AnaeCo Limited

Appendix 4D and Interim Financial Report

for the six months ended 31 December 2008

AnaeCo Limited

Appendix 4D Results for announcement to the market
Six months ended 31 December 2008

The reporting period is the six months ended 31 December 2008 and the previous corresponding period is the six months ended 31 December 2007. This Appendix 4D should be read in conjunction with the Interim Financial Report for the half year ended 31 December 2008.

Financial Results				**6 months Ended 31 Dec 2008** **$'000**
Revenue from ordinary activities	down	41.5%	to	352
Profit (loss) from ordinary activities after tax attributable to members	down	79.8%	to	(2,380)
Net profit (loss) for the period attributable to members	down	79.8%	to	(2,380)

Dividends

No dividends were paid during the period.

The Company does not propose to pay a dividend in respect of the half year ended 31 December 2008.

There is no dividend reinvestment plan.

A review of operations is contained within the Directors' Report in the Interim Financial Report..

Net Tangible Asset Backing	**31 December 2008**	**31 December 2007**
Net tangible asset backing per ordinary security (cents)	1.0	(0.5)

Control over other entities
The Company has neither gained nor lost control over any other entities in the reporting period.

Associates or joint ventures
The Company has a 16.4% interest in DiCOM AWT Investment Trust and DiCOM Operations Pty Ltd, the special purpose entities which will own and operate the DiCOM AWT facility being constructed for the Western Metropolitan Regional Council. The remaining 83.6% is owned by Palisade Regional Infrastructure Funds. The Company has accounted for these investments using the equity method and has recorded its share of these entities' profits for the period as $15,541.

Audit report
The auditor's review report contains an emphasis of matter regarding continuation as a going concern, and in doing so draws attention to the basis on which the Interim Financial Report has been prepared as disclosed in Note 2(a).

ANAECO LIMITED

and controlled entities

A.B.N. 36 087 244 228

INTERIM FINANCIAL REPORT

For the six months ended

31 DECEMBER 2008

AnaeCo Limited
Corporate Directory

ABN 36 087 244 228

Directors

Mr Jerome Rowley (Chairman)

Mr Thomas Rudas (Managing Director)

Mr Richard Rudas (Executive Director)

Prof. Michael Dureau (Non-executive Director)

Mr Gianmario Alessio Capelli (Non-executive Director)

Company Secretary

Mr David Lymburn

Registered office and principal place of business

3 Turner Avenue

Technology Park

Bentley, WA 6102

Share Register

Computershare Investor Services

Level 2, Reserve Bank Building

45 St Georges Terrace

Perth WA 6000

Auditors

Ernst & Young

11 Mounts Bay Road

Perth WA 6000

AnaeCo Limited
Directors' Report

Your directors submit their report on the Consolidated Entity consisting of AnaeCo Limited and entities it controlled for the six months ended 31 December 2008.

DIRECTORS

The names of the Company's directors in office during the six month period and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Jerome Rowley - Chairman

Michael Dureau - Non-executive Director

Les Capelli - Non-executive Director (appointed 28 November 2008)

Thomas Rudas - Managing Director

Richard Rudas - Director

REVIEW AND RESULTS OF OPERATIONS

In the six months ended 31 December 2008 the main operational activity of the Company was delivering the Western Metropolitan Regional Council (WMRC) Stage 1 project at its waste transfer station in Shenton Park, Western Australia. The WMRC project involves the construction in two stages of a DiCOM facility that will process 55,000 tpa of municipal solid waste. Stage 1 involves the construction of a preliminary front end sorting system and a single DiCOM bioconversion vessel. Once Stage 1 is operated to achieve performance trials Stage 2 will commence, which comprises completion of the sorting facility and the addition of two more bioconversion vessels.

During the current six month period the Company achieved completion of construction of Stage 1, and commenced mechanical commissioning. The mechanical commissioning was completed in January 2009 and was followed immediately by "wet" commissioning. In the first half of calendar year 2009 AnaeCo expects to complete commissioning and the performance trials, and then be in a position to move forward to Stage 2.

