology transfer.

Moving forward, the key operational goals for the Group in the coming year are;

- Completing commissioning of the WMRC DiCOM™ facility and handover to the client,
- Securing and commencing new revenue generating projects, and
- Refining and standardising the detailed design and IP package which is the AnaeCo™ System, and commercialising this through technology transfer and licensing arrangements both in Australia and overseas.

DIRECTORS' REPORT

Review of Financial Position

The Group's financial position at 30 June 2014 is cash on hand of $1,641,915 and net current liabilities of $2,714,179. Net current liabilities are stated after including a provision for the expenditure to be incurred in completing the commissioning of the AnaeCo™ technology which is being installed at the WMRC Project. Net assets at 30 June 2014 are $1,669,756.

Key factors affecting the financial position in the 2014 financial period have been:

- Receiving a R&D Tax Incentive refund of $8,048,593 for eligible expenditure incurred in 2013, and
- The expected receipt of a R&D Tax Incentive refund of $4,590,098 for eligible expenditure incurred in 2014.
- Entering into a Loan Agreement with Monadelphous Group Limited to provide funding of $3,420,000 as an advance to be repaid upon receipt of the 2014 R&D Tax Incentive Refund.
- Continued expenditure on the WMRC Project.

Payment for the Group's obligations relating to delivery of the WMRC Project has been the principal application of funds, other than corporate administration and overheads. The WMRC Project is a critical step for AnaeCo as the first complete application and flagship project of the AnaeCo™ System. From a commercial perspective, it has been a development project which means AnaeCo's services to this project have been funded by equity rather than receipts of revenue. The R&D Tax Incentive Scheme operates as a very effective and supportive subsidy to the Company's expenditure on the technology developed and applied in this demonstration project.

Commissioning of the WMRC Project will be completed in coming months and AnaeCo's forecast costs to complete have been provided for in the 30 June 2014 statement of financial position.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Group's most significant risks and how they are addressed are as follows:

Risk	How addressed
Project execution and delivery	Employment and retention of appropriately experienced and qualified personnel
Intellectual property	Patent registration
Technology development	Detailed records of the development of AnaeCo technology

DIVIDENDS PAID OR PROPOSED

No amounts have been paid or declared by way of dividend by the Company. The Directors do not propose to recommend the payment of a dividend for the year ended 30 June 2014.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year the following changes in the Group's state of affairs occurred.

- The Group entered into a funding agreement with Monadelphous Group Limited on 29 June 2014 whereby a sum of up to $3,420,000 is available for drawdown.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the forthcoming financial year include;

- Successful commissioning of the WMRC DiCOM Expansion Project.
- Further development of the AnaeCo™ System and its component parts through technology transfer and licensing arrangements.
- Development of new opportunities for AnaeCo™ facilities both in Australia and overseas.

Whilst the WMRC Project has been underway, the Group has been preparing to expand its commercialisation activities. This has involved a targeted campaign aimed at potential early adopters of the AnaeCo™ technology. The profile of an early adopter may be a private business, a waste management company or a local authority, and may be Australian based or international. During 2014 the

Group has engaged with many counterparties across the spectrum who have expressed strong interest in the technology and some of these relationships have been formalised in memoranda of understanding. With demonstrable success in the commissioning of the WMRC Project in coming months, we expect a number of these to progress towards commercial business in 2015.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No matter or circumstance has arisen since the end of the financial year and up to the date of this report which significantly affects the results of the operations of the Group for the next financial year.

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 ("the Act") and its Regulations. This information has been audited as required by section 308(3c) of the Act. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the purposes of this report, the term 'executive' refers to the Managing Director & Chief Executive Officer ("MD & CEO"). Therefore the Key Management Personnel are Les Capelli (Non-executive Director - appointed 28 November 2008), Ian Campbell (Non-executive Director - appointed 13 May 2009, resigned 22 May 2014), Shaun Scott (Non-executive Director - appointed 7 March 2012) and David Lymburn (MD & CEO - appointed 30 May 2014). Patrick Kedemos (MD & CEO - appointed 25 July 2012, resigned 22 July 2013 and ceased to be KMP on that date). Mr Kedemos has completed, pursuant to the terms of his employment contract, a six month notice period, during which he received full employment benefits under his contract.

Remuneration Committee

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The entire Board acts as the remuneration committee. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of appropriately qualified directors and executives.

Remuneration philosophy

The performance of the Group depends upon the quality of its executives and directors. To prosper, the Group must attract, motivate and retain highly skilled directors and executives. To this end the Group embodies the following principles in its remuneration framework;

- provide competitive rewards to attract high calibre directors and executives;
- link executive rewards to shareholder value;
- have a portion of executive remuneration linked to the performance of the Group and therefore "at risk"; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration structure

This report explains the remuneration structure in place for the 2014 financial year.

Non-executive directors

Non-executive director remuneration is determined according to market practice for comparable companies and the Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 30 November 2006 when shareholders approved an aggregate remuneration of up to $450,000 per annum. Total remuneration for the year is $234,672 (2013: $237,531).

Currently the Chairman and other Non-executive directors receive a base annual remuneration of $70,000 each, inclusive of superannuation. Presently there are no additional fees for participation in Board committees, although consulting fees are payable when Non-executive directors are required to work outside the normal remit for Non-executive directors.

Non-executive directors have each been issued 750,000 ordinary shares under the Long Term Incentive share plan. Details of the terms and conditions of these incentive shares are provided elsewhere in this Remuneration Report. These shares have been issued to incentivise the Non-executives to drive the Group to achieve its goals and to have this represented by growth in shareholder value.

Executive remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group, departmental and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board reviews current industry practices to benchmark market rates for KMP, and may if it is considered appropriate, engage external consultants to provide independent advice. In 2014 no external consultants were engaged to provide advice.

The Group has entered into detailed contracts of employment with Mr Kedemos and Mr Lymburn. Details of these contracts are provided below.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits)
- Variable remuneration
    - Short term incentive ("STI"); and
    - Long term incentive ("LTI").

The proportion of fixed remuneration and variable remuneration for each executive is set out in the table below.

Fixed remuneration

Objective

Fixed remuneration (base salary plus related superannuation contributions) is reviewed annually, each January by the Board. The process consists of a review of Group, departmental and individual performance, relevant comparative remuneration in the market and, where appropriate, external advice on policies and practice. In the current year no external advice was taken.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. Fixed remuneration is measured on the basis of cost to the Group. Executive employment contracts provide for annual review of the fixed remuneration sum. There is no provision for guaranteed future incremental increases in fixed remuneration other than CPI increases.

Variable remuneration – Short term incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The key Group operational targets are, the successful commissioning of the AnaeCo™ technology on the WMRC DiCOM Expansion Project, securing sufficient capital to sustain operations, and the commercialisation of the AnaeCo™ technology. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

Actual STI payments that may be granted to each executive depend on the extent to which specific targets, aligned to Group operational targets, set at the beginning of the financial year are met. The targets may consist of a number of stated objectives or key performance indicators (KPIs), which cover financial, non-financial, corporate and individual measures of performance.

The maximum STI bonus that may be payable under the current contracts is expressed as a percentage of annual base salary. For Mr Lymburn it is 30% of annual base salary of $280,058 per annum.

Entitlement to the STI is partly weighted towards company performance measured as the Group's Total Shareholder Return ("TSR") performance relative to a peer group of comparable Australian listed companies, and partly weighted towards the employee's performance relative to the stated objectives.

For Mr Lymburn the weightings for STI entitlement are 40% for individual performance and 60% for company performance.

For the 2014 year Mr Lymburn elected to waive the award of his STI entitlement and the right to this award lapsed.

For the 2013 year, Mr Kedemos earned 50% of his STI entitlement. This comprised 20% for individual performance and 30% for company performance. Mr Lymburn earned 62% of his STI entitlement. This comprised 32% for individual performance and 30% for company performance. The individual performance of Mr Kedemos was assessed by the Chairman, and the individual performance of Mr Lymburn was assessed by Mr Kedemos.

The company performance portion was assessed by the Board by calculating that AnaeCo's TSR achieved the 50^{th} percentile relative to the peer group of comparable ASX listed companies. The peer group comprised ten other companies operating in the technology innovation sector. These ten ASX listed companies are: ToxFree Solutions (TOX), Transpacific (TPI), Stericorp (STP), Novarise (NOE), Electrometals (EMM), Papyrus Australia (PPY), Intec (INL), Dyesol (DYE), Carnegie Wave Energy (CWE), Medivac (MDV). After removing the best and worst performer from the group, AnaeCo Ltd achieved 9^{th} place. TSR is calculated as the combination of share price growth over the financial year and gross dividend yield, expressed as a percentage of share price at the beginning of the year.

The STI will be awarded in the form of fully paid shares. The number of shares allocated is based on the volume weighted average price ("VWAP") for shares in the Group in the ten (10) days trading immediately prior to the award date. However, the Group may, at its discretion choose to pay some or all of the STI in cash.

Variable remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth.

Structure

LTI grants to executives are delivered under an Employee Share Plan.

A material feature of the Employee Share Plan is that the issue of ordinary shares to the employee pursuant to the plan can be by way of provision of a non-recourse, interest free loan to the employee, to be used for the purposes of subscribing for the shares. The offer of a non-recourse, interest free loan is based on a share price that will be not less than the VWAP at which shares were traded on the ASX over the 10 trading days up to and including the trading day before the date of acceptance of the offer. The loan is non-recourse because it is only repayable using proceeds from sale of the LTI shares, unless the employee elects to repay with their own funds.

After subscription, the LTI shares are issued as ordinary shares, and the employee enjoys the same rights and benefits as any other shareholder, apart from the vesting conditions.

LTI shares are issued subject to vesting conditions, which mean they cannot be traded until the escrow period passes and the trading restriction is lifted. The shares vest with the employee in three equal annual instalments, subject to continuity of employment. Once the trading restriction has been lifted the employee may sell the shares.

If employment ceases for any reason, shares which have not reached the end of their escrow period are forfeited, and the corresponding loan is cancelled. Also upon cessation of employment, for shares which have vested the non-recourse loan becomes repayable one month after employment ceases, and in this situation the former employee can elect how to fund the loan repayment.

The nature of this scheme is to provide an incentive to cause the share price to rise over the term of an employee's service, as well as retaining the employee's service, and hence there are no specific performance conditions attaching to these LTI shares.

The share price must rise above the award price before the employee receives any benefit. This structure of incentive was selected to align the longer term interests of KMP with the interests of shareholders.

Details of the number and vesting conditions of all LTI shares issued to KMP are provided elsewhere in this Remuneration Report.

Mr Kedemos Exceptional Outcome Bonus package

In addition to the STI and LTI arrangements described above, during 2012 the Group arranged an Exceptional Outcome Bonus package for Mr Patrick Kedemos, as follows:

Exceptional Outcome Bonus

A $1,000,000 bonus to be paid in AnaeCo shares based on the VWAP of the 5 business days prior to the bonus becoming payable if at any time between now and 30 June 2015 an AnaeCo 20 day VWAP is greater than 50 cents.

