

ANAECO LIMITED

A.B.N. 36 087 244 228

ANNUAL FINANCIAL REPORT 2015

For the year ended 30 June 2015

DIRECTORS' REPORT

Corporate Directory

Directors

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

Company Secretaries

Mr David Lymburn
Mr Tim Hinton

Registered office

3 Turner Avenue
Technology Park
BENTLEY WA 6102

Telephone: +618 9361 4777
Facsimile: +618 9361 4888
Email: info@anaeco.com
Web: www.anaeco.com

Share registry

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
PERTH WA 6000

Telephone: 1300 850 505 (enquiries within Australia)
+613 9415 4000 (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 2015.

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:

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

COMPANY SECRETARIES

David Lymburn – Managing Director & CEO

B.Acc, ACA

Mr Lymburn has been a company secretary of AnaeCo Limited since January 2004.

Tim Hinton – Financial Controller

B.Bus, CA

Mr Hinton was appointed 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 2015 and the number of meetings attended by each director is as follows:

	Meetings held	Meetings attended
Shaun Scott	12	12
Les Capelli	12	12
David Lymburn	12	12

DIRECTORS' REPORT

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).

OPERATING AND FINANCIAL REVIEW

The net loss after income tax of the Group for the financial year was \$7,807,993 (2014: loss \$5,643,155).

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 commenced in December 2010 and has involved 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). Biological ramp-up of the Bioconversion Facility (BCF) commenced in June 2014, and was completed in July 2015, after suffering a series of delays due to mechanical equipment and process water storage tank defects. All up these defects caused an approximate 6-7 month extension of the Biological ramp-up phase. (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 1,500m³.)

At the date of this report the plant is in a maintenance shutdown period in preparation for the final phase of commissioning, which is the performance trials. The trials are to determine that the plant meets the design specification. They comprise nine consecutive batch cycles of 21 days each, where each of the three bioconversion vessels performs three cycles. Given the 21 day batch cycle, the duration of performance trials should be 11 weeks.

There are test criteria applicable to the production of compost, the production of biogas, the generation of energy from the biogas and the efficiency of recovery of organic material from the municipal solid waste. Successful completion of the trials leads to the issue of a certificate of Practical Completion by the project superintendent, and once this occurs AnaeCo will have completed its obligations under the D&C.

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

- The DiCOM™ bioconversion process has met expectations and is fully proven,
- DCS (Distributed Control System) and overarching SIS (Safety Instrumented System) have managed all automated plant operations with high reliability,
- MRF processing to produce the organic fraction of MSW as feedstock for bioconversion has performed consistently and reliably at 55-65% capacity, and in client's throughout tests recorded performance at 115% of nominal design capacity,

DIRECTORS' REPORT

- The Wet Density Separation system has successfully removed an average of 97% of the glass and grit present in the fine fraction of waste,
- Biological activity and biogas generation has been at a level which meets our commissioning expectations and supports the design objective that the plant will be a net energy producer, and
- The plant's power generation system which involves the combustion of a mixture of methane from biogas, and natural gas, has been fully commissioned and is connected to Western Power's grid.

In addition there have been a number of valuable engineering and operational lessons learned from the phases of commissioning completed to date. These lessons will be applied as improvements and refinements of the AnaeCo™ System in the future.

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. We expect the issue of tender documents by the Council by the end of 2015.

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

Intellectual Property

A substantial body of intellectual property (IP) has been created over 15 years in developing the AnaeCo™ System and it has been part of the Company's long term strategy to protect this IP using patent registration. Currently we have twelve inventions protected by patents, or 'patent families'. In addition there are two inventions at the 'provisional patent' stage. (Fourteen inventions in total)

The first two patent families, covering the DiCOM™ Bioconversion Process and Pressure Aeration System, were registered in 1999 and 2000 respectively. AnaeCo holds eighteen granted national patents for these two inventions.

Through 2012 to 2014 a further ten patentable inventions were recorded and are progressing through the Australian patent system and also the PCT (Patent Co-operation Treaty) system. Once the PCT application process is completed our strategy is to apply for national patent registration across a matrix of individual countries.

The Australian system of patent examination, review and issuance will generally be completed before the PCT and related national phase registrations.

Summary of patents at various stages:

- | | |
|---------------------------------------------------------------------|----------------------|
| • Provisional patent applications: | 2 |
| • PCT application under examination: | 1 |
| • National patent applications for registration: | 53 |
| • National patents granted: | 29 (10 in Australia) |
| • Total national and international patents and patent applications: | 85 |

Coming up

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

- Completing commissioning of the WMRC 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.

Review of Financial Position

The Group's financial position at 30 June 2015 is cash on hand of \$728,725 and net current liabilities of \$9,145,947. 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 liabilities at 30 June 2015 are \$5,565,299.

Key factors affecting the financial position in the 2015 financial period have been:

- Receiving a R&D Tax Incentive refund of \$4,590,098 for eligible expenditure incurred in 2014, and
- The expected receipt of a R&D Tax Incentive refund of \$4,448,110 for eligible expenditure incurred in 2015.