Also during the current six month period there was considerable activity in developing a pipeline of future projects.

- In September 2008 the Company announced that the DiCOM System had been selected as the successful tenderer for a project to be constructed for the Barwon Regional Waste Management Group in the Geelong area of Victoria. By 31 December 2008 project development activity was well underway, and will continue in the first half of calendar year 2009.

- In November 2008 the Company announced the signing of a memorandum of understanding with Melbourne metropolitan waste services provider Citywide Services to explore the feasibility of applying the DiCOM System to certain of its operations. AnaeCo and Citywide are now working on those feasibility studies.

- In December 2008 the Company announced the signing of a memorandum of understanding with Sindicatum Carbon Capital to explore the application of the DiCOM System to Clean Development Mechanism (CDM) projects it is developing in countries such as India, China and South East Asia. CDM projects are defined under the Kyoto Protocol as projects located in developing countries whereby entities in developed countries may benefit from the generation of tradeable carbon credits through the financing of eligible projects. Currently AnaeCo and Sindicatum are studying the feasibility of potential waste projects as well as working on an assessment of DiCOM as a CDM applicable technology.

Subsequent events

Subsequent to the end of the financial period the following occurred;

- On 23 January 2009 the Company raised $1,794,000 before costs, by the placement of 17,940,000 shares at an issue price of $0.10.

- On 27 January 2009 the Company announced commencement of "wet commissioning" at the Western Metropolitan Regional Council Stage 1 project in Shenton Park in Western Australia. This project is the first commercial scale application of the DiCOM System and wet commissioning comprises feeding municipal solid waste through the front end sorting facility and into the DiCOM bioconversion vessels where it will under go aerobic composting and anaerobic digestion. Wet commissioning will be followed by performance trials.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial period that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Auditor's Independence Declaration

The auditor's independence declaration for the six months ended 31 December 2008 has been received and is included at page 4 and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors.

Thomas Rudas
Managing Director
Perth, 27 February 2009

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of AnaeCo Limited and Controlled Entities

In relation to our review of the consolidated financial report of AnaeCo Limited for the half-year ended 31 December 2008, 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

P McIver
Partner
Perth

26 February 2009

PM:JC:ANAECO:012

AnaeCo Limited

Consolidated Income Statement

For the six months ended 31 December 2008

	Notes	2008 $	2007 $
Continuing operations			
Revenues	3	352,435	602,680
Depreciation and amortisation		(35,875)	(19,177)
Finance costs		(200,028)	(261,294)
Employee benefits expense	4(a)	(690,392)	(428,994)
Other expenses	4(b)	(713,303)	(577,357)
Project delivery costs		(1,474,505)	(639,710)
Share of profit of associated entities	6	15,541	-
Loss from continuing operations before income tax expense		(2,746,127)	(1,323,852)
Income tax benefit		366,071	-
Net loss after tax attributable to members of AnaeCo Limited		(2,380,056)	(1,323,852)
Loss per share for net loss attributable to ordinary equity holders of the parent			
Basic earnings per share (cents)		(2.1)	(1.9)
Diluted earnings per share (cents)		(2.1)	(1.9)

The accompanying notes form part of these financial statements

AnaeCo Limited
Consolidated Balance Sheet as at 31 December 2008

	Notes	31 December 2008 $	30 June 2008 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		159,875	552,442
Trade and other receivables	5	573,342	838,751
Other		71,896	71,050
TOTAL CURRENT ASSETS		805,113	1,462,243
NON-CURRENT ASSETS			
Trade and other receivables		214,395	203,758
Property, plant & equipment		185,396	209,995
Intangible assets		947,204	950,012
Investment in associates	6	2,455,538	2,310,501
Other financial assets		-	1,000,003
TOTAL NON-CURRENT ASSETS		3,802,533	4,674,269
TOTAL ASSETS		4,607,646	6,136,512
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		672,850	751,377
Long term construction contracts	7	1,380,201	1,633,604
Interest bearing loans and borrowings		20,141	23,274
Provisions		139,413	74,438
TOTAL CURRENT LIABILITIES		2,212,605	2,482,693
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings		40,984	47,922
Provisions		168,082	132,508
TOTAL NON CURRENT LIABILITIES		209,066	180,430
TOTAL LIABILITIES		2,421,671	2,663,123
NET ASSETS		2,185,975	3,473,389
EQUITY			
Contributed equity	8	16,332,096	15,352,876
Reserves		271,881	158,459
Accumulated losses		(14,418,002)	(12,037,946)
TOTAL EQUITY		2,185,975	3,473,389