The fair value of the Exceptional Outcome Bonus at the grant date of 23 March 2012 was $45,000. This fair value represents a share based payment and will be expensed over the vesting period until 30 June 2015. The fair value per right in this Exceptional Outcome Bonus at award date is $0.0225, based on a share price at date of grant of $0.048 and an estimated number of shares to be issued of 2,000,000. The vesting date is 30 June 2015. None of these rights vested and all rights lapsed during the year due to his resignation.

Discretionary Bonuses

No discretionary bonuses were awarded during the current year.

Historical financial performance

The Group's financial performance during the 2014 year and for the four previous financial years is set out in the table below. The financial results shown below were all prepared under International Financial Reporting Standards (IFRS). The comparative loss per share has been restated to reflect the effect of the renounceable rights issue completed during the previous year using a factor of 1.184.

	2014	2013	2012	2011	2010
Net loss after tax	5,643,155	3,979,403	20,062,895	11,824,250	7,097,258
(Loss) per share (cents)	(0.2)	(0.4)	(5.3)	(5.3)	(3.7)
Share price at 30 June (cents)	0.7	0.9	4.0	7.5	16.0

Employment contracts

The Group entered into employment contracts with Patrick Kedemos and David Lymburn. The contract with Patrick Kedemos had a commencement date of 25 July 2011 and expired upon his resignation. The contract with David Lymburn is dated 28 September 2012.

Under the contracts the executives will receive fixed remuneration of, respectively, $327,790, and $280,058 per annum (excluding mandatory superannuation). The employment contracts provide for CPI increases annually. There are no contracted increases to the levels of fixed remuneration in these employment contracts, although there are provisions for adjustment following performance reviews.

Under the contracts the executives are also entitled to short term incentive (STI) and long term incentive (LTI) compensation, in accordance with the remuneration framework outlined in this Remuneration Report.

The contract with David Lymburn has no fixed term. The contract may be terminated by the Group if he has an illness that prevents him from working or in the event of serious misconduct.

If the Group terminates the contract (other than for serious misconduct or illness) then he is entitled to be paid his full salary and entitlements for the then unexpired period of the contract limited to a period of 3 months in the case of David Lymburn. Details of the nature and amount of each element of the emoluments of each KMP of the Group received for the financial period are presented in the following table.

2014	**Short term benefits**		**Post employment benefits**	**Share based payments**			**Long term benefits**			
	Salary and fees $	**Other[2] $**	**Super-annuation benefits $**	**Short term incentive (STI) [1] $**	**Exceptional Outcome Bonus[4] $**	**Long term incentive (LTI) [3] $**	**Long service leave $**	**Total $**	**% perfor-mance related**	**% options related**
Non-executives										
Shaun Scott	64,073	2,970	5,927	-	-	6,923	-	79,893	-	8.7
Les Capelli	70,000	2,970	-	-	-	5,330	-	78,300	-	6.8
Ian Campbell[5]	57,337	2,970	5,304	-	-	10,868	-	76,479	-	14.2
Executives										
Patrick Kedemos[5]	19,385	2,970	1,793	-	(17,308)	(44,457)	-	(37,617)	-	-
David Lymburn	277,043	2,970	34,966	-	-	42,451	8,050	365,480	-	11.6
Total remuneration	487,838	14,850	47,990	-	(17,308)	21,115	8,050	562,535		

(1) Mr Lymburn waived his right to the STI bonus payable in respect of the 2014 year and as a result the right lapsed.
(2) Includes directors and officers insurance premium of $14,850, allocated across all KMP.
(3) Value of Long Term Incentive shares allotted, for which the expense is allocated to this period. The expense allocated to Mr Kedemos up to the date of his resignation was reversed in the current year upon forfeiture of the shares due to his resignation.
(4) The share based payment value of the Exceptional Outcome Bonus of $17,308 recorded to Mr Kedemos up to the date of his resignation was reversed in the current year as it lapsed.
(5) Remuneration received by Mr Campbell up to his resignation date of 22 May 2014. Remuneration received by Mr Kedemos up to his resignation date of 22 July 2013.

2013	**Short term benefits**		**Post employment benefits**	**Share based payments**				**Long term benefits**			
	Salary and fees $	**Other[(2)] $**	**Super-annuation benefits $**	**Short term incentive (STI) [(1)] $**	**Discretio-nary bonus[(5)]**	**Milestone & Exceptional Bonus[(4)] $**	**Long term incentive (LTI) [(3)] $**	**Long service leave $**	**Total $**	**% perfor-mance related**	**% options related**
Non-executives											
Shaun Scott	70,000	2,970	-	-	-	-	6,923	-	79,893	-	8.7
Les Capelli	70,000	2,970	-	-	-	-	5,330	-	78,300	-	6.8
Ian Campbell	64,220	2,970	5,780	-	-	-	6,368	-	79,338	-	8.0
Executives											
Patrick Kedemos	360,035	41,076	42,516	175,368	166,667	(86,152)	30,611	-	730,121	40.3	4.2
David Lymburn	267,503	26,720	29,008	111,624	50,000	-	19,208	8,795	512,858	36.1	3.7
Total remuneration	831,758	76,706	77,304	286,992	216,667	(86,152)	68,440	8,795	1,480,510		

(1) The STI bonuses payable to Mr Kedemos and Mr Lymburn in respect of the 2013 year will be satisfied by the issue of shares. Mr Kedemos will be issued 5,097,897 fully paid ordinary shares. Mr Lymburn will be issued 3,244,881 fully paid ordinary shares.
(2) Includes directors and officers insurance premium of $14,850, allocated across all KMP. Also includes tax on the Short term incentive (STI) payments being, $38,106 for Mr Kedemos and $23,712 for Mr Lymburn.
(3) Value of Long Term Incentive shares allotted, for which the expense is allocated to this period.
(4) The Milestone Bonus of $100,000 which was subject to various milestones was forfeited as a result of the criteria set not having been achieved. Therefore the amount previously recorded was reversed. The share based payment value of the Exceptional Outcome Bonus of $13,848 was allocated as an expense.
(5) A discretionary bonus relating to the successful non-renounceable rights issue awarded by the Board to Mr Kedemos on 8 May 2013 was satisfied by the issue of 10,490,196 shares on 9 July 2013. Mr Lymburn also received a discretionary bonus relating to the successful non-renounceable rights issue awarded by the Board on 8 May 2013, satisfied by the issue of 3,147,059 shares on 9 July 2013. The Board determined the value to be paid on grant the date of the award, being 8 May 2013. The fair value per right at award date was $0.0085.

The elements of emoluments have been determined on the basis of the cost to the Group.

Long term incentive (LTI) remuneration

During the year the Company issued 2,000,000 LTI shares to Mr Lymburn. All of these LTI shares were issued at $0.012 per share. The grant of these LTI shares, which are considered to be "in substance options" or rights, under generally accepted accounting principles, was independently valued using the Black Scholes option valuation model which takes into account factors such as the share price at the date of grant, volatility of the share price, risk free rate and time period until vesting. Accounting standards require the value of the options granted to be brought to account over the expected term of vesting the benefits to the holder.

At the reporting date there are 10,250,000 LTI shares held by KMP which are subject to service conditions. In addition, 2,916,668 LTI shares with a value of $44,083 (David Lymburn) have vested during the year, 750,000 exercised with a value of $4,500 (Ian Campbell) and 10,125,000 have been forfeited with a value of $181,125 (Patrick Kedemos) during the year. There is no expiry date on these vesting rights, but there must be continuity of employment to receive the vesting benefits.

	Number of LTI rights	Date of grant	Share price at date of grant	Valuation per right	Exercise price of each right	Vesting conditions	
						Number of shares	Release from escrow, vesting date and first exercise date
Shaun Scott	750,000	15 Nov 2011	$0.05	$0.028	$0.05	750,000	30 Nov 2012
Les Capelli	750,000	30 Nov 2011	$0.05	$0.021	$0.05	750,000	30 Nov 2012
David Lymburn	1,500,000	18 Nov 2011	$0.05	$0.025	$0.05	500,000	18 Dec 2012
						500,000	18 Dec 2013
						500,000	18 Dec 2014

David Lymburn	5,250,000	22 Mar 2013	$0.015	$0.015	$0.012	1,750,000	18 Dec 2012
						1,750,000	18 Dec 2013
						1,750,000	18 Dec 2014
David Lymburn	2,000,000	1 Oct 2013	$0.008	$0.008	$0.012	666,668	31 Dec 2013
						666,666	31 Dec 2014
						666,666	31 Dec 2014
Total	10,250,000						

The Group prohibits executives from entering into arrangements to protect the value of unvested awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

Mr Ian Campbell

On 27 May 2014, the exercise price of the in-substance options (which had vested on 21 November 2012) issued to Ian Campbell was adjusted such that the incremental fair value of the options based on the share price at that date was $4,500. Details of these in-substance options are:

	Number of LTI rights	Date of adjustment	Share price at date of adjustment	Valuation per right	Exercise price of each right
Before resignation	750,000	27 May 2014	$0.006	$0	$0.05
Resignation on 22 May 2014	750,000	27 May 2014	$0.006	$0.006	$0

Additional disclosures relating to shares and rights to shares

Details of Mr Kedemos' and Mr Lymburn's interest in rights through the Employee Share Bonus STI.

30 June 2014	Rights at beginning of year	Shares issued	Rights granted as remuneration	Rights at end of year
Patrick Kedemos	5,097,897	(5,097,897)	-	-
David Lymburn	3,244,881	(3,244,881)	-	-
Total	8,342,778	(8,342,778)	-	-

Details of Mr Kedemos' and Mr Lymburn's interest in rights through the Discretionary Bonus.

30 June 2014	Rights at beginning of year	Shares issued	Rights granted as remuneration	Rights at end of year
Patrick Kedemos	10,490,196	(10,490,196)	-	-
David Lymburn	3,147,059	(3,147,059)	-	-
Total	13,637,255	(13,637,255)	-	-

Details of Mr Kedemos' interest in rights through the Exceptional Outcome Bonus.

30 June 2014	Rights at beginning of year	Rights forfeited	Rights granted as remuneration	Rights at end of year
Patrick Kedemos	2,000,000	(2,000,000)	-	-

Details of Key Management Personnel interest in rights through the LTI.

30 June 2014	Rights at beginning of year	Rights granted as remuneration	Rights exercised	Rights forfeited	Rights at end of year
Les Capelli	750,000	-	-	-	750,000
Shaun Scott	750,000	-	-	-	750,000
Ian Campbell	750,000	-	(750,000)	-	-
Patrick Kedemos	10,125,000	-	-	(10,125,000)	-
David Lymburn	6,750,000	2,000,000	-	-	8,750,000
Total	19,125,000	2,000,000	(750,000)	(10,125,000)	10,250,000

Shareholdings of key management personnel
Shares held in AnaeCo limited (number)

30 June 2014	Balance at beginning of period	Issued for Discretionary bonus and 2013 STI	Net change other	Balance at end of period
	1 July 2013			30 June 2014
Non-executives				
Les Capelli	123,467,762	-	-	123,467,762
Ian Campbell	161,985,605	-	(1)(161,985,605)	-
Shaun Scott	19,501,824	-	-	19,501,824
Executives				
Patrick Kedemos	8,043,896	(3) 15,588,093	(2) (23,631,989)	-
David Lymburn	4,166,667	(4) 6,391,940	-	10,558,607
Total	317,165,754	21,980,033	(185,617,594)	153,528,193

(1) Ian Campbell resigned as a director on 22 May 2014.
(2) Patrick Kedemos resigned on 22 July 2013.
(3) Includes discretionary bonus 10,490,196 and 2013 STI 5,097,897.
(4) Includes discretionary bonus 3,147,059 and 2013 STI 3,244,881.