DIRECTORS' REPORT

- Entering into Loan Agreements with Monadelphous Group Limited to provide funding of \$10,100,000 to be partially repaid upon receipt of the 2015 R&D Tax Incentive Refund. Terms of the Loan Agreements include the option for repayment of the loan by the issue of fully paid ordinary shares in AnaeCo Limited. Such a debt for equity conversion would be at the election of the lender, and would be subject to shareholder approval in accordance with ASX Listing Rules and the Corporations Law.
- 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 2015 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 2015.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

- The Group entered into funding agreements with Monadelphous Group Limited whereby a sum of up to \$10,100,000 is available for drawdown. As at the date of this report \$10,100,000 of the funding agreements has been utilised.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the forthcoming financial year include;

- Successful commissioning of the WMRC 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 2015 the Group has engaged with many counterparties across the spectrum who have expressed strong interest in the technology. 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 2016.

DIRECTORS' REPORT

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), Shaun Scott (Non-executive Director - appointed 7 March 2012) and David Lymburn (MD & CEO - appointed 30 May 2014).

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 2015 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 \$153,985 (2014: \$234,672).

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.

DIRECTORS' REPORT

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 2015 no external consultants were engaged to provide advice.

The Group has entered into a detailed contract of employment with Mr Lymburn. Details of this contract 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 on page 10.

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 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.

DIRECTORS' REPORT

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), Pacific Environment (PEH), Novarise (NOE), Silex Systems (SLX), Papyrus Australia (PPY), Intec (INL), Dyesol (DYE), Carnegie Wave Energy (CWE), Geodynamics (GDY). 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.

For the 2015 year (and the 2014 year) Mr Lymburn elected to waive the award of his STI entitlement and the right to this award lapsed.

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 legal loan is cancelled. Also upon cessation of employment, for shares which have vested the non-recourse legal 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.

Discretionary Bonuses

No discretionary bonuses were awarded during the current year.

Historical financial performance

The Group's financial performance during the 2015 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 2013 loss per share has been restated to reflect the effect of the renounceable rights issue completed during 2013 using a factor of 1.184.

DIRECTORS' REPORT

	2015	2014	2013	2012	2011
Net (loss) after tax	(7,807,993)	(5,643,155)	(3,979,403)	(20,062,895)	(11,824,250)
(Loss) per share (cents)	(0.3)	(0.2)	(0.4)	(5.3)	(5.3)
Share price at 30 June (cents)	0.4	0.7	0.9	4.0	7.5

Employment contracts

The Group entered into an employment contract David Lymburn dated 28 September 2012.

Under the contract he will receive fixed remuneration of \$280,058 per annum (excluding mandatory superannuation). The employment contract provides for CPI increases annually. There is no contracted increase to the levels of fixed remuneration in this employment contract, although there are provisions for adjustment following performance reviews.

Under the contract he is 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 a period of 3 months (being the notice period stipulated in the contract). 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.

2015	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⁾ \$	Long term incentive (LTI) ⁽³⁾ \$	Leave \$	Total \$	% performance related
<u>Non-executives</u>								
Shaun Scott	63,927	4,950	6,073	-	2,308	-	77,258	-
Les Capelli	70,000	4,950	-	-	1,777	-	76,727	-
<u>Executives</u>								
David Lymburn	280,058	4,950	26,605	-	35,798	7,001	354,412	-
Total remuneration	413,985	14,850	32,678	-	39,883	7,001	508,397	

(1) Mr Lymburn waived his right to the STI bonus payable in respect of the 2015 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.

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⁾	Leave	Total	% performance related
	\$	\$	\$	\$	\$	\$	\$	\$	
<u>Non-executives</u>									
Shaun Scott	64,073	2,970	5,927	-	-	6,923	-	79,893	-
Les Capelli	70,000	2,970	-	-	-	5,330	-	78,300	-
Ian Campbell ⁽⁵⁾	57,337	2,970	5,304	-	-	10,868	-	76,479	-
<u>Executives</u>									
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	-
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.

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

DIRECTORS' REPORT

Long term incentive (LTI) remuneration

The grant of 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, 2,916,666 LTI shares with a value of \$44,083 (David Lymburn) have vested 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 2015
Total	10,250,000						

Additional disclosures relating to shares and rights to shares

Details of Key Management Personnel interest in rights through the LTI

30 June 2015	Rights at beginning of year	Rights exercised	Rights forfeited	Rights at end of year
	1 July 2014			30 June 2015
Les Capelli	750,000	-	-	750,000
Shaun Scott	750,000	-	-	750,000
David Lymburn	8,750,000	-	-	8,750,000
Total	10,250,000	-	-	10,250,000

Shareholdings of Key Management Personnel - shares held in AnaeCo Limited (number)

30 June 2015	Balance at beginning of period	Net change other	Balance at end of period
	1 July 2014		30 June 2015
Les Capelli	123,467,762	-	123,467,762
Shaun Scott	19,501,824	-	19,501,824
David Lymburn	10,558,607	-	10,558,607
Total	153,528,193	-	153,528,193

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.