The accompanying notes form part of these financial statements

AnaeCo Limited

Consolidated Cash Flow Statement

For the six months ended 31 December 2008

	2008 $	2007 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	440,234	833
Payments to suppliers and employees	(2,881,620)	(1,258,051)
Interest received	50,531	18,514
Interest paid	(8,009)	(2,172)
R & D tax refund received	367,132	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(2,031,732)	(1,240,876)
CASH FLOWS FROM INVESTING ACTIVITIES		
Funds withdrawn from/(placed on) deposit	1,000,000	(1,000,000)
Payment for investments	(129,496)	(695,758)
Purchase of property, plant and equipment	(8,469)	(43,463)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	862,035	(1,739,221)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,004,014	2,006,241
Costs of capital raising	(216,813)	(179,465)
Proceeds from issue of convertible note	-	2,000,000
Proceeds from borrowings	-	151,000
Repayment of borrowings	-	(502,631)
Repayment of finance leases or hire purchase	(10,071)	(2,531)
Share application monies held on trust	-	1,665,250
NET CASH FLOWS FROM FINANCING ACTIVITIES	777,130	5,137,864
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS HELD	(392,567)	2,157,767
Cash and cash equivalents at beginning of period	552,442	41,531
Cash and cash equivalents at end of period	159,875	2,199,298

The accompanying notes form part of these financial statements

AnaeCo Limited

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2008	Issued capital $	Accumulated losses $	Employee benefits equity reserve $	Total equity $
At the beginning of the half year	15,352,876	(12,037,946)	158,459	3,473,389
Total income and expense for the period recognised directly in equity	-	-	-	-
Loss for the period	-	(2,380,056)	-	(2,380,056)
Total income / (expense) for the period	-	(2,380,056)	-	(2,380,056)
Issued of share capital	1,004,014	-	-	1,004,014
Costs of capital raising	(24,794)	-	-	(24,794)
Cost of share based payment	-	-	113,422	113,422
At the end of the half year	16,332,096	(14,418,002)	271,881	2,185,975

The accompanying notes form part of these financial statements

AnaeCo Limited

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2007	Issued capital $	Convertible note classified as equity $	Accumulated losses $	Employee benefits equity reserve $	Total equity $
At the beginning of the half year	4,893,601	-	(6,927,142)	113,716	(1,919,825)
Total income and expense for the period recognised directly in equity	-	-	-	-	-
Loss for the period	-	-	(1,323,852)	-	(1,323,852)
Total income / (expense) for the period	-	-	(1,323,852)	-	(1,323,852)
Issue of share capital	2,036,242	2,000,000	-	-	4,036,242
Costs of capital raising	(209,465)	-	-	-	(209,465)
Cost of share based payment	-	-	-	17,251	17,251
At the end of the half year	6,720,378	2,000,000	(8,250,994)	130,967	600,351

The accompanying notes form part of these financial statements

1. CORPORATE INFORMATION

The general-purpose condensed consolidated financial statements of AnaeCo Limited and its controlled entities ("the Company") for the six months ended 31 December 2008 ("the interim financial report") was authorised for issue in accordance with a resolution of the directors on [24] February 2009. AnaeCo Limited is a company incorporated in Australia and limited by shares which are traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

The interim financial report is a general-purpose condensed consolidated financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 "Interim Financial Reporting" as issued by the Australian Accounting Standards Board. The interim financial report has been prepared on a historical cost basis.