Loans and Transactions with Key Management Personnel and Related Parties

The Group did not make any loans to key management personnel or related parties or enter into any transactions with key management personnel or related parties during or since the end of the financial year, other than in relation to the funding of Long Term Incentive shares, which are accounted for as "in substance options".

Remuneration Report Approval 2013 AGM

The 2013 remuneration report received positive shareholder support at the 2013 AGM with a vote of 100% in favour.

END OF REMUNERATION REPORT

SHARE OPTIONS

At the date of this report, other than the LTI in-substance options, no other issued options over ordinary shares existed as they expired without exercise before the end of the previous year.

No options were issued or exercised during the year. No options were granted or exercised subsequent to the end of the financial year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year the Group paid a premium of $14,850 in respect of a Directors and Officers Insurance Policy. This policy provides insurance cover in certain circumstances for matters that may give rise to potential liability of directors and officers and includes the cost of defending such action, except where the liability arises out of:

- any conduct or contravention in respect of which a liability is the subject of a prohibition in section 199B(1) of the Corporations Act 2001; or
- the committing of any deliberately dishonest or deliberately fraudulent act.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

Once completed, operation of the AnaeCo™ facility at Shenton Park will be subject to provisions of an operating licence issued by the relevant Government Department. Whilst AnaeCo is conducting the commissioning of this facility, it will be responsible for ensuring compliance with the conditions of the operating licence. Upon completion of commissioning and handover of the facility to the owner's operations team, the responsibility for compliance with the operating licence will pass to the owner. During the year and up to the date of this report the Group has complied with all of its environmental obligations.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF ANAECO LIMITED

The directors have received an Independence Declaration from Ernst & Young the auditor of AnaeCo Limited which forms part of this Directors' Report and is included on page 14 of this financial report.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services: Tax consulting and compliance services; $77,400.

OTHER DISCLOSURES

The Company is a public company, domiciled in Australia and listed on the Australian Securities Exchange (trading symbol: ANQ). The registered office and principal place of business is 3 Turner Avenue, Bentley, Western Australia 6102.

Signed in accordance with a Resolution of the Board of Directors

Shaun Scott
Chairman
Perth, 12 September 2014

Ernst & Young
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Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

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Auditor's Independence Declaration to the Directors of AnaeCo Limited

In relation to our audit of the financial report of AnaeCo Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
12 September 2014

GL:DR:ANAECO:42

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement explains the Group's conformance with the 'Corporate Governance Principles and Recommendations' issued by the Australian Securities Exchange (ASX).

Principle 1 - Lay solid foundations for management and oversight
Companies should establish and disclose the respective roles and responsibilities of board and management.

The role and responsibilities of the Board are encompassed in the Board Charter (the Board Charter is published on the Group's website).

The roles and responsibilities of management, including the executive directors, are established from time to time by the Board as it carries out its function.

The philosophy and process for evaluating the performance of senior executives is provided in the Remuneration Report in each year's Annual Report.

Principle 2 – Structure the board to add value
Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Board determines its size and composition, subject to the Corporations Act and the Company's Constitution. Accordingly there shall be not less than 3 and not more than twelve directors.

The Board shall include a balance of Non-executive and Executive directors. Non-executive directors will mostly be independent directors, but a Non-executive director could be non-independent. The Board in its Charter has adopted a fundamental principle that there should be a majority of independent directors. Presently there are three directors; Mr Shaun Scott is the independent director whereas Mr Les Capelli and Mr David Lymburn are not independent directors. Although Mr Capelli is a Non-executive director he is deemed not independent under ASX guidelines by virtue of his shareholding interest in the Company. Accordingly the Board structure does not presently comply with ASX Corporate Governance Principles and Recommendations, or the Board Charter. The Board has stated it is intention to expand the Board with the addition of one or more independent directors.

The current Directors of the Group are listed in the most recent Annual Report as well as on the Group's website, with a brief description of their qualifications, experience and special responsibilities.

The roles of Chairperson and CEO are not exercised by the same individual.

The Chairperson is selected by the full Board.

Principle 3 – Promote ethical and responsible decision making
Companies should actively promote ethical and responsible decision making.

The Group has a Code of Conduct which is applicable to all directors, management and staff.
The Group also has a written policy governing directors, management and employees dealing in the Company's securities.
Copies of the Code of Conduct and the Policy for Trading in Company Securities are published on the Group's website.

Diversity

The Group recognises the value contributed to the organisation by employing people with varying skills, cultural backgrounds, ethnicity and experience. AnaeCo believes its diverse workforce is the key to its continued growth, improved productivity and performance.

AnaeCo actively values and embraces the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated.

At 30 June 2014, 10% of our workforce was female. There are currently no senior executives or Board members who are female.

CORPORATE GOVERNANCE STATEMENT

Whilst the Group supports and seeks to comply with the recommendations contained in the ASX Corporate Governance Principles and Recommendations and has established a formal diversity policy, it has not yet established measurable objectives for achieving diversity.

Principle 4 – Safeguard integrity in financial reporting
Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

The CEO is required to provide a written undertaking to the Board providing assurances that the Group's financial reports present a true and fair view and are in accordance with relevant accounting standards. The CEO is also required to provide written assurances that the financial reports are based on a sound system of internal controls, and to explain any significant weaknesses in internal controls.

The Board has resolved to establish an Audit Committee. However the present composition of directors does not enable the Group to comply with ASX guidelines. Accordingly the entire Board performs the function of the Audit Committee.

The Audit Committee charter is published on the Group's website.

The Group has a policy on the provision of external audit and other professional accounting services. The external auditor is precluded from providing any services which in the opinion of the Audit Committee may threaten its independence or may cause a conflict with its assurance and compliance role.

Principle 5 – Make timely and balanced disclosure
Companies should promote timely and balanced disclosure of all material matters concerning the Group.

In accordance with ASX Listing Rules and the Corporations Act, a continuous disclosure regime operates throughout the Group.

The Group has a written policy regarding Market Disclosure and Communications. All management and staff are made aware of this policy and a copy of the policy is posted on the Group's website.

Principle 6 – Respect the rights of shareholders
Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

The Group has a written policy on Market Disclosure and Communications which includes a section on shareholder communications.

The policy explains what information is posted to the Group's website as well as information which will be mailed to all shareholders.

The Group's website includes a facility whereby any interested party, whether a shareholder or not, may register to receive by e-mail regular updates of selected ASX announcements or periodic shareholder/investor updates.

At General Meetings the Chairman encourages questions and discussions on all matters of business by shareholders. Shareholders who are unable to attend the meetings personally are encouraged to submit written questions on any matters of business.

The external auditor attends the Annual General Meeting and is available to respond to questions about the conduct of the audit and the preparation and content of the Independent Audit Report.

Principle 7 – Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

The full Board retains prime responsibility for policy regarding oversight and management of risk. The Board may delegate responsibility for aspects of risk management to the CEO and management.

In conjunction with their annual and half yearly sign off on the financial statements, the CEO will be required to report to the Board as to the effectiveness of the Group's management of its material business risks.

Principle 8 - Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

The Board has resolved to establish a Remuneration Committee. However the present Board composition does not enable the Group to comply with ASX guidelines. Accordingly the entire Board performs the function of the Remuneration Committee.

The Remuneration Committee charter is published on the Group's website.

The Group has adopted a remuneration structure for executive directors and senior management which distinguishes between fixed remuneration and remuneration which is at risk. The remuneration which is at risk comprises short term and longer term incentive arrangements. Details of this as well as details of the employment contracts of senior executives are provided in the Remuneration Report contained in each year's Annual Report.

The Group acknowledges ASX guidelines that remuneration arrangements for non-executive directors should be clearly distinguished from arrangements for executive directors. The Group agrees with this recommendation with one exception. The Group considers non-executive directors should have capacity to share in equity based incentive arrangements for the following reasons;

- The nature of the Group's business and its stage of development mean the whole Board plays a critical role in developing strategies and decision making which will have a direct impact on the success of the Group. In other words, the role of the Board in such an early stage emerging Group is often closer aligned with management at key decision points. The Board is therefore accountable for the success or failure in creating and delivering strategies as well as the more traditional stewardship and governance role of Boards in larger and longer established companies.
- Equity based compensation incentives are a necessity in this day and age for smaller developing companies, at a higher risk stage in their life cycle, in order to attract non-executive directors with appropriate skills, experience and calibre.
- The Group has confidence it can establish equity based compensation incentives for non-executives which are balanced and not excessive, and accordingly in the best interests of shareholders.

The Corporations Act provides that all share or option issues to directors must be approved by shareholders. In submitting any proposal for equity based compensation of directors (both executive and non-executive) the Group will provide shareholders with all information required by the Corporations Act and ASX Listing Rules as well as a full explanation of its reasons why it considers the proposed remuneration arrangements to be appropriate.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	12 months June 30 2014 $	12 months June 30 2013 $
Revenue	3(a)	158,528	158,505
Other income	3(b)	6,806,331	7,942,069
Project delivery costs	4(a)	(8,791,824)	(6,720,707)
Technology development expense	4(b)	(119,328)	(568,898)
Depreciation and amortisation expense	4(c)	(904,995)	(768,142)
Finance costs	4(d)	(128,793)	(372,011)
Employee benefits expense	4(e)	(1,369,796)	(2,278,945)
Other expenses	4(f)	(1,293,278)	(1,371,274)
Loss before income tax expense		(5,643,155)	(3,979,403)
Income tax (expense)/benefit	5	-	-
Net loss after tax attributable to members of AnaeCo Limited and total comprehensive expense for the period		(5,643,155)	(3,979,403)
Loss per share attributable to the ordinary equity holders of the Company	29		
Basic loss per share		(0.2) cents	(0.4) cents
Diluted loss per share		(0.2) cents	(0.4) cents

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	June 30 2014 $	June 30 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,641,915	7,136,349
Trade and other receivables	7	4,721,715	6,790,143
Other	8	21,951	-
TOTAL CURRENT ASSETS		6,385,581	13,926,492
Non Current Assets			
Property, plant and equipment	9	78,772	57,693
Intangible assets	10	4,559,383	5,072,442
TOTAL NON CURRENT ASSETS		4,638,155	5,130,135
TOTAL ASSETS		11,023,736	19,056,627
LIABILITIES			
Current liabilities			
Trade and other payables	13	1,710,357	1,587,506
Provision for loss on engineering services contract	14	5,134,001	5,023,050
Interest bearing loans and borrowings	15	2,000,000	3,277
Non interest bearing liabilities	16	-	3,000,000
Provisions	17	255,402	165,610
TOTAL CURRENT LIABILITIES		9,099,760	9,779,443
Non Current Liabilities			
Interest bearing loans and borrowings	15	-	2,000,000
Provisions	17	254,220	183,733
TOTAL NON CURRENT LIABILITIES		254,220	2,183,733
TOTAL LIABILITIES		9,353,980	11,963,176
NET ASSETS		1,669,756	7,093,451
EQUITY			
Contributed equity	18	67,757,640	67,481,050
Reserves	19	1,063,344	1,120,474
Accumulated losses	20	(67,151,228)	(61,508,073)
TOTAL EQUITY		1,669,756	7,093,451