Remuneration Report Approval 2014 AGM

The 2014 remuneration report received positive shareholder support at the 2014 AGM with a vote of 99% in favour.

END OF REMUNERATION REPORT

DIRECTORS' REPORT

SHARE OPTIONS

At the date of this report, other than the 41,083,335 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 13 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; \$47,600.

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, 24 September 2015

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 2015, 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
24 September 2015

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 – Act ethically and responsibly

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 2015, 12% 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 corporate 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 security holders

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.

CORPORATE GOVERNANCE STATEMENT

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 2015

	Notes	June 30 2015 \$	June 30 2014 \$
Revenue	3(a)	21,500	158,528
Other income	3(b)	4,448,110	6,806,331
Project delivery costs	4(a)	(7,905,307)	(8,791,824)
Technology development expense	4(b)	(109,690)	(119,328)
Depreciation and amortisation expense	4(c)	(922,675)	(904,995)
Finance costs	4(d)	(511,044)	(128,793)
Employee benefits expense	4(e)	(1,210,746)	(1,369,796)
Other expenses	4(f)	(1,618,141)	(1,293,278)
Loss before income tax expense		(7,807,993)	(5,643,155)
Income tax (expense)/benefit	5	-	-
Net loss after tax attributable to members of AnaeCo Limited and total comprehensive expense for the period		(7,807,993)	(5,643,155)
Loss per share attributable to the ordinary equity holders of the Company	28		
Basic loss per share		(0.3) cents	(0.2) cents
Diluted loss per share		(0.3) cents	(0.2) cents

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	June 30 2015 \$	June 30 2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	728,725	1,641,915
Trade and other receivables	7	4,578,779	4,721,715
Other	8	4,582	21,951
TOTAL CURRENT ASSETS		5,312,086	6,385,581
Non Current Assets			
Property, plant and equipment	9	34,592	78,772
Intangible assets	10	3,820,622	4,559,383
TOTAL NON CURRENT ASSETS		3,855,214	4,638,155
TOTAL ASSETS		9,167,300	11,023,736
LIABILITIES			
Current liabilities			
Trade and other payables	13	1,205,162	1,590,357
Provision for loss on engineering services contract	14	4,338,951	5,134,001
Interest bearing loans and borrowings	15	8,581,373	2,120,000
Provisions	16	332,547	255,402
TOTAL CURRENT LIABILITIES		14,458,033	9,099,760
Non Current Liabilities			
Provisions	16	274,566	254,220
TOTAL NON CURRENT LIABILITIES		274,566	254,220
TOTAL LIABILITIES		14,732,599	9,353,980
NET (LIABILITIES)/ASSETS		(5,565,299)	1,669,756
EQUITY			
Contributed equity	17	68,171,419	67,757,640
Reserves	18	1,222,503	1,063,344
Accumulated losses	19	(74,959,221)	(67,151,228)
TOTAL (SHAREHOLDERS' DEFICIT)/EQUITY		(5,565,299)	1,669,756

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Notes	12 months June 30 2015 \$	12 months June 30 2014 \$
Cash flows from operating activities			
Receipts from customers		-	55,000
Interest received	3(a)	21,500	158,528
R&D tax incentive received	3(b)	4,590,098	7,050,430
Payments to suppliers and employees		(11,220,716)	(10,331,471)
Interest paid		(49,671)	(8,792)
Net cash flows used in operating activities	20	(6,658,789)	(3,076,305)
Cash flows from investing activities			
Purchases of property, plant and equipment	9	(5,660)	(70,763)
Purchases of patents and trademarks classified as intangible assets	10	(134,074)	(298,869)
Purchases of computer software classified as intangible assets	10	-	(43,383)
R&D tax incentive received relating to intangible assets		-	998,163
Net cash flows (used in)/from investing activities		(139,734)	585,148
Cash flows from financing activities			
Proceeds from the issue of shares	17	5,333	-
Proceeds from borrowings		8,429,000	-
Repayment of borrowings		(2,549,000)	(3,003,277)
Net cash flows from/(used in) financing activities		5,885,333	(3,003,277)
Net decrease in cash and cash equivalents		(913,190)	(5,494,434)
Cash and cash equivalents at beginning of period		1,641,915	7,136,349
Cash and cash equivalents at end of period	6	728,725	1,641,915

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

For the year ended 30 June 2015

	Contributed equity \$	Accumulated losses \$	Employee benefits reserve \$	Total equity \$
At the beginning of the year	67,757,640	(67,151,228)	1,063,344	1,669,756
Loss for the period	-	(7,807,993)	-	(7,807,993)
Total comprehensive expense for the period	-	(7,807,993)	-	(7,807,993)
Transactions with owners in their capacity as owners				
Issue of share capital to third parties for share based payments	348,500	-	-	348,500
Issue of share capital for share based Payments	59,946	-	(59,946)	-
Issue of share capital	5,333	-	-	5,333
Share based payment	-	-	219,105	219,105
At the end of the year	68,171,419	(74,959,221)	1,222,503	(5,565,299)

For the year ended 30 June 2014

	Contributed equity \$	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

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate Information

The consolidated financial report of AnaeCo Limited ("the Company" or "AnaeCo") and its controlled entities ("the Group") for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 24 September 2015.