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The interim financial report should be read in conjunction with the annual financial report of AnaeCo Limited as at 30 June 2008 and considered together with any public announcements made by the Company during the six months ended 31 December 2008 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Going Concern

The consolidated entity has net assets of $2,185,975 (30 June 2008, net assets of $3,473,389), net current liabilities of $1,407,492 (30 June 2008, net current liabilities of $1,020,450), a net decrease in cash and cash equivalents for the six month period of $392,567 (six months ended 31 December 2007 a net increase of $2,157,767) and incurred an operating loss after income tax of $2,380,056 (six months ended 31 December 2007, loss of $1,323,852) for the six months ended 31 December 2008. The consolidated entity'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 DiCOM technology and generating future sales to enable the Company and consolidated entity to generate profit and positive cash flows;
- obtain additional funding as and when required.

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 Company 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.

- On 23 January 2009 the Company raised $1,794,000 before costs by a placement of 17,940,000 shares issued at $0.10 each, which follows a similar share placement in November 2008 which raised $1,004,000 before costs by the placement of 10,040,000 shares at $0.10 each. The Company therefore has established a track record of successfully accessing equity markets for short term funding.
- 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.

Should the Company and consolidated entity not achieve the matters set out above, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as going concern.

Re-statement of comparatives
During the six months ended 31 December 2007 $1,166,667 of revenue was incorrectly recognised in the income statement in relation to a long term construction contract. Under the requirements of Australian Accounting Standards, where the outcome of a construction contract can be estimated reliably, contract revenue should be recognised by applying the stage of completion method. Initially the Company recognised revenue in the six months ended 31 December 2007 based on invoices raised. However for the year ended 30 June 2008 the Company assessed the percentage of completion of the contract and made an adjustment to recognise revenue in accordance with the percentage completion in preparing the 30 June 2008 annual financial statements. Applying the percentage of completion method at 31 December 2007 requires restating the revenue recognised in that six month period from $1,750,000 to $583,333, representing a 33% completion at 31 December 2007.

There was no profit or loss recognised on this construction contract at 31 December 2007 and the accounting method to record this involved recognising the amount of unearned revenue as a liability in the balance sheet with a corresponding charge to the income statement shown as project delivery costs. Therefore with the re-statement of revenue in the six months ended 31 December 2007 there is a requirement to make a corresponding re-statement of unearned revenue and project delivery costs.

There is no change to the net loss reported for the six months ended 31 December 2007, or any other period as a result of this re-statement, and there is no change to the earnings per share or the net assets reported at the 31 December 2007 balance date, or any other reporting date.

A summary of the re-stated figures and their effect on the Income Statement for the six months ended 31 December 2007 and the balance sheet as at 31 December 2007 is as follows;

Income statement – six months ended 31 December 2007	Re-stated	Original presentation
Revenue – engineering services	583,333	1,750,000
Project delivery costs (‘project development expenses’ in 31 December 2007 interim report)	(639,710)	(1,806,377)
Net effect in income statement	(56,377)	(56,377)

b. Significant accounting policies

Apart from changes in accounting policies noted below the interim financial report has been prepared using the same accounting policies and methods of computation as used in the annual financial statements for the year ended 30 June 2008.

c. Changes in accounting policies

Since 1 July 2008, the consolidated entity has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the consolidated entity:

- AASB 2008-10 *Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)*
- Interpretation 12 and AASB 2007-2 *Service Concession Arrangements* and consequential amendments to other Australian Accounting Standards
- Interpretation 129 *Service Concession Arrangements: Disclosures*
- Interpretation 4 (revised) *Determining whether an arrangement contains a lease*
- Interpretation 4 (revised) *Determining whether an arrangement contains a lease*
- Interpretation 13 *Customer Loyalty Programmes*.

The group has not elected to early adopt any new standards or amendments.