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Notes	12 months June 30 2014 $	12 months June 30 2013 $
Cash flows from operating activities			
Receipts from customers		55,000	-
Interest received	3(a)	158,528	108,505
R&D tax incentive received	3(b)	7,050,430	4,213,728
Payments to suppliers and employees		(10,331,471)	(16,692,311)
Interest paid		(8,792)	(129,510)
Net cash flows used in operating activities	21	(3,076,305)	(12,499,588)
Cash flows from investing activities			
Purchases of property, plant and equipment	9	(70,763)	(25,660)
Purchases of patents and trademarks classified as intangible assets	10	(298,869)	(159,061)
Purchases of computer software classified as intangible assets	10	(43,383)	(10,378)
R&D tax incentive received relating to intangible assets	3(b)	998,163	694,144
Expenditure on technology development capitalised as intangible assets	10	-	(2,218,140)
Net cash flows from/(used in) investing activities		585,148	(1,719,095)
Cash flows from financing activities			
Proceeds from the issue of shares	18	-	21,437,727
Costs of fundraising		-	(1,137,136)
Proceeds from borrowings		-	4,231,000
Repayment of borrowings		(3,003,277)	(3,533,016)
Net cash flows (used in)/from financing activities		(3,003,277)	20,998,575
Net increase in cash and cash equivalents		(5,494,434)	6,779,892
Cash and cash equivalents at beginning of period		7,136,349	356,457
Cash and cash equivalents at end of period	6	1,641,915	7,136,349

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

For the year ended 30 June 2014	Issued capital $	Accumulated losses $	Employee benefits reserve $	Total equity $
At the beginning of the year	67,481,050	(61,508,073)	1,120,474	7,093,451
Loss for the period	-	(5,643,155)	-	(5,643,155)
Total comprehensive (expense) for the period	-	(5,643,155)	-	(5,643,155)
Transactions with owners in their capacity as owners				
Issue of share capital to third parties for share based payments	38,250	-	-	38,250
Issue of share capital for share based payments	238,340	-	(238,340)	-
Share based payment	-	-	181,210	181,210
At the end of the year	67,757,640	(67,151,228)	1,063,344	1,669,756

For the year ended 30 June 2013	Issued capital $	Accumulated losses $	Employee benefits reserve $	Total equity $
At the beginning of the year	42,020,225	(57,528,670)	555,092	(14,953,353)
Loss for the period	-	(3,979,403)	-	(3,979,403)
Total comprehensive (expense) for the period	-	(3,979,403)	-	(3,979,403)
Transactions with owners in their capacity as owners				
Issue of share capital	21,612,315	-	-	21,612,315
Costs of capital raising	(1,113,906)	-	-	(1,113,906)
Share based payment	53,505	-	565,382	618,887
Debt for equity conversion of loans	4,908,911	-	-	4,908,911
At the end of the year	67,481,050	(61,508,073)	1,120,474	7,093,451

1 Corporate Information

The consolidated financial report of AnaeCo Limited (“the Company”) and its controlled entities (“the Group”) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 12 September 2014.

AnaeCo Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The registered office is 3 Turner Avenue, Bentley, Western Australia. AnaeCo Limited is the parent entity of the Group.

The Group’s business activity is the development and commercialisation of an alternative waste treatment system applicable to municipal solid waste (the AnaeCo™ System). The Group is the developer and owner of the intellectual property and is developing the first full scale commercial application of the technology at a project located in Western Australia.

2 Summary of significant accounting policies

(a) Basis of Preparation

The consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

The consolidated financial report is presented in Australian dollars, and the Company is a for-profit entity.

Going Concern

The Group has net assets of $1,669,756 (previous period, net assets of $7,093,451) has net current liabilities of $2,714,179 (previous period net current assets of $4,147,049) and incurred an operating loss after income tax of $5,643,155 (previous period, loss of $3,979,403) for the year ended 30 June 2014.

The financial report has been prepared on a going concern basis. In arriving at this position the directors have had regard to the fact that the Group has, or in the directors’ opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

In forming this view the directors have taken into consideration the following.

- As a Group listed on the Australian Securities Exchange it has access to the Australian equity capital markets. Accordingly, the Group considers it maintains a reasonable expectation of being able to raise funding from the market as and when required, although it cannot determine in advance the terms upon which it may raise such funding.
- The Group is achieving its key milestones with respect to commercialising the AnaeCo™ System and specifically with respect to the application of the AnaeCo™ System at the WMRC Project. This progress is feeding through to increased interest in the Group’s technology from other prospective customers and accordingly the Group has a pipeline of project opportunities. This provides confidence for the Group’s prospects of generating positive cash flow from operations in the future.
- AnaeCo Limited will be submitting a claim for the Research & Development Tax Incentive in respect of the 2014 tax year. The Company is satisfied that it meets the criteria to qualify for a cash refund, and is confident the expenditure to be claimed in relation to the AnaeCo™ technology will satisfy the tests of eligibility. The amount of eligible expenditure in the 2014 year is estimated to be $10,200,218 and if approved, this would lead to a cash refund of $4,590,098 which has been recognised in the current year financial statements, refer Note 3(b).
- The Company has entered into a Loan Agreement with Monadelphous Group Limited to provide funding of $3,420,000. The loan is essentially an advance of the 2014 R&D Tax Incentive Refund. An initial draw-down was made in July 2014 and the full amount of this loan is forecast to be drawn by 31 October 2014. The Loan Agreement provides for full repayment upon receipt of the 2014 R&D Tax Incentive Refund.
- AnaeCo Limited expects to submit a claim for the Research & Development Tax Incentive in respect of the 2015 tax year as a substantial portion of the expenditure incurred on completing commissioning of the AnaeCo System on the WMRC Project from 1 July 2014 until completion

should meet the qualifying criteria for the same reasons as previous expenditure. However the benefit of this 2015 claim will not be available until after the 2015 income tax return has been lodged and assessed, unless the Company is able to enter into an advance funding arrangement similar to that entered into during 2014.

The Board is confident that to the extent additional funding is required to fund administrative and other committed expenditure, or new development initiatives, it will be able to raise such funding in the financial markets.

The Group's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on a number of factors, including;

- success with commercialising its AnaeCo™ technology and generating future sales to enable the Group to generate profit and positive cash flows;
- obtaining additional funding as and when required; and
- receiving the continued support of its shareholders and creditors.

Should the Group not achieve the matters set out above there is significant uncertainty whether the Company and the Group will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Company or the Group not be able to continue as a going concern.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Since 1 July 2013, the Group has adopted all Accounting Standards and Interpretations, mandatory for annual periods beginning on or before 1 July 2013, including:

Ref	Title	Summary
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other other standards via AASB 2011-7 and 2012-10. There was no impact of adopting this standard as all subsidiaries are wholly owned.
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly-controlled Entities – Non-monetary Contributions by Ventures.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128. The impact of adopting the amended requirements of AASB 11 has resulted in the previously classified jointly controlled operation being now classified as a joint operation as it meets the requirements of AASB 11 to be classified as such.

Ref	Title	Summary
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8. There was no impact of adopting this standard.
AASB 119 (revised 2011)	Employee Benefits	The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-0. Application of this standard had no significant impact on the financial results or position of the Group.
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. There was no impact of adopting this standard.
AASB 2011-4	Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. The adoption of this amendment has affected disclosure in the financial statements only.

Adoption of these new and amending Standards and Interpretations did not have any effect on the financial position or performance of the Group.

A number of Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective and have not yet been adopted by the Group. These are outlined in the table below.

The Group has not yet completed its assessment of the standards noted below but for new and amended Australian Accounting Standards and Interpretations effective at 1 July 2014, it is expected that there will be no significant impact on the Group.

Ref	Title	Summary	Application date of standard	Application date for Group
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014

Ref	Title	Summary	Application date of standard	Application date for Group
AASB 1031	*Materiality*	The revised AASB 1031 is an interim standard that cross-references to other Standards and the F*ramework (*issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014.	1 January 2014	1 July 2014
AASB 2014-1 Part A - Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle.* Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ► AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	1 July 2014
AASB 2014-1 Part A - Annual Improvements 2011–2013 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: ► AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. ► AASB 140 - Clarifies that judgement is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgement is based on guidance in AASB 3.	1 July 2014	1 July 2014

<table>
<tr><th>Ref</th><th>Title</th><th>Summary</th><th>Application date of standard</th><th>Application date for Group</th></tr>
<tr><td>AASB 9</td><td>Financial Instruments</td><td>
On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting.
IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.
The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.
The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.
AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.
The main changes are described below.
a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
► The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
► The remaining change is presented in profit or loss
AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognised in profit or loss.
Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.
</td><td>1 January 2018</td><td>1 July 2018</td></tr>
</table>

Ref	Title	Summary	Application date of standard	Application date for Group
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.	20 December 2013 1 January 2014 1 January 2015	30 June 2014 1 July 2014 1 July 2015
AASB 2014-4 Amendments to AASB 116 and AASB 138	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The AASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The AASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016
IFRS 15*	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations (IFRIC *13 Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*) The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation	1 January 2017	1 July 2017

* These IFRS amendments have not yet been adopted by the AASB.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group comprises the Company and its wholly owned controlled entities AnaeCo UK Limited AnaeCo Inc. and AnaeCo Asia Pte Ltd.

AnaeCo UK Limited (a United Kingdom incorporated company), AnaeCo Inc (a United States incorporated company) and AnaeCo Asia Pte Ltd (a Singapore incorporated company) have not yet commenced business operations and to date have only incurred minimal corporate and administrative expenditure.

(d) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before the revenue is recognised.

Long term contracts
Revenue from engineering services contracts is recognised according to the provisions of each contract, and profit is recognised according to the stage of completion method. Stage of completion is measured by reference to actual costs incurred in providing the contract services as a percentage of the total forecast costs for completion of the contract services.

Where the forecast total costs to complete the contract exceed the forecast total revenue and the contract is estimated to be loss making it is deemed an onerous contract and a provision is made immediately for the full forecast loss.

When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

General engineering services
Revenue from general engineering services that do not form part of long term contracts, is based on a time billing system, with invoices raised at the end of each month when billable time has been spent. Revenue is recognised in the month when the service is provided.

Interest income
Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

(f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of an arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

(g) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Objective evidence may mean the debt is more than 90 days past its due date. Bad debts are written off when identified.