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 principal activity of the Group is the development and commercialisation of a process for the treatment of organic municipal solid waste (the AnaeCo™ System).

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 liabilities of \$5,565,299 (2014: net assets of \$1,669,756) has net current liabilities of \$9,145,947 (2014: net current liabilities of \$2,714,179) and incurred an operating loss after income tax of \$7,807,993 (2014: loss of \$5,643,155) for the year ended 30 June 2015.

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 generates 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 2015 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 2015 year is estimated to be \$9,884,689 and if approved, would lead to a cash refund of \$4,448,110 which has been recognised in the current year financial statements, refer Note 3(b).
- AnaeCo Limited expects to submit a claim for the Research & Development Tax Incentive in respect of the 2016 tax year as a substantial portion of the expenditure incurred on completing commissioning of the AnaeCo System on the WMRC Project from 1 July 2015 until completion should meet the qualifying criteria for the same reasons as previous expenditure. However the benefit of this 2016 claim will not be available until after the 2016 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 2015.
- The Group has entered into loan agreements with Monadelphous Group Limited to provide funding of \$10,100,000. The full amount of this loan is forecast to be drawn by 30 September 2015. Monadelphous has indicated its intention to continue to provide financial support to AnaeCo during the remainder of the WMRC Project commissioning period.

NOTES TO THE FINANCIAL STATEMENTS

The Monadelphous loan is due for repayment by 31 December 2015. The Research & Development Tax Incentive refund for 2015 will be applied in part as a repayment of the loan.

The loan may be repaid, at the lender's election, by conversion of debt to equity (subject to AnaeCo shareholder approval). It is the directors' current expectation that a substantial portion of the loan will be repaid by a debt to equity conversion.

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, which includes the expected conversion from debt to equity of a substantial portion of the loan owing to Monadelphous Group Limited.

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 2014, the Group has adopted all Accounting Standards and Interpretations, mandatory for annual periods beginning on or before 1 July 2014, including:

Ref	Title	Summary
AASB136	Impairment of Assets	The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. This amendment has not changed the Group's financial statements.
AASB1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (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.
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 of Standards and Interpretations. 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.

NOTES TO THE FINANCIAL STATEMENTS

Ref	Title	Summary
AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	AASB 2014-1 Part A	<p>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.</p> <p>Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:</p> <ul style="list-style-type: none"> ▶ 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 segment assets 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 Related Party Disclosures for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

Adoption of these new and amending Standards and Interpretations did not have any significant 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 2015, 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 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	<p>AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets 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.</p> <p>The IASB 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.</p> <p>The amendment 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.</p>	1 January 2016	1 July 2016

NOTES TO THE FINANCIAL STATEMENTS

AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:</p> <ul style="list-style-type: none"> (a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. <p>AASB 2014-10 also makes an editorial correction to AASB 10. AASB 2014-10 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted.</p>	1 January 2016	1 July 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change.</p> <p>AASB 7 Financial Instruments: Disclosures:</p> <ul style="list-style-type: none"> • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. <p>AASB 119 Employee Benefits:</p> <p>Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.</p> <p>AASB 134 Interim Financial Reporting:</p> <p>Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.</p>	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	<p>The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.</p>	1 January 2016	1 July 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	<p>The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.</p>	1 July 2015	1 July 2015

NOTES TO THE FINANCIAL STATEMENTS

AASB 15	Revenue from Contracts with Customers	<p>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).</p> <p>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:</p> <p>(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</p> <p>The AASB issued the Australian equivalent of IFRS 15, being AASB 15, in December 2014.</p> <p>Currently, these standards are effective for annual reporting periods commencing on or after 1 January 2017. Early application is permitted. The International Accounting Standards Board (IASB) has issued an amendment to IFRS 15 (the international equivalent of AASB 15) formalising the deferral of the effective date of IFRS 15 by one year to 1 January 2018. At this time, it is expected that the AASB will make a corresponding amendment to AASB15, which will mean that the application date of this standard for the Group will move from 1 July 2017 to 1 July 2018. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p>	1 January 2017	1 July 2017
AASB 9	Financial Instruments	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018.</p> <p>However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> <p>Financial assets</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Financial liabilities</p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss <p>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 or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss.</p> <p>Impairment</p> <p>The final version of AASB 9 introduces a new expected-loss impairment</p>	1 January 2018	1 July 2018

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		<p>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.</p> <p>Hedge accounting</p> <p>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>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.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>		
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	<p>AASB 2014-3 amends AASB 11 Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:</p> <p>(a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and</p> <p>(b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</p> <p>This Standard also makes an editorial correction to AASB 11</p>	1 January 2016	1 July 2016

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2015. 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, and
- 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.

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(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

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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 of 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.

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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

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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

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(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

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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 high quality corporate 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, are 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 2015 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.

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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.