	Consolidated	
	6 Months Ended 31 December 2008 $	6 Months Ended 31 December 2007 $
3. REVENUE		
Loss before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
Revenues		
EPCM services	270,000	583,333
Interest received	50,531	18,514
Other revenue	31,904	833
	352,435	602,680
4. EXPENSES		
(a) **Employee benefits expense**		
Wages and salaries	425,701	293,903
Defined contribution superannuation plan expense	84,161	49,482
Non-executive directors remuneration	67,108	68,358
Share based payments expense	113,422	17,251
(including expense arising from transactions accounted for as equity-settled share based payment transactions)		
	690,392	428,994
(b) **Other expenses**		
Premises and related expenses	102,813	116,681
Consultants	160,328	72,326
Travel and communications	144,359	73,878
Other	305,803	314,472
	713,303	577,357

	31 December 2008 $	30 June 2008 $
5. TRADE AND OTHER RECEIVABLES – CURRENT		
Trade receivables	178,115	343,622
Other receivables	29,156	94,697
Security deposit	-	33,300
Income tax refund	366,071	367,132
	573,342	838,751

6. INVESTMENT IN ASSOCIATES

Investment in associates comprises $2,455,538 of equity invested in DiCOM AWT Investment Trust and DiCOM Operations Pty Ltd, the project entities which will own and operate the WMRC DiCOM facility; and this represents AnaeCo's 16.4% of equity contribution since commencement of the project in August 2007.

A reconciliation of the movement in this investment for the six month period is as follows:

	$
Investment in associated entities at 30 June 2007	2
Investment in new issues of securities in the six months to 31 December 2007	895,758
Investment in associated entities at 31 December 2007	895,760
Investment in new issues of securities in the six months to 30 June 2008	1,405,430
Share of net results of associated entities for the 12 months to 30 June 2008	9,311
Investment in associated entities accounted for using the equity method, at 1 July 2008	2,310,501
Investment in new issues of securities in the six months to 31 December 2008	129,496
Share of net results of associated entities for the six month period	15,541
Investment in associated entities accounted for using the equity method, at 31 December 2008	2,455,538

7. LONG TERM CONSTRUCTION CONTRACTS

	31 December 2008 $	30 June 2008 $
Provision for costs to complete	1,380,201	1,633,604

This is a provision for the estimated cost to the Company for the completion of its contractual obligations in relation to the provision of EPCM services to the WMRC Stage 1 project.

8. CONTRIBUTED EQUITY

	31 December 2008 $	30 June 2008 $
Issued Capital	16,930,359	15,926,345
Costs of capital raising	(598,263)	(573,469)
	16,332,096	15,352,876

Ordinary shares

Movements in ordinary fully paid shares	Date	Shares	$
Balance at 1 July 2007		115,615,999	4,893,601
Share issue	July '07	1,250,000	125
Entitlements issue	Aug '07	1,337,411,180	2,006,117
Entitlements issue – underwriter shares	Aug '07	20,000,000	30,000
Consolidation of capital	Aug '07	(1,400,562,671)	-
Balance at 31 December 2007		73,714,508	6,929,843

		31 December 2008 $	30 June 2008 $

8. CONTRIBUTED EQUITY (continued)

Ordinary shares (movements)	Date	Shares	$
Share issue – IPO	Jan '08	12,000,000	3,000,000
Share issue – IPO underwriter shares	Jan '08	1,000,000	250,000
Conversion of underwriter convertible note	Jan '08	8,081,534	2,020,384
Conversion of convertible notes	Jan '08	14,904,473	2,592,753
Discount on conversion of convertible notes	Jan '08	-	1,133,365
Balance at 30 June 2008		109,700,515	15,926,345
Share issue – placement	Nov '08	10,040,000	1,004,000
Share issue – conversion of options	Nov '08	18	14
Balance at 31 December 2008		119,740,523	$16,930,359

Holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings. In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors, and are fully entitled to any surplus proceeds of liquidation.

Converting shares			
Balance at 1 July 2007		4,000,000	-
Consolidation of capital	Aug '07	(3,800,000)	-
Balance at 31 December 2007 and 30 June 2008		200,000	-
Lapsed at expiry date without converting	Sept '08	(200,000)	-
Balance at 31 December 2008		-	-

Options

As at 31 December 2008 the details of share options on issue is as follows:

Class	Number	Expiry	Exercise price
Class A quoted	13,737,832	31 May 2010	$0.50
Class B quoted	13,737,832	31 May 2012	$1.00
Director options – unquoted	5,075,000	31 December 2011	$0.25
Employee options -unquoted	4,475,000	31 December 2011	$0.25

On 1 September 2008 the Company issued 9,850,000 unlisted options with an expiry date of 31 December 2011 and an exercise price of $0.25 to Directors and employees. All of these unlisted options are subject to the following vesting conditions.