(i) Long term contracts

Work in progress on long term contracts for engineering services is valued at contract cost to date, plus profit recognised to date if applicable, and less any provision for anticipated future losses and progress billings. Costs may include an allocation of overheads. Profit is measured using the stage of completion method which is explained in the accounting policy on Revenue Recognition.

(j) De-recognition of financial assets and financial liabilities

Financial Assets
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

Financial Liabilities
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition or the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(k) Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or a group of financial assets is impaired.

Financial assets carried at amortised cost
If there is objective evidence that an impaired loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(l) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(m) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(n) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 2.5 to 15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment exists when the carrying value of an asset or cash generating unit exceeds its estimated recoverable amount. The assets or cash-generating unit is then written down to its recoverable amount.

De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use or disposal of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognised.

(o) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

(p) Interest in joint operation

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the individual assets and obligations for liabilities arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Group recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of the revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly

(q) Intangible assets

Acquired both separately and from a business combination
Intangible assets acquired separately or in a business combination, are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets that is at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each financial year end. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred. Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs
Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development, the ability to measure reliably the expenditure attributable to the intangible asset during its development and the ability to use the tangible asset generated. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each financial year end.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period. A summary of the policies applied to the Group's intangible assets is as follows.

	Patents	Development costs	Computer software
Useful lives	Finite	Finite	Two and a half years
Method used	Amortised up to 20 years on straight-line basis.	Amortised over 10 years on straight-line basis.	Amortised up to 2 1/2 years on straight-line basis.
Internally acquired or generated	Acquired	Internally generated	Acquired
Impairment test/recoverable amount testing	Annually and more frequently when an indication of impairment exists.	Annually and more frequently when an indication of impairment exists.	Annually and more frequently when an indication of impairment exists.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(r) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Interest-bearing loans and borrowings

All loans and borrowings, other than those classified as fair value through profit and loss, are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. The increase in the provision resulting from the passage of time is recognised in finance costs.

(u) Employee leave benefits

Short term benefits
Liabilities for short term benefits expected to be settled within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liability is settled. Expenses for non-vesting sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash flows.

(v) Pensions and other post-employment benefits

The Group makes contributions to superannuation funds on behalf of employees in accordance with Superannuation Guarantee Contribution obligations, recognising employee choice of fund as required. None of these arrangements give rise to defined benefit obligations by the consolidated entity. Contributions to superannuation funds are recognised at cost in the period incurred.
There are no other pension schemes or post-employment benefits.

(w) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

Details of plans in place for all or part of the financial year to provide these benefits are as follows:

1. Long term incentive share scheme - Each non-executive director, each key management personnel and other senior members of staff, were granted long term incentive shares, under which shares vest to the employee over specified periods of time.
2. Short term incentive scheme - Each key management personnel and other senior members of staff, were awarded annual short term incentive bonuses. Mr Lymburn waived his right to his STI entitlement for the 2014 year.

Details of all share based remuneration schemes and the number of shares and rights which have been issued under those schemes are provided in the Remuneration Report and elsewhere in the notes to these financial statements.

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is generally determined using a Black Scholes valuation model.

In valuing equity-settled transactions, no account is taken of performance conditions other than market conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the consolidated entity, will ultimately vest. This opinion is formed based on the best available information at balance date.

No expense is recognised for awards that do not ultimately vest. However, any amount subject to market conditions is considered to vest irrespective of whether or not that market condition is fulfilled.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the total fair value of the share based payment transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding rights is reflected as additional share dilution in the computation of earnings per share.

The long term incentive scheme (LTI) is accounted for as an in substance option plan due to the limited recourse nature of the loan.

(x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or rights are shown in equity as a deduction from the proceeds.

Shares in the Company held under the long term incentive scheme (LTI) are classified and disclosed as employee reserved shares and deducted from equity.

(y) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing its 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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any indication previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(z) Significant accounting judgements, estimates and assumptions

Significant accounting judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Capitalised technology development expenditure in intangibles
In determining which technology development expenditure may be capitalised the Group applies judgement to distinguish those costs which have a direct relationship to the criteria for capitalisation described in accounting policy (q), from those which should be expensed in the period incurred. This involves evaluating the nature of work performed by staff as well as third party consultants and contractors, and in many cases includes a judgemental apportionment of costs. In this regard development activities include, the design, construction and operation of pilot plants not of a scale for commercial use and the design, construction and testing of alternative or improved materials processes or systems.

Going concern
Use of the going concern assumption has required significant judgement, refer to note 2(a) Going Concern.

Significant accounting estimates and assumptions
The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are;

Taxation
Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the consolidated statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustments, resulting in a corresponding credit or charge to the income statement.

Impairment of non-financial assets
The Group assesses impairment of all assets (including intangible assets) at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period. Refer to note 10 for details regarding the method and assumptions used.

Long term contracts
The Group accounts for long term engineering services contracts using the stage of completion method. Profit on long term contracts is recognised according to the stage of completion. Stage of completion is measured by reference to actual costs incurred in providing the contract services as a percentage of the total forecast costs for completion of the contract services. This involves formulating judgements in terms of the time to completion and the estimated costs (for all costs which are not fixed) to be incurred to reach completion. Total forecast costs for completion of the contract services includes an estimate for all future costs to be incurred irrespective of whether the contract is estimated to be profitable or is estimated to result in a loss. Where applicable, estimates of future costs include an assessment for the settlement of any outstanding claims or disputes.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date on which they are granted. The fair value is determined by an external valuer using a Black Scholes model, using the assumptions detailed in note 18. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(aa) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends),
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised, and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares,

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ab) Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is deducted from the asset to which it relates, the net value of which is amortised over its expected useful life.

The Group is treating its expected receipt of the R&D Tax Incentive refund as a government grant.

		June 30 2014 $	June 30 2013 $
3(a)	**Revenue**		
	Engineering services	-	50,000
	Interest income	158,528	108,505
		158,528	158,505
3(b)	**Other income**		
	Government grant – R&D Tax Incentive 2012	-	3,107,872
	Government grant – R&D Tax Incentive 2013	2,216,233	4,834,197
	Government grant – R&D Tax Incentive 2014	4,590,098	-
		6,806,331	7,942,069

The Group is expecting to receive a R&D Tax incentive refund of $4,590,098 for eligible expenditure incurred in 2014, all of which is recognised as Other Income in the current year.

The Group received a R&D Tax incentive of $8,048,593 for eligible expenditure incurred in 2013, of which $5,832,360 was recognised as a receivable in the 30 June 2013 financial statements and $2,216,233 was recorded as Other income in the current year.

Of the $5,832,360 recognised as a receivable in the 30 June 2013 financial statements, $4,834,197 was recognised as Other Income and $998,163 was recognised as an offset to technology development expenditure capitalised as Intangibles. The Group received a R&D Tax Incentive refund of $4,907,872 for eligible expenditure incurred in 2012, of which $1,800,000 had been recognised as a receivable in the 30 June 2012 financial statements and $3,107,872 was recorded as Other Income in the 30 June 2013 financial statements.

		June 30 2014 $	June 30 2013 $
4(a)	**Project delivery costs**		
	Expenditure on long term engineering contract not previously provided for	3,668,125	3,000,001
	Movement in provision for costs to complete	5,134,001	3,679,906
	Cost of labour for engineering services billings	(10,302)	40,800
		8,791,824	6,720,707
4(b)	**Technology development expense**		
	Expenditure on technology development	119,328	2,787,038
	Less capitalised as an intangible asset	-	(2,218,140)
		119,328	568,898
4(c)	**Depreciation and amortisation expense**		
	Depreciation of property, plant & equipment	49,684	39,464
	Amortisation of patents, licences and intellectual property	855,311	728,678
		904,995	768,142
4(d)	**Finance costs**		
	Interest paid to other parties arising on finance leases and hire purchase contracts	8,780	15,256
	Interest expense on loans from related parties	-	106,771
	Interest expense on loans from others	120,000	107,973
	Loan establishment fees paid to related parties	-	12,500
	Other finance costs	13	129,511
		128,793	372,011
4(e)	**Employee benefits expense**		
	Wages and salaries	4,142,847	3,680,809
	Defined contribution superannuation plan expense	412,234	344,734
	Less labour costs allocated to projects and technology development	(3,557,905)	(2,569,705)
	Non-executive directors remuneration	191,410	204,220
	Share based payments expense	181,210	618,887
		1,369,796	2,278,945

		June 30 2014 $	June 30 2013 $
4(f)	**Other expenses**		
	Premises and related expenses	375,969	360,008
	Consultants and professional advisors	309,765	385,865
	Travel	89,244	156,342
	Other overheads	518,300	469,059
		1,293,278	1,371,274
5.	**Income Tax**		
	The major components of income tax expense are:		
	Income statement		
	Current income tax		
	Current income tax (charge)/benefit	-	-
	Deferred income tax		
	Relating to origination and reversal of temporary differences	-	-
	Income tax benefit as reported in the income statement	-	-
	A reconciliation between tax benefit and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
	Accounting loss before tax	(5,643,155)	(3,979,403)
	At the statutory income tax rate of 30% (2013:30%)	(1,692,947)	(1,193,821)
	(Income not assessable)/expenditure not allowable for income tax purposes	(4,380)	188,715
	R&D expenditure for 2014	3,060,065	4,085,326
	R&D tax incentive received not assessable	(2,041,899)	(2,382,621)
	Temporary differences not recognised	679,161	(1,123,806)
	Prior year adjustment	-	426,207
		-	-
	Deferred income tax		
	Deferred tax assets not recognised		
	Unrecognised tax losses	13,696,393	14,477,077
	Temporary differences	564,150	388,046
		14,260,543	14,865,123
	Temporary differences comprises:		
	Provision for completion of long term contract	1,540,200	1,506,915
	Unamortised balance of business related expense deductions	292,694	429,487
	Employee benefits provisions	152,887	104,803
	Other	302,021	315,719
	Intangibles – development expenditure	(1,723,652)	(1,968,878)
		564,150	388,046

The deferred tax asset attributable to tax losses has not been recognised as an asset because in the opinion of the Group, there are presently insufficient taxable temporary differences to indicate that recovery is probable.

	June 30 2014 $	June 30 2013 $
6. Cash and Cash Equivalents		
Cash at bank and in hand	1,641,915	7,136,349

7. Trade and Other Receivables

Current		
Trade receivables	319	57,362
R&D tax incentive receivable	4,590,098	5,832,360
Other receivables	131,298	900,421
	4,721,715	6,790,143

Trade receivables at 30 June 2014 are in accordance with the terms of the contract and no impairment loss is expected.

The R&D tax incentive receivable is based on eligible expenditure which can be claimed under the R&D Tax Incentive scheme, for which the rate of refund is $0.45 per $1.00 of eligible expenditure.

Other receivables are predominantly the net amount refundable from the excess of GST input credits over GST output liabilities.

There are no receivables which are past due and/or impaired.

The fair value of trade and other receivables approximate their carrying value, and all receivables are expected to be received in full.