NOTES TO THE FINANCIAL STATEMENTS

(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 17. The accounting estimates and assumptions relating to equity-settled share-based payments would have

NOTES TO THE FINANCIAL STATEMENTS

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 2015 \$	June 30 2014 \$
3(a) Revenue		
Interest income	21,500	158,528
3(b) Other income		
Government grant – R&D Tax Incentive 2013	-	2,216,233
Government grant – R&D Tax Incentive 2014	-	4,590,098
Government grant – R&D Tax Incentive 2015	4,448,110	-
	<u>4,448,110</u>	<u>6,806,331</u>

At the reporting date the Group is expecting to receive a R&D Tax incentive refund of \$4,448,110 for eligible expenditure incurred in 2015, all of which is recognised as Other Income in the current year.

During the previous year the Group received a R&D Tax incentive of \$4,590,098 for eligible expenditure incurred in 2014 which was recognised as a receivable in the 30 June 2014 financial statements and received in the 30 June 2015 financial year. \$2,216,233 relating to the year ended 30 June 2013 was received in 2014 and recorded as Other income.

NOTES TO THE FINANCIAL STATEMENTS

	June 30 2015 \$	June 30 2014 \$
4(a) Project delivery costs		
Expenditure on long term engineering contract not previously provided for	3,491,488	3,668,125
Movement in provision for costs to complete	4,338,951	5,134,001
Cost of labour for engineering services billings	74,868	(10,302)
	<u>7,905,307</u>	<u>8,791,824</u>
4(b) Technology development expense		
Expenditure on technology development	109,690	119,328
4(c) Depreciation and amortisation expense		
Depreciation of property, plant & equipment	49,840	49,684
Amortisation of patents, licences and intellectual property	872,835	855,311
	<u>922,675</u>	<u>904,995</u>
4(d) Finance costs		
Interest expense on loans from others	504,477	120,000
Other finance costs	6,567	8,793
	<u>511,044</u>	<u>128,793</u>
4(e) Employee benefits expense		
Wages and salaries	5,104,496	4,142,847
Defined contribution superannuation plan expense	482,878	412,234
Less: labour costs allocated to projects and technology development	(4,729,660)	(3,557,905)
Non-executive directors remuneration	133,927	191,410
Share based payments expense	219,105	181,210
	<u>1,210,746</u>	<u>1,369,796</u>
4(f) Other expenses		
Premises and related expenses	353,808	375,969
Consultants and professional advisors	739,561	309,765
Travel	41,464	89,244
Other overheads	483,308	518,300
	<u>1,618,141</u>	<u>1,293,278</u>
5. Income Tax		
The major components of income tax expense are:		
Income statement		
<u>Current income tax</u>		
Current income tax (charge)/benefit	-	-
<u>Deferred income tax</u>		
Relating to origination and reversal of temporary differences	-	-
Income tax benefit as reported in the income statement	<u>-</u>	<u>-</u>
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	(7,807,993)	(5,643,155)
At the statutory income tax rate of 30% (2014:30%)	(2,342,398)	(1,692,947)
(Income not assessable)/expenditure not allowable for income tax purposes	54,575	(4,380)
R&D expenditure	2,965,406	3,060,065
R&D tax incentive recognised not assessable	(1,334,443)	(2,041,899)
Tax losses & temporary differences not recognised	656,860	679,161
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

	June 30 2015 \$	June 30 2014 \$
5. Income Tax (cont'd)		
Deferred income tax		
Deferred tax assets not recognised		
Unrecognised tax losses	14,455,249	13,696,393
Temporary differences	513,920	564,150
	<u>14,969,169</u>	<u>14,260,543</u>
Temporary differences comprises:		
Provision for completion of long term contract	1,301,685	1,540,200
Unamortised balance of business related expense deductions	179,314	292,694
Employee benefits provisions	182,134	152,887
Other	329,213	302,021
Intangibles – development expenditure	(1,478,426)	(1,723,652)
	<u>513,920</u>	<u>564,150</u>

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.

6. Cash and Cash Equivalents		
Cash at bank and in hand	<u>728,725</u>	<u>1,641,915</u>
7. Trade and Other Receivables		
Current		
Trade receivables	-	319
R&D tax incentive receivable	4,448,110	4,590,098
Other receivables	130,669	131,298
	<u>4,578,779</u>	<u>4,721,715</u>

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	<u>4,582</u>	<u>21,951</u>

9. Property, Plant and Equipment		
Property, plant and equipment at cost	717,079	713,036
Less accumulated depreciation	<u>(682,487)</u>	<u>(634,264)</u>
	<u>34,592</u>	<u>78,772</u>
Movements in carrying values during the year:		
Balance at 1 July	78,772	57,693
Additions	5,660	70,763
Disposals	-	-
Depreciation expense	<u>(49,840)</u>	<u>(49,684)</u>
Net carrying amount at 30 June	<u>34,592</u>	<u>78,772</u>

Refer to note 15 for encumbrances.