The Options shall vest with the Director or employee in equal portions of one half respectively upon the achievement of each of two vesting hurdles, subject to the Director or employee remaining as a Director or employee of the Company from the date of grant of the Options, until the date of achieving each vesting hurdle.

The two vesting hurdles are;

- Share price trades at an average of $0.50 or higher on any consecutive 10 day period, after 31 December 2008.
- Share price trades at an average of $1.00 or higher on any consecutive 10 day period, after 31 December 2009.

300,000 options lapsed prior to 31 December 2008 in relation to an employee ceasing to continue in employment.

The Company has calculated the fair value of this grant of options to be $248,300 using the Monte Carlo method. This fair value will be expensed over the period when the benefit of the options is expected to vest with the directors and employees. The amount expensed in the current six month period is $71,881.

The key model inputs in determining the fair value were;

- Dividend yield – nil
- Expected share price volatility – 78%
- Risk-free interest rate – 5.63%
- Life of options – until expiry 31 December 2011
- Option exercise price - $0.25
- Weighted average share price at grant date - $0.10

9. DIVIDENDS

No dividends were paid or proposed during the 6 months ended 31 December 2008.

10. COMMITMENTS AND CONTINGENCIES

The Company has operating lease and hire purchase commitments, and there has been no material change to the nature and extent of these since the last annual reporting date.

The Company has no capital commitments at the date of this report. Liabilities relating to completion of project delivery of the WMRC Stage 1 project are provided for under Long Term Construction Contracts and included as current liabilities.

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets other than, the Company has replaced the project financial security under the EPCM Agreement for the WMRC Stage 1 project. The EPCM Agreement required a $1,000,000 bank guarantee to secure certain performance obligations. AnaeCo agreed with the project principal (DiCOM AWT Investment Trust) and its investing partner (Palisade Regional Infrastructure Fund) that this could be substituted by a mortgage over AnaeCo's 16.4% equity interest in the units of DiCOM AWT Investment Trust and shares of DiCOM AWT Operations Pty Ltd.

The Company is not aware of any other material contingent liabilities or circumstances which may give rise to a material contingent liability.

11. SEGMENT REPORTING

(a) Primary Reporting – Business Segments

The Company operates in one business segment being waste management.

(b) Secondary Reporting – Geographical Segments

The Company presently operates in one geographical segment, being Australia.

12. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the end of the financial period the following occurred;

- On 23 January 2009 the Company raised $1,794,000 before costs, by the placement of 17,940,000 shares at an issue price of $0.10.

- On 27 January 2009 the Company announced commencement of “wet commissioning” at the Western Metropolitan Regional Council Stage 1 project in Shenton Park in Western Australia. This project is the first commercial scale application of the DiCOM System and wet commissioning comprises feeding municipal solid waste through the front end sorting facility and into the DiCOM bioconversion vessels where it will under go aerobic composting and anaerobic digestion. Wet commissioning will be followed by performance trials.

Other than the above, there has not been any matter or circumstance that has arisen since the end of the financial period that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

AnaeCo Limited

Directors' Declaration

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

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001 including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of the performance for the six months ended on that date; and

 (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) subject to the matters referred to in note 2 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Thomas Rudas
Managing Director
Perth, 27 February 2009

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

To the members of AnaeCo Limited and Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AnaeCo Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, the condensed statement of changes in equity and the condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period end or from time to time during the period.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2008 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of AnaeCo Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, 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. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

Conclusion

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

i) giving a true and fair view of the entity's financial position as at 31 December 2008 and of its performance for the period ended on that date; and

ii) complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2 Going Concern to the financial report, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst + Young

Ernst & Young

Peter McIver

Peter McIver
Partner
Perth

26 February 2009