8. Other Assets (Current)

Prepayments	21,951	-

9. Property, Plant and Equipment

Property, plant and equipment at cost	713,036	620,817
Less accumulated depreciation	(634,264)	(590,263)
	78,772	30,554
Property, plant and equipment purchased under hire purchase or subject to finance lease	-	90,371
Less accumulated depreciation	-	(63,232)
	-	27,139
Total Property, plant and equipment at cost	713,036	711,188
Less accumulated depreciation	(634,264)	(653,495)
Net carrying amount of property, plant and equipment	78,772	57,693
Movements in carrying values during the year:		
Balance at 1 July	57,693	71,497
Additions	70,763	25,660
Disposals	-	-
Depreciation expense	(49,684)	(39,464)
Net carrying amount at 30 June	78,772	57,693

Refer to note 15 for details of encumbrances over property, plant and equipment.

	June 30 2014 $	June 30 2013 $
10. Intangibles		
Reconciliation of carrying amounts:		
Development expenditure (i)		
At beginning of year, net of accumulated amortisation	4,870,622	4,357,156
Capitalised during the year	-	2,218,140
R&D Tax Incentive offset	-	(998,163)
At end of year	4,870,622	5,577,133
Amortisation expense	(817,420)	(706,511)
At end of year, net of accumulated amortisation	4,053,202	4,870,622
Patents and trademarks		
At beginning of period, net of accumulated amortisation	193,539	44,505
Capitalised during the year	298,869	159,061
Amortisation expense	(22,735)	(10,027)
At end of year, net of accumulated amortisation	469,673	193,539
Computer software		
At beginning of year, net of accumulated amortisation	8,281	10,043
Capitalised during the year	43,383	10,378
Amortisation expense	(15,156)	(12,140)
At end of year, net of accumulated amortisation	36,508	8,281
Development expenditure	8,174,197	8,174,197
R&D Tax Incentive offset	(1,692,307)	(1,692,307)
Less accumulated depreciation	(2,428,688)	(1,611,268)
	4,053,202	4,870,622
Patents and trademarks	559,073	260,204
Less accumulated depreciation	(89,400)	(66,665)
	469,673	193,539
Computer software	231,267	187,884
Less accumulated depreciation	(194,759)	(179,603)
	36,508	8,281
Total intangibles at cost	8,964,537	8,622,285
Less R&D Tax Incentive offset	(1,692,307)	(1,692,307)
Less accumulated depreciation	(2,712,847)	(1,857,536)
Net carrying amount Intangibles	4,559,383	5,072,442

(i) This intangible asset represents that portion of expenditure incurred in development of the Group's AnaeCo™ alternative waste technology which management considers should be carried as an asset. This intangible asset is subject to annual impairment review. In this financial year the impairment test, based on estimated value in use, concluded there was no impairment of the intangible asset. Value in use has been determined using a discounted cash flow analysis. The factors which were evaluated when measuring impairment included; likely timing and frequency of future sales of AnaeCo™ technology licences, the estimated value of engineering and licence fee sales relating to those future sales, the estimated value of potential future revenue from royalties and plant operations, and the costs of delivering the engineering and technology services. The discount rate applied was 20%.

The Group has made significant progress with the commercialisation of the AnaeCo™ technology in the period. This includes progressing the WMRC DiCOM Expansion Project, where AnaeCo is responsible for the provision of engineering design services and plant commissioning. This Expansion Project involves the completion of a full scale commercial operating AnaeCo™ AWT plant facility and is scheduled for completion and commencement of operations during 2015.

Throughout the current period the Group has been working on the engineering design for the WMRC DiCOM Expansion Project as well as investing time and cost into the development of the AnaeCo™ technology by revising designs, creating new standards and systems that will enable the technology to be applied across many projects as a product, or set of sub products. Where costs have been identified as directly relating to the creation of future benefits such as product designs and systems these costs have been capitalised as an intangible asset.

The amortisation term for capitalised technology development expenditure is 10 years.

	June 30 2014 $	June 30 2013 $

11. Investment in controlled entities

	equity interest %	equity interest %
AnaeCo UK Ltd (incorporated in United Kingdom)	100	100
AnaeCo Inc. (incorporated in United States)	100	100
AnaeCo Asia Pte Ltd (incorporated in Singapore)	100	100

12. Parent Entity Information

Information relating to AnaeCo Limited:

Current assets	6,390,667	13,924,130
Total assets	11,029,100	19,054,544
Current liabilities	9,091,893	9,779,443
Total liabilities	9,346,113	11,963,176
Net assets/(liabilities)	1,682,987	7,091,368
Contributed equity	67,757,640	67,481,050
Accumulated losses	(67,137,997)	(61,510,156)
Employee equity benefits reserve	1,063,344	1,120,474
Total shareholders' equity	1,682,987	7,091,368
Net loss of the parent entity	(5,627,841)	(3,980,794)
Total comprehensive (loss) of the parent entity	(5,627,841)	(3,980,794)

Details of commitments and contingent liabilities of the parent entity are provided in note 22.

13. Trade and Other Payables

Trade payables	1,287,135	819,019
Other payables and accrued expenses	423,222	768,487
	1,710,357	1,587,506

Trade payables are non-interest bearing and normally settled on 30 day terms.
The fair value of trade and other payables approximates their carrying value.

14. Provision for loss on Engineering Services Contract

Current	5,134,001	5,023,050
	5,134,001	5,023,050
Movement in provision for loss on Engineering Services Contract		
At beginning of period	5,023,050	18,000,000
Project expenditure applied against the provision	(5,023,050)	(16,656,856)
Provision arising in the period	5,134,001	3,679,906
At the end of the period	5,134,001	5,023,050

Completion of the WMRC DiCOM Expansion Project is estimated to occur in the 2014 calendar year.

The WMRC DiCOM Expansion Project is being undertaken jointly by AnaeCo and Monadelphous Group Limited (the AnaeCo-Monadelphous Joint Venture), under a Design & Construct contract for the principal, Brockway DiCOM Facility Pty Ltd atf DiCOM AWT Investment Trust. The Design & Construct contract is a fixed price contract. Whilst AnaeCo and Monadelphous have joint responsibility for delivery under this contract, specific responsibilities have been allocated with AnaeCo responsible for design, technology and commissioning, and Monadelphous responsible for construction, and project management. Each of AnaeCo and Monadelphous account for their separate responsibilities and interests in the revenue and costs of completing the contract.

There are no commitments or contingencies relating to the joint operation as at 30 June 2014, (2013: nil).

The Group's interest in the joint operation is as follows:

Joint Arrangement	**Principal Activity**	**Principal Place of Business**	**Group Interest 2014 %**	**Group Interest 2013 %**
AnaeCo Monadelphous Joint Venture	To deliver design and construct waste management systems to the WMRC DiCOM facility	Shenton Park, WA	50	50

	June 30 2014 $	**June 30 2013 $**
Additional disclosures for contracts in progress at balance date:		
Current contracts		
Aggregate costs incurred to date	31,553,232	22,862,056
Billings	-	-
Losses recognised	(36,687,233)	(27,885,106)
Provision for costs to be incurred	(5,134,001)	(5,023,050)

15. Interest Bearing Loans and Borrowings

Current		
Hire purchase liabilities (i)	-	3,277
Other loan unsecured (ii)	2,000,000	-
	2,000,000	3,277

Terms and conditions

(i) Hire purchase liabilities are secured against the asset being acquired using this equipment finance.

(ii) This loan is to be repaid by 1 January 2015 and the interest rate of 12% is applied to the loan from 1 January 2014.

Non Current		
Other loan unsecured	-	2,000,000

16. Non-interest bearing liabilities

Current		
Other loan secured	-	3,000,000

This loan was repaid in full on 30 December 2013.

17. Provisions (Current and Non Current)

Current		
Employee benefits – annual leave	255,402	165,610
Non Current		
Employee benefits – long service leave	254,220	183,733
Number of employees at reporting date	40	21

	June 30 2014 $	June 30 2013 $
18. Contributed Equity		
Issued Capital		
2,534,325,933 (2013: 2,486,369,732) fully paid ordinary shares	71,365,647	71,078,557
Costs of capital raising	(2,964,007)	(2,964,007)
41,791,668 (2013: 31,500,000) reserved shares(1)	(644,000)	(633,500)
	67,757,640	67,481,050

Movements in issued capital	Date	2014 Shares	2014 $	2013 Shares	2013 $
Ordinary fully paid shares					
Balance at 30 June 2012				398,869,105	44,282,826
Shares issued post 30 June 2012	Jul '12			44,000,000	-
Debt to equity conversion	Jul '12			59,577,778	2,681,000
Placement	Aug '12			5,000,000	200,000
Employee share bonus (2012 STI)	Dec '12			1,863,271	89,436
Employee share incentive (LTI)	Jan '13			750,000	37,500
Renounceable rights issue	Apr '13			1,769,810,543	21,237,727
Employee share incentive (LTI)	Apr '13			15,750,000	189,000
Debt to equity conversion	May '13			22,675,923	272,111
Debt to equity conversion	May '13			37,983,351	455,800
Settlement of liability(3)	May '13			125,000,000	1,500,000
Shares for services rendered(4)	Jul'12 - Jun '13			4,053,216	60,000
Reserved shares cancelled	May '13			(2,250,000)	(112,500)
Employee share bonus (STI)	Jun '13			2,286,545	78,657
Employee share incentive (LTI)	Jun '13			1,000,000	11,000
Shares issued post balance date (5)				-	96,000
Balance at 30 June 2013		2,486,369,732	71,078,557	2,486,369,732	71,078,557
Discretionary bonus(2)	Jul '13	13,637,255	115,917		
Employee share incentive (LTI) (5)	Sep '13	8,000,000	-		
Employee share bonus (2013 STI)	Sep '13	11,642,897	98,820		
Employee share incentive (LTI)	Nov '13	25,500,000	306,000		
LTI shares (6)	May '14	750,000	(13,897)		
LTI shares cancelled	May '14	(14,458,332)	(258,000)		
Shares for services rendered(4)	Jul'13 - Jun '14	2,884,381	38,250		
		2,534,325,933	71,365,647		

(1) Under the Group's Long Term Incentive plan, shares have been allotted to directors and management pursuant to a loan funded share plan. The plan is accounted for as an in-substance option plan and shares issued under the plan are classified and disclosed as reserved shares. Under the terms of this plan the directors or employees must repay the value of each incentive share as at the time of allotment, if and when the shares are ultimately sold for a value greater than the allotment price.

(2) On 9 July 2013 the Company issued 10,490,196 shares to Mr Kedemos and 3,147,059 shares to Mr Lymburn at an issue price of $0.0085, in payment of a discretionary bonus determined by the Board on 8 May 2013.

(3) Liability for costs relating to WMRC DiCOM Expansion Project owing to JV construction partner Monadelphous Group Limited settled by the issue of shares.

(4) Third party suppliers provided goods and services in exchange for shares. The fair value of the goods and services supplied was determined with reference to their cash market value.

(5) Employee share incentive (LTI) shares issued after previous year end.

(6) Difference in fair value at date of issue and the cumulative share based payment expense previously recognised in respect of Ian Campbell's LTI rights.

Ordinary shares entitle the holder to;

- one vote per share at general meetings of shareholders,
- receive dividends declared as payable to ordinary shareholder, and
- participate in a distribution of assets upon winding up of the company after extinguishing all liabilities and any priority claims or charges.