NOTES TO THE FINANCIAL STATEMENTS

	June 30 2015 \$	June 30 2014 \$
10. Intangibles		
Reconciliation of carrying amounts:		
Development expenditure (i)		
At beginning of year, net of accumulated amortisation	4,053,202	4,870,622
Amortisation expense	(817,420)	(817,420)
At end of year, net of accumulated amortisation	3,235,782	4,053,202
Patents and trademarks		
At beginning of period, net of accumulated amortisation	469,673	193,539
Capitalised during the year	134,074	298,869
Amortisation expense	(34,749)	(22,735)
At end of year, net of accumulated amortisation	568,998	469,673
Computer software		
At beginning of year, net of accumulated amortisation	36,508	8,281
Capitalised during the year	-	43,383
Amortisation expense	(20,666)	(15,156)
At end of year, net of accumulated amortisation	15,842	36,508
Development expenditure	8,174,197	8,174,197
R&D Tax Incentive offset	(1,692,307)	(1,692,307)
Less accumulated amortisation	(3,246,108)	(2,428,688)
	3,235,782	4,053,202
Patents and trademarks	693,147	559,073
Less accumulated amortisation	(124,149)	(89,400)
	568,998	469,673
Computer software	231,267	231,267
Less accumulated amortisation	(215,425)	(194,759)
	15,842	36,508
Total intangibles at cost	9,098,611	8,964,537
Less R&D Tax Incentive offset	(1,692,307)	(1,692,307)
Less accumulated amortisation	(3,585,682)	(2,712,847)
Net carrying amount Intangibles	3,820,622	4,559,383

(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% pre tax.

The Group has made significant progress with the commercialisation of the AnaeCo™ technology in the period. This includes progressing the WMRC Project, where AnaeCo is responsible for the provision of engineering design services and plant commissioning. This 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 Project as well as investing time and cost into the development of the AnaeCo™

NOTES TO THE FINANCIAL STATEMENTS

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. In previous years, where costs had been identified as directly relating to the creation of future benefits such as product designs and systems these costs were capitalised as an intangible asset.

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

	June 30 2015 \$	June 30 2014 \$
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	5,305,685	6,390,667
Total assets	9,161,177	11,029,100
Current liabilities	14,455,371	9,091,893
Total liabilities	14,729,937	9,346,113
Net (liabilities)/assets	(5,568,760)	1,682,987
Contributed equity	68,171,419	67,757,640
Accumulated losses	(74,962,682)	(67,137,997)
Employee benefits reserve	1,222,503	1,063,344
Total shareholders' equity	(5,568,760)	1,682,987
Net loss of the parent entity	(7,824,686)	(5,627,841)
Total comprehensive loss of the parent entity	(7,824,686)	(5,627,841)

Details of commitments and contingent liabilities of the parent entity are provided in note 21.

13. Trade and Other Payables

Trade payables	767,760	1,287,135
Other payables and accrued expenses	437,402	303,222
	1,205,162	1,590,357

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	4,338,951	5,134,001
Movement in provision for loss on Engineering Services Contract		
At beginning of period	5,134,001	5,023,050
Project expenditure applied against the provision	(5,134,001)	(5,023,050)
Provision arising in the period	4,338,951	5,134,001
At the end of the period	4,338,951	5,134,001

Completion of the WMRC Project is estimated to occur in the 2015 calendar year.

The WMRC Project is being undertaken jointly by AnaeCo and Monadelphous Group Limited (the AnaeCo-Monadelphous Joint Arrangement), 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 2015, (2014: nil).

NOTES TO THE FINANCIAL STATEMENTS

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

Joint Arrangement	Principal Activity	Principal Place of Business	Group Interest	
			2015 %	2014 %
AnaeCo Monadelphous Joint Arrangement	To deliver design and construct waste management systems to the WMRC DiCOM facility	Shenton Park, WA	50	50
			June 30 2015 \$	June 30 2014 \$
Additional disclosures for contracts in progress at balance date:				
Current contracts				
Aggregate costs incurred to date			40,322,278	31,553,232
Billings			-	-
Losses recognised			(44,661,229)	(36,687,233)
Provision for costs to be incurred			(4,338,951)	(5,134,001)

This provision is expected to be utilised over the next 6 months.

15. Interest Bearing Loans and Borrowings

Current

Other loan secured	8,581,373	2,120,000
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Terms and conditions

This loan is from Monadelphous Group Limited and is to be repaid by 31 December 2015 or, at the lender's discretion, the principal outstanding can be converted into equity in AnaeCo Limited.

The interest rate is 12% per annum.

It is secured by a PPSA security interest over all PPSA personal property and a fixed charge over all other property.

At the lender's election, all or part of the loan balance outstanding may be repaid by conversion into equity in AnaeCo Limited, subject to shareholder approval.