Share Based Incentive Options

As at 30 June 2014 there were no share options on issue as they expired without exercise before the end of the previous year.

LTI grants to directors and employees are delivered under an Employee Share Plan.

A material feature of the Employee Share Plan is that the issue of ordinary shares to the employee pursuant to the plan can be by way of provision of a non-recourse, interest free loan to the employee, to be used for the purposes of subscribing for the shares. The offer of a non-recourse, interest free loan is based on a share price that will be not less than the volume weighted average price at which shares were traded on the ASX over the 10 trading days up to and including the trading day before the date of acceptance of the offer. The loan is non-recourse because it is only repayable using proceeds from sale of the LTI shares, unless the employee elects to repay with their own funds.

After subscription, the LTI shares are issued as ordinary shares, and the employee enjoys the same rights and benefits as any other shareholder, apart from the vesting conditions.

LTI shares are issued subject to vesting conditions, which mean they cannot be traded until the escrow period passes and the trading restriction is lifted. The shares vest with the employee in three equal annual instalments, subject to continuity of employment. Once the trading restriction has been lifted the employee may sell the shares.

If employment ceases for any reason, shares which have not reached the end of their escrow period are forfeited, and the corresponding loan is cancelled. Also upon cessation of employment, for shares which have vested the non-recourse loan becomes repayable one month after employment ceases, and in this situation the former employee can elect how to fund the loan repayment.

The nature of this scheme is to provide an incentive to cause the share price to rise over the term of an employee's service, as well as retaining the employee's service, and hence there are no specific performance conditions attaching to these LTI shares.

LTI shares are considered to be "in substance options" or rights, under generally accepted accounting principles, and accordingly are accounted for similar to options.

During the year the Company issued 25,500,000 LTI rights to KMP and employees at $0.012 per share. 14,458,332 LTI shares were forfeited as the holders ceased employment and Mr Ian Campbell's 750,000 LTI shares were exercised upon his resignation as a director. The number of LTI shares allotted was determined by the Board, and in doing so consideration was taken of the potential incentive amount relative to the employees' total remuneration package. The grant of these LTI rights was independently valued using the Black Scholes option valuation model which takes into account factors such as the share price at the date of grant, volatility of the share price, risk free rate and time period until vesting. Accounting standards require the value of the rights granted to be brought to account over the expected term of vesting the benefits to the holder.

Movement in LTI Rights:	2014 LTI Rights	2013 LTI Rights
Balance at beginning of the year	31,500,000	8,250,000
Issued	25,500,000	25,500,000
Cancelled	(14,458,332)	(2,250,000)
Exercised	(750,000)	-
Closing balance at the end of the year	41,791,668	31,500,000

At the reporting date there are 41,791,668 LTI rights held by KMP and employees which are subject to service conditions. There is no expiry date on these vesting rights, but there must be continuity of employment to receive the vesting benefits.

	Number of LTI rights	Date of grant	Share price at date of grant	Valuation per right	Exercise price of each right	Vesting conditions	
						Number of shares	Release from escrow, vesting date and first exercise date
Shaun Scott	750,000	15 Nov 2011	$0.05	$0.028	$0.05	750,000	30 Nov 2012
Les Capelli	750,000	30 Nov 2011	$0.05	$0.021	$0.05	750,000	30 Nov 2012
David Lymburn	1,500,000	18 Nov 2011	$0.05	$0.025	$0.05	500,000	18 Dec 2012
						500,000	18 Dec 2013
						500,000	18 Dec 2014

David Lymburn	5,250,000	22 Mar 2013	$0.015	$0.015	$0.012	1,750,000 1,750,000 1,750,000	18 Dec 2012 18 Dec 2013 18 Dec 2014
David Lymburn	2,000,000	1 Oct 2013	$0.008	$0.008	$0.012	666,668 666,666 666,666	31 Dec 2013 31 Dec 2014 31 Dec 2015
Others	750,000	3 May 2012	$0.05	$0.015	$0.05	250,000 250,000 250,000	31 Mar 2013 31 Mar 2014 31 Mar 2015
Others	2,625,000	22 Mar 2013	$0.015	$0.015	$0.012	875,000 875,000 875,000	31 Mar 2013 31 Mar 2014 31 Mar 2015
Others	7,000,000	Mar 2013	$0.012	$0.012	$0.012	2,333,334 2,333,333 2,333,333	31 Mar 2014 31 Mar 2015 31 Mar 2016
Others	21,166,668	1 Oct 2013	$0.008	$0.008	$0.012	7,055,556 7,055,556 7,055,556	31 Dec 2013 31 Dec 2014 31 Dec 2015
Total	41,791,668						

The grant of these LTI rights was independently valued using the Black Scholes option valuation model which takes into account factors such as the share price at the date of grant, dividend yield, volatility of the share price, risk free rate and time period until vesting.

A summary of the key assumptions used in applying the Black Scholes model to the LTI rights granted in the year other than those noted in the table above, is as follows:

	Date of grant	Share price at grant date	Volatility factor	Risk free rate	Life of right (Years)	Dividend yield
Shaun Scott	15 Nov 2011	$0.05	102%	3.2%	3	0%
Les Capelli	30 Nov 2011	$0.05	96%	3.2%	3	0%
David Lymburn	18 Nov 2011	$0.05	100%	3.2%	3	0%
David Lymburn	22 Mar 2013	$0.015	95%	3.56%	70	0%
David Lymburn	1 Oct 2013	$0.008	100%	3.944%	70	0%
Others	3 May 2012	$0.05	84%	2.8%	3	0%
Others	22 Mar 2013	$0.015	95%	3.56%	70	0%
Others	Mar 2013	$0.01	95%	3.26%	70	0%
Others	Mar 2013	$0.012	95%	3.26%	70	0%
Others	Oct 2013	$0.008	100%	3.944%	70	0%

The valuation of LTI rights granted as at 30 June 2014 and the years in which the expense has been, and will be, recognised in the accounts is as follows:

Year in which vesting and expense occurs	**Valuation of LTI rights granted as at 30 June 2014**	**Valuation of LTI rights granted as at 30 June 2013**
2013	-	79,367
2014	110,781	180,313
2015	149,949	144,703
2016	127,198	102,785
2017	20,444	-
Total valuation of LTI rights granted in year	408,372	507,168

Mr Kedemos Milestone and Exceptional Outcome Bonus package

During 2012 the Group arranged a Milestone and Exceptional Outcome Bonus package for Mr Patrick Kedemos, as follows:

Exceptional Outcome Bonus

A $1,000,000 bonus to be paid in AnaeCo shares based on the VWAP of the 5 business days prior to the bonus becoming payable if at any time between then and 30 June 2015 and the AnaeCo 20 day VWAP is greater than 50 cents.

The fair value of the Exceptional Outcome Bonus at the grant date of 23 March 2012 is $45,000. This fair value represents a share based payment and will be expensed over the vesting period until 30 June 2015. The fair value per right in this Exceptional Outcome Bonus at award date is $0.0225, based on a share price at date of grant of $0.048 and an estimated number of shares to be issued of

2,000,000. The vesting date is 30 June 2015. None of these rights vested and all rights lapsed due to his resignation.

The grant of rights was independently valued using a generally accepted option valuation model (the Black Scholes model), which takes into account factors such as share price at the date of grant, volatility of the share price, risk free rate and time period until expiry and probability of vesting. Accounting standards require the value of the rights granted be brought to account over the expected term of vesting of the rights to the holder.

A summary of the key assumptions used in applying the Black Scholes model to the rights granted in the 2012 financial year, and the valuation per right, is as follows.

Date of grant	Share price at date of grant	Volatility of share price	Risk free interest rate	Life (years)	Valuation per right	Dividend yield
23 March 2012	$0.048	100%	3.72%	3.25	$0.0225	0%

The valuation of options granted in 2012, and the years in which the expense has been, and will be, recognised in the accounts is as follows:

Year in which vesting and expense occurs	Valuation of options granted in 2012
2012	3,462
2013	13,846
2014	(17,308)
Total valuation of options granted in year	-

Milestone Bonus

On 23 March 2012, the right to the Milestone Bonus was issued dependent on the achievement of various milestones by 30 June 2013. The right to the bonus was forfeited during 2013 as a result of the criteria set not having been achieved. Therefore the amount previously recorded of $100,000 was reversed in 2013.

Discretionary Bonuses

No discretionary bonuses were awarded during the current year.

A bonus was considered and determined by the Board on 8 May 2013, at their discretion, to be awarded to Mr Kedemos. The Board determined that as the renounceable rights issue had been successful, one third of the value of the Milestone Bonus would be awarded calculated as one third of $500,000, being $166,667. This represents the fair value of the bonus as a share based payment. The fair value per right at award date was $0.0085 and 10,490,196 shares were issued on 9 July 2013.

Mr Lymburn also received a discretionary bonus determined by the Board on 8 May 2013 relating to the renounceable rights issue. $50,000 was awarded which represents the fair value of the bonus as a share based payment. The fair value per right at award date was $0.0085 and 3,147,059 shares were issued on 9 July 2013.

Short Term Incentive (STI) shares

Shares may be issued to KMP and management under the Short Term Incentive (STI) scheme.

Actual STI payments that may be granted to each executive depend on the extent to which specific targets, aligned to Group operational targets, set at the beginning of the financial year are met. The targets may consist of a number of stated objectives or key performance indicators (KPIs), which cover financial, non-financial, corporate and individual measures of performance.

The maximum STI bonus that may be payable under the current contracts is expressed as a percentage of annual base salary. For Mr Lymburn it is 30% of annual base salary of $280,058.

Entitlement to the STI is partly weighted towards company performance measured as the Group's Total Shareholder Return ("TSR") performance relative to a peer group of comparable Australian listed companies, and partly weighted towards the employee's performance relative to the stated objectives.

For Mr Lymburn the weightings for STI entitlement are 40% for individual performance and 60% for company performance.

For the 2014 year, Mr Lymburn elected to waive the award of his STI entitlement and the right to this award lapsed.

The company performance portion was assessed by the Board by calculating that AnaeCo's TSR achieved the 50th percentile relative to the peer group of comparable ASX listed companies. The peer group comprised ten other companies operating in the technology innovation sector. These ten ASX listed companies are: ToxFree Solutions (TOX), Transpacific (TPI), Stericorp (STP), Novarise (NOE), Electrometals (EMM), Papyrus Australia (PPY), Intec (INL), Dyesol (DYE), Carnegie Wave Energy (CWE), Medivac (MDV). After removing the best and worst performer from the group, AnaeCo Ltd achieved 9th place. TSR is calculated as the combination of share price growth over the financial year and gross dividend yield, expressed as a percentage of share price at the beginning of the year.

The STI will be awarded in the form of fully paid shares. The number of shares allocated is based on the volume weighted average price ("VWAP") for shares in the Group in the ten (10) days trading immediately prior to the award date. However, the Group may, at its discretion choose to pay some or all of the STI in cash.