16. Provisions (Current and Non Current)

Current

Employee benefits – annual leave	332,547	255,402
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Non Current

Employee benefits – long service leave	274,566	254,220
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Number of employees at reporting date	42	40
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17. Contributed Equity

2,610,298,168 (2014: 2,534,325,933) fully paid ordinary shares	71,742,426	71,365,647
Costs of capital raising	(2,964,007)	(2,964,007)
41,083,335 (2014: 41,791,668) reserved shares ⁽¹⁾	(607,000)	(644,000)
	68,171,419	67,757,640

NOTES TO THE FINANCIAL STATEMENTS

		2015		2014	
	Date	Shares	\$	Shares	\$
Movements in issued capital					
Ordinary fully paid shares					
Balance at 30 June 2013				2,486,369,732	71,078,557
Discretionary bonus ⁽²⁾	Jul '13			13,637,255	115,917
Employee share incentive (LTI) ⁽⁴⁾	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 ⁽⁵⁾	May '14			750,000	(13,897)
LTI shares cancelled	May '14			(14,458,332)	(258,000)
Shares for services rendered ⁽³⁾	Jul'13 - Jun '14			2,884,381	38,250
Balance at 30 June 2014		2,534,325,933	71,365,647	2,534,325,933	71,365,647
Employee share bonus (2014 STI)	Sep '14	8,861,607	59,946		
LTI shares issued	Dec '14	7,500,000	90,000		
LTI shares ⁽⁶⁾	Jan '15	(1,333,333)	(10,667)		
LTI shares cancelled	Jan '15	(1,500,000)	(18,000)		
LTI shares cancelled	Jun '15	(5,375,000)	(93,000)		
Shares for services rendered ⁽³⁾	Jul'14 - Jun '15	67,818,961	348,500		
		2,610,298,168	71,742,426		

⁽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⁾ Third party suppliers provided goods and services and the corresponding liability was settled via the issue of shares. The fair value of shares was determined with reference to their quoted share price.

⁽⁴⁾ Employee share incentive (LTI) shares issued after previous year end.

⁽⁵⁾ 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.

⁽⁶⁾ Difference in fair value at date of exercise of employee'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

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 legal loan is cancelled. Also upon cessation of employment, for shares which have vested the non-recourse legal loan becomes repayable one month after employment ceases, and in this situation the former employee can elect how to fund the loan repayment.

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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 7,500,000 LTI rights to employees at \$0.012 per share. 6,875,000 LTI shares were forfeited as the holders ceased employment and 1,333,333 LTI shares were exercised. 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:	2015 LTI Rights	2014 LTI Rights
Balance at beginning of the year	41,791,668	31,500,000
Issued	7,500,000	25,500,000
Forfeited	(6,875,000)	(14,458,332)
Exercised	(1,333,333)	(750,000)
Closing balance at the end of the year	41,083,335	41,791,668

At the reporting date there are 41,083,335 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.

At the reporting date 27,638,891 of these LTI rights are exercisable (2014: 14,444,457).

	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 2015
Others	5,666,667	Mar 2013	\$0.012	\$0.012	\$0.012	1,888,889	31 Mar 2014
						1,888,889	31 Mar 2015
						1,888,889	31 Mar 2016
Others	17,666,668	1 Oct 2013	\$0.008	\$0.008	\$0.012	5,888,890	31 Dec 2013
						5,888,889	31 Dec 2014
						5,888,889	31 Dec 2015
Others	7,500,000	31 Oct 2014	\$0.004	\$0.004	\$0.012	2,500,000	31 Dec 2014
						2,500,000	31 Dec 2015
						2,500,000	31 Dec 2016
Total	41,083,335						

NOTES TO THE FINANCIAL STATEMENTS

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	Expected life of right (Years)
Shaun Scott	15 Nov 2011	\$0.05	102%	3.2%	3
Les Capelli	30 Nov 2011	\$0.05	96%	3.2%	3
David Lymburn	18 Nov 2011	\$0.05	100%	3.2%	3
David Lymburn	22 Mar 2013	\$0.015	95%	3.56%	70
David Lymburn	1 Oct 2013	\$0.008	100%	3.944%	70
Others	3 May 2012	\$0.05	84%	2.8%	3
Others	22 Mar 2013	\$0.015	95%	3.56%	70
Others	Mar 2013	\$0.01	95%	3.26%	70
Others	Mar 2013	\$0.012	95%	3.26%	70
Others	1 Oct 2013	\$0.008	100%	3.944%	70
Others	31 Oct 2014	\$0.004	100%	3.25%	70

The valuation of LTI rights granted as at 30 June 2015 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 2015	Valuation of LTI rights granted as at 30 June 2014
2014	-	110,781
2015	94,106	149,949
2016	118,021	127,198
2017	27,333	20,444
2018	4,167	-
Total valuation of LTI rights granted in year	243,627	408,372

Discretionary Bonuses

No discretionary bonuses were awarded during the current year.

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.

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), Pacific Environment (PEH), Novarise (NOE), Silex Systems (SLX), Papyrus Australia (PPY), Intec (INL), Dyesol (DYE), Carnegie Wave Energy (CWE), Geodynamics (GDY). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the 2015 year, Mr Lymburn elected to waive the award of his STI entitlement and the right to this award lapsed.