Capital Management Policy

In managing capital (defined as equity plus borrowings) the Board's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders. It is also an underlying objective that the Group should operate with a capital structure that ensures the lowest cost of capital available to the Group. In its effort to achieve these objectives the Group seeks to raise capital as a blend of debt and equity, depending on availability of funds and the terms on which either debt or equity is available at particular times.

In the future the capital management policy will deal with dividend policy, dividend reinvestment, gearing levels, share buybacks and selling or retaining non-current assets to control debt levels. However, until the Group achieves stable operations and sustained positive cash flow, these matters do not form the focus of capital management policy.

	June 30 2014 $	June 30 2013 $
19. Reserves		
Employee equity benefits reserve	1,013,858	1,120,474
Balance at beginning of period	1,120,474	555,092
Share based payments	(57,130)	565,382
Balance at end of the period	1,063,344	1,120,474

The employee equity benefits reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

20. Accumulated Losses		
Opening balance	(61,508,073)	(57,528,670)
Current year loss attributable to members of the parent entity	(5,643,155)	(3,979,403)
Closing balance	(67,151,228)	(61,508,073)

	June 30 2014 $	June 30 2013 $
21. Reconciliation of net loss after tax to the net cash flows from operating activities		
Loss after tax	(5,643,155)	(3,979,403)
Non-cash items:		
Depreciation and amortisation	904,995	768,142
Share based payment expenses	181,210	618,887
Employee bonus not paid in cash	-	25,152
Interest on related party loans not paid in cash	-	106,771
Consultancy fees not paid in cash	38,250	60,000
Net movement in provision for costs to complete on engineering services contract	-	(12,976,950)
Provision for commissioning AnaeCo™ technology	110,951	-
Project costs funded by JV partner	-	5,000,000
Project delivery costs settled by share issue	-	1,500,000
Capital raising expenses classified as cash flows of financing activities	-	23,229
R&D Tax Incentive refund classified as investing activity	(998,163)	(694,144)
Changes in net assets and liabilities:		
(Increase)/decrease in trade and other receivables	2,068,428	(3,670,962)
(Increase)/decrease in prepayments	(21,951)	6,330
Increase/(decrease) in trade and other payables	122,851	775,035
Movement in provision for employee benefits	160,279	(61,675)
Net cash flow (used in) operating activities	(3,076,305)	(12,499,588)

22. Commitments and Contingencies

Operating lease commitments

The Group has entered into commercial leases for rental accommodation and certain items of plant and equipment. The leases have terms of between 12 months and 5 years. The lease covering the premises occupied by the Group's main business operation has a fixed term which will expire on 1 September 2016. There are no restrictions placed upon the lessee's business operations by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases at balance date are:

Within one year	127,321	152,976
After one year but not more than five years	143,541	260,107
	270,862	413,083

Hire purchase and finance lease commitments

In the previous year, the Group had hire purchase and finance lease contracts for plant & equipment and computer software, with a carrying value of $5,534. The contracts expired in the current year. The fair value of hire purchase and finance lease contracts approximate their carrying amount. There are no restrictions placed upon the lessee's business operations by entering into these leases.

Future payments under hire purchase agreements at balance date are:

Within one year	-	3,762
After one year but not more than five years	-	-
After more than five years	-	-
Total repayments	-	3,762
Less future finance charges	-	(485)
Present value of minimum payments	-	3,277

Capital commitments

The Group and the parent entity have no capital commitments at the date of this report.

Contingencies

In undertaking long term engineering and construction contracts there is always the possibility of claims being in progress. To the extent that any such claims or potential claims may exist that the Group is aware of, they are assessed on their merits and if considered necessary (which may be after taking legal advice), a provision for potential costs would be recognised and included in the accounts as part of the forecast outcome on completion of a particular contract. Any such provision would be an estimate based on the information available at the time.

	June 30 2014 $	June 30 2013 $
23. Related Party Transactions		
Compensation for Key Management Personnel		
Short term employee benefits	502,688	908,426
Long term employee benefits (LSL)	8,050	8,795
Post-employment benefits	47,990	77,304
Share based payments	3,807	485,947
Total compensation	562,535	1,480,472

Directors' Remuneration and Retirement Benefits; details of directors' remuneration and retirement benefits are disclosed in the Remuneration Report.

24. Segment Reporting

For management purposes, the Group is organised into one main operating segment, which operates in the waste management sector. All the Group's activities are interconnected and all significant operating decisions are based on analysis of the Group as one segment. The financial results of the segment are the equivalent of the financial statements as a whole. All revenues and non-current assets are considered to be derived and held in one geographical area being Australia.

25. Remuneration of Auditors

	June 30 2014 $	June 30 2013 $
Amounts paid or due and payable to the auditors of the parent Company for:		
Audit services, including half year audit review services	85,430	83,000
Tax services	77,400	66,000
	162,830	149,000

26. Financial Instruments

(a) Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and short term deposits, secured loans, unsecured loans, and finance leases and hire purchase contracts.

The Group also has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and interest rate risk. The Group does not yet have any foreign operations or dealings in foreign currency and therefore currency risk is not applicable. However with the expansion of operations into international markets the Group will formulate appropriate policies and procedures to mitigate currency risk.

The Group does not have any financial derivatives, hedges or other off balance sheet products in place at 30 June 2014.

Risk management is carried out by executive management with guidance from the Audit Committee and the Board. Primary responsibility for identification and management of financial risks rests with the Board.

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group's maximum exposure to credit risk at reporting date in relation to each class of financial asset is limited to the carrying amount of those assets as indicated in the statement of financial position. The significant concentration of credit risk is in relation to cash and cash equivalents.

Cash and term deposits are only held with mainstream Australian banks with AA credit ratings

(c) Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely and cost-effective manner. This is done by continually reviewing business and cash flow forecasts, to determine the forecast liquidity position and requirements in advance. The contractual maturities of the Group's financial liabilities are as follows:

	2014 $	2013 $
6 - 12 months	3,710,357	4,590,783
1 - 5 years	-	2,240,000
	3,710,357	6,830,783

The provision for loss on engineering services contract of $5,134,001 (2012: $5,023,050), has not been included in the contractual maturity analysis. This provision is expected to be utilised over the next 12 months.

(d) Interest rate risk exposure

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Variable rate instruments	2014 $	%	2013 $	%
Financial Assets				
Cash and cash equivalents	1,641,915	2.2	1,136,349	4.0
Financial Liabilities				
Interest bearing liabilities	(2,000,000)	12.0	(2,003,277)	12.0
Net Financial Assets/(Liabilities)	(358,085)		(866,928)	

(e) Sensitivity analysis

The following table illustrates the sensitivity of the Group's financial assets and liabilities to interest rate risk. This illustration presents the effect of each 1% increase or decrease in the prevailing interest rate. Had the relevant variable moved, with all other variables held constant, post tax profit and equity would have been affected as shown. The analysis has been performed on the same basis for 2014 and 2013.
1% interest rate sensitivity increments are considered reasonable in current global financial conditions.

		Interest rate risk -1%		Interest rate risk +1%	
	Carrying amount	Profit	Equity	Profit	Equity
30 June 2014	$	$	$	$	$
Financial Assets					
Cash	1,641,915	(16,419)	(16,419)	16,419	16,419
Financial Liabilities					
Interest bearing liabilities	2,000,000	20,000	20,000	(20,000)	(20,000)
Total increase/ (decrease)		3,581	3,581	(3,581)	(3,581)
30 June 2013					
Financial Assets					
Cash	1,136,349	(11,363)	(11,363)	11,363	11,363
Financial Liabilities					
Interest bearing liabilities	2,000,000	20,000	20,000	(20,000)	(20,000)
Total increase/ (decrease)		8,637	8,637	(8,637)	(8,637)

(f) Net fair values of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective fair values, determined in accordance with the accounting policies disclosed in note 2.

27. SIGNIFICANT EVENTS AFTER BALANCE DATE

No matter or circumstance has arisen since the end of the financial year and up to the date of this report which significantly affects the results of the operations of the Group for the next succeeding financial year.

28. DIVIDENDS

No dividends have been paid or declared during the year.

29. EARNINGS PER SHARE

	June 30 2014	June 30 2013
Basic loss per share	(0.2) cents	(0.4) cents
Weighted average number of shares used in the calculation of basic earnings per share	2,529,362,569	1,058,087,522
Diluted loss per share	(0.2) cents	(0.4) cents
Loss used in determination of basic and diluted earnings per share	(5,643,155)	(3,979,403)

Basic and diluted loss per share for all periods prior to the renounceable rights issue completed during the previous year have been adjusted by a factor of 1.184 to account for the bonus element.

Securities on issue, and rights, at balance date which are potentially dilutive to earnings per share:		
Rights to shares in Mr Kedemos Milestone and Exceptional Outcome bonus package	-	2,000,000
Rights to shares in Employee share bonus (STI)	7,621,048	11,642,897
Total potentially dilutive securities	7,621,048	13,642,897

These potentially dilutive securities have not been used in calculating diluted earnings per share, because they are anti dilutive.

11,629,464 shares have been issued in the period subsequent to 30 June 2014 and up to the date of this report. 8,861,607 shares for the 2014 STI award and 2,767,857 to suppliers who exchanged good and services for shares.

In accordance with a resolution of the Directors of AnaeCo Limited, I state that:

1. In the opinion of the Directors:

    a. the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the Group are in accordance with the Corporations Act 2001, including:

        i. giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

    b. the financial statements also comply with International Financial Reporting Standards as disclosed in note 2(b); and

    c. subject to note 2(a) there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

On behalf of the Board

Shaun Scott
Chairman
Perth, 12 September 2014

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Independent auditor's report to the members of AnaeCo Limited

Report on the financial report

We have audited the accompanying financial report of AnaeCo Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration 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.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls 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 controls. 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 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Basis for Disclaimer of Opinion

We draw attention to Note 2(a) in the financial report which indicates that the consolidated entity incurred losses of $5,643,155 during the year ended 30 June 2014 and at that date its current liabilities exceeded its current assets by $2,714,179. As at the date of this report, the consolidated entity has limited cash available and has not secured sufficient additional funding to be able to fulfil future committed operational expenditure. We have been unable to obtain evidence which would provide sufficient appropriate audit evidence as to whether the consolidated entity can achieve the matters disclosed in Note 2(a) and hence remove significant doubt of its ability to continue as a going concern within 12 months of the date of this auditor's report.

As set out in Note 10, the consolidated entity has recognised development expenditure, amounting to $4,053,202, in the consolidated statement of financial position. As a consequence of the matters set out in the preceding paragraph, we are unable to obtain sufficient appropriate audit evidence to assess the consolidated entity's ability to fully recovery this development expenditure.

As set out in Note 14, the consolidated entity has recognised a provision to complete the WMRC DiCOM Expansion project, amounting to $5,134,001, in the consolidated statement of financial position. Due to the complex nature and level of uncertainty related to this project, we are unable to obtain sufficient appropriate audit evidence to assess the adequacy of the cost to complete the WMRC DiCOM Expansion project.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in pages 6 to 12 of the directors' report for the year ended 30 June 2014. 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 Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of AnaeCo Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
12 September 2014