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 (refer to note 2 (a)) 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 2015 \$	June 30 2014 \$
18. Reserves		
Employee benefits reserve	1,222,503	1,063,344
Balance at beginning of period	1,063,344	1,120,474
Share based payments	159,159	(57,130)
Balance at end of the period	1,222,503	1,063,344
The employee benefits reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.		
19. Accumulated Losses		
Opening balance	(67,151,228)	(61,508,073)
Current year loss attributable to members of the parent entity	(7,807,993)	(5,643,155)
Closing balance	(74,959,221)	(67,151,228)
20. Reconciliation of net loss after tax to the net cash flows from operating activities		
Loss after tax	(7,807,993)	(5,643,155)
Non-cash items:		
Depreciation and amortisation	922,675	904,995
Share based payment expenses	219,105	181,210
Accrued loan interest	504,477	120,000
Consultancy fees not paid in cash	348,500	38,250
Net movement in the provision for loss on engineering services contract	(795,050)	110,951
R&D Tax Incentive refund classified as investing activity	-	(998,163)
Changes in net assets and liabilities:		
Decrease in trade and other receivables	142,936	2,068,428
Decrease/(increase) in prepayments	17,369	(21,951)
(Decrease)/increase in trade and other payables	(385,195)	2,851
Increase in provision for employee benefits	97,491	160,279
Increase in interest bearing liabilities	76,896	-
Net cash flow (used in) operating activities	(6,658,789)	(3,076,305)

NOTES TO THE FINANCIAL STATEMENTS

21. 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:

	June 30 2015	June 30 2014
	\$	\$
Within one year	164,602	127,321
After one year but not more than five years	27,434	143,541
	<u>192,036</u>	<u>270,862</u>

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. At the reporting date no such claims exist.

22. Related Party Transactions

Compensation for Key Management Personnel

Short term employee benefits	428,835	502,688
Long term employee benefits (LSL)	7,001	8,050
Post-employment benefits	32,678	47,990
Share based payments	39,883	3,807
Total compensation	<u>508,397</u>	<u>562,535</u>

Key Management Personnel interest in rights through the LTI	<u>10,250,000</u>	<u>10,250,000</u>
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Refer to note 17 for details of share based payments such as grant date, share price at grant date, valuation per right, exercise price of each right and vesting conditions.

Details of directors' remuneration and retirement benefits are disclosed in the Remuneration Report.

Loan from related party

At 30 June 2015, an amount totalling \$8,581,373 (including \$851,373 interest) has been borrowed from Monadelphous Group Limited. Monadelphous Group Limited owns 14.9% of the issued capital of AnaeCo Limited. The loan is included in the statement of financial position within interest bearing loans and borrowings. Refer to note 15 for further details.

23. 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.

24. Remuneration of Auditors

Amounts paid or due and payable to the auditors of the parent Company for:

Audit services, including half year audit review services	90,168	85,430
Tax services	47,600	77,400
	<u>137,768</u>	<u>162,830</u>

NOTES TO THE FINANCIAL STATEMENTS

25. Financial Instruments

(a) Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and secured loans.

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 significant foreign operations or dealings in foreign currency and therefore currency risk is minimal. 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 2015.

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:

1 - 6 months	10,301,417	3,837,557
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(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	2015		2014	
	\$	%	\$	%
Financial Assets				
Cash and cash equivalents	728,725	2.2	1,641,915	2.2

(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 2015 and 2014.

1% interest rate sensitivity increments are considered reasonable in current global financial conditions.

	Carrying amount	Interest rate risk -1% Profit	Interest rate risk +1% Profit
30 June 2015	\$	\$	\$
Financial Assets			
Cash	728,725	(7,287)	7,287
30 June 2014			
Financial Assets			
Cash	1,641,915	(16,419)	16,419

NOTES TO THE FINANCIAL STATEMENTS

(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.

26. 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, apart from the shares issued to settle amounts owing to suppliers (refer note 28).

27. DIVIDENDS

No dividends have been paid or declared during the year.

28. EARNINGS PER SHARE

	June 30 2015	June 30 2014
Basic loss per share	(0.3) cents	(0.2) cents
Weighted average number of shares used in the calculation of basic earnings per share	2,562,120,152	2,529,362,569
Diluted loss per share	(0.3) cents	(0.2) cents
Loss used in determination of basic and diluted earnings per share	(7,807,993)	(5,643,155)

Basic and diluted loss per share for all periods prior to the renounceable rights issue completed during the 2013 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 Employee share bonus (STI)	-	7,621,048
Rights to shares in Employee share plan (LTI)	41,083,335	41,791,668
Total potentially dilutive securities	41,083,335	49,412,716

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

16,468,678 shares have been issued in the period subsequent to 30 June 2015 and up to the date of this report. 16,468,678 shares were issued to suppliers to settle amounts owing.

DIRECTORS' DECLARATION

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 2015 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 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 2015.

On behalf of the Board



Shaun Scott
Chairman
Perth, 24 September 2015

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 2015, 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 conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an 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 \$7,807,993 during the year ended 30 June 2015 and at that date its current liabilities exceeded its current assets by \$9,145,947. 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 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 \$3,235,782, in the 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 Project, amounting to \$4,338,951, in the 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 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 the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young



G Lotter
Partner
Perth

24 September 